

July 18, 2019

Credit Headlines: CapitaLand Commercial Trust

Market Commentary

- The SGD swap curve bear-flattened yesterday, with the shorter tenors and belly traded 1-2bps higher, while the longer tenors traded 0-1bps higher.
- The Bloomberg Barclays Asia USD IG Bond Index average OAS widened 2 bps to 129bps while the Bloomberg Barclays Asia USD HY Bond Index average OAS widened 9bps to 475bps.
- Flows in SGD corporates were heavy, with flows in SOCGEN 6.125%-PERPs, CS 5.625%-PERPs, DBSSP 3.98%-PERPs and CENCHI 6.25%'20s
- 10Y USTs fell 6bps to 2.04%, after renewed US – China trade tensions and weaker than expected US homebuilding data boosted risk-off sentiment. Spread between 3-month treasury bills and 10-year treasury notes remains inverted, with the spread widening to -7bps.

Credit Headlines

CapitaLand Commercial Trust (“CCT”) | Issuer Profile: Neutral (3)

- CCT raised SGD220mn via a private placement overnight at SGD2.095 per new unit which is ~3.7% discount to the volume weighted average price of SGD2.1762 per unit.
- We think these funds will go towards financing the purchase consideration (~SGD205.3mn) and related expenses (~SGD6.3mn) for the acquisition of Main Airport Centre in Frankfurt, Germany. Management had earlier guided that the cost of funds in Euro for the acquisition is ~1.1% p.a.. As such we find it interesting that management had gone with an equity private placement despite its existing debt headroom and the low cost of funds in Euro which would have been a natural hedge. (Company, OCBC)

Table 1: Key Financial Indicators

	18-Jul	1W chg (bps)	1M chg (bps)
iTraxx Asiax IG	65	2	-6
iTraxx SovX APAC	40	0	-5
iTraxx Japan	59	1	-10
iTraxx Australia	63	2	-5
CDX NA IG	55	1	-3
CDX NA HY	107	0	0
iTraxx Eur Main	50	1	-6
iTraxx Eur XO	249	3	-12
iTraxx Eur Snr Fin	61	2	-9
iTraxx Sovx WE	15	0	-2
AUD/USD	0.701	0.49%	1.90%
EUR/USD	1.123	-0.24%	0.29%
USD/SGD	1.361	-0.26%	0.46%
China 5Y CDS	43	1	-4
Malaysia 5Y CDS	53	2	-10
Indonesia 5Y CDS	86	0	-12
Thailand 5Y CDS	33	1	-2

	18-Jul	1W chg	1M chg
Brent Crude Spot (\$/bbl)	63.66	-5.00%	4.46%
Gold Spot (\$/oz)	1,424.92	1.50%	5.82%
CRB	179.42	-2.58%	1.89%
GSCI	419.89	-3.28%	2.31%
VIX	13.97	7.21%	-7.79%
CT10 (bp)	2.050%	-8.75	-0.92
USD Swap Spread 10Y (bp)	-7	-2	-1
USD Swap Spread 30Y (bp)	-35	-2	-3
US Libor-OIS Spread (bp)	25	6	8
Euro Libor-OIS Spread (bp)	6	1	0
DJIA	27,220	1.34%	2.85%
SPX	2,984	-0.29%	2.28%
MSCI Asiax	652	0.38%	3.55%
HSI	28,593	1.38%	3.98%
STI	3,365	0.73%	3.89%
KLCI	1,658	-1.28%	0.29%
JCI	6,395	-0.25%	2.19%

New issues:

- NWD Finance (BVI) Ltd (guarantor: New World Development Company Ltd) has priced a USD400mn re-tap of its existing NWDEVL 6.25%-PERP at 5.9%, tightening from IPT at 6.25% area.
- China Grand Automotive Services Ltd (guarantor: China Grand Automotive Services Group Co., Ltd) has priced a USD75mn re-tap of its existing CHIGRA 8.625%'22s at 10.0%, in line with IPT.
- Wanda Group Overseas Ltd (guarantor: Dalian Wanda Group Co., Ltd) has priced a USD400mn 3-year bond at 7.875%, tightening from IPT at 8.0% area.

Date		Size	Tenor	Pricing
17-Jul-19	NWD Finance (BVI) Ltd	USD400mn	NWDEVL 6.25%-PERP	5.9%
17-Jul-19	China Grand Automotive Services Ltd	USD75mn	CHIGRA 8.625%'22s	10.0%
17-Jul-19	Wanda Group Overseas Ltd	USD400mn	3-year	7.875%
16-Jul-19	Powerlong Real Estate Holdings Ltd	USD170mn	4NC2	7.25%
16-Jul-19	Ronshine China Holdings Ltd	USD300mn	3.5NC2.5	8.95%
16-Jul-19	Franshion Brilliant Ltd	USD500mn	10-year	T+220bps
16-Jul-19	Korea Water Resources Corp	USD100mn	3-year FRN	US LIBOR+65bps
16-Jul-19	Adani Ports and Special Economic Zone Ltd	USD650mn	5-year	T+150bps
16-Jul-19	Kaisa Group Holdings Ltd	USD300mn	4NC2	11.0%
16-Jul-19	The Hong Kong Mortgage Corp Ltd	SGD15mn	1-year FRN	SORF3M-4bps
15-Jul-19	Korea Western Power Co., Ltd	USD300mn	3-year	T+72.5bps
15-Jul-19	China Hongqiao Group Ltd	USD300mn	3-year	7.125%
15-Jul-19	Fantasia Holdings Group Co., Ltd	USD200mn	3.25NC2	12.5%
15-Jul-19	Maxi-Cash Financial Services Corp Ltd	SGD26.5mn	3-year	6.35%

Source: OCBC, Bloomberg

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