

Market Commentary

- The SGD swap curve bull-flattened yesterday, with the shorter tenors traded 1-3bps lower, while the longer tenors (>5yr) traded 3bps lower.
- The Bloomberg Barclays Asia USD IG Bond Index average OAS was unchanged at 129bps while the Bloomberg Barclays Asia USD HY Bond Index average OAS was also unchanged at 518bps.
- Flows in SGD corporates were heavy, with large ticket flows in UBS 4.85%-PERPs. We also saw flows in FPLSP 4.98%-PERPs, ARASP 5.6%-PERPs, CAPLSP 3.15%'29s, UOBSP 3.58%-PERPs, F 4.125%'24s, SPHRSP 4.1%-PERPs, CS 5.625%-PERPs, TMGSP 4.8%'22s, CAPL 3.08%'27s and UBS 5.875%-PERPs.
- 10Y USTs yields fell 4.5bps to close at 1.80% ahead of the FOMC meeting, on the back of cautiousness over volatility in the US money-market rates and lingering concerns over possible conflict in the Middle East. Spread between 3-month treasury bills and 10-year treasury notes remains inverted, with the spread widening to -16bps.

Credit Research

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Credit Summary:

- **[Mapletree Logistics Trust](#) | Neutral (4):** MLT has entered into a conditional forward purchase agreement to buy a warehouse in Trugania, Melbourne (Victoria, Australia) at a purchase price of AUD18.4mn (~SGD17.4mn), while transaction costs are estimated to be up to AUD1.6mn.
- **[Mapletree Industrial Trust](#) | Neutral (3):** MINT has raised SGD400mn via equity (176.6mn new units at SGD2.265 per unit). SGD393.6mn will be used to partially fund the acquisition announced yesterday while the balance of SGD6.4mn will be used to pay the fees and expenses. As such, we think MINT will have to raise SGD565mn in debt. Consequentially, we see MINT's pro-forma aggregate leverage rising to 37.6% from 33.4% at 30 June 2019 and pro-forma EBITDA/Interest at 4.5x, down from 6.6x. Post-transaction, Data Centres will make up 31.5% of MINT's overall portfolio, with Flatted Factories at 27.4%.
- **[CITIC Envirotech Ltd](#) | Neutral (5):** CEL announced that it has entered into a conditional construction and cooperation agreement with Karazhanbasmunai JSC ("KBM") to construct, operate and manage the demineralisation of reservoir water in the field of Karazhanbas and providing the technology, equipment and services required in connection to this demineralisation. CEL will also be supplying desalinated water to KBM for 15 years until 2035. Given that this is a related party transaction, CEL will be seeking shareholders' approval for the transaction, with a shareholders circular to be issued in due course. While this is a smaller scale transaction, in our view, it signals further linkages of CEL with the broader CITIC group.

Asian Credit Daily

Credit Headlines

Mapletree Logistics Trust (“MLT”) | Issuer Profile: Neutral (4)

- MLT has entered into a conditional forward purchase agreement to buy a warehouse in Trugania, Melbourne (Victoria, Australia) at a purchase price of AUD18.4mn (~SGD17.4mn), while transaction costs are estimated to be up to AUD1.6mn.
- MLT is intending to fund the transaction with debt, which will push MLT’s unadjusted aggregate leverage to 36.9% (30 June 2019: 36.9%). We see this transaction as credit neutral given the small size. (Company, OCBC)

Mapletree Industrial Trust (“MINT”) | Issuer Profile: Neutral (3)

- MINT has raised SGD400mn via equity (176.6mn new units at SGD2.265 per unit). SGD393.6mn will be used to partially fund the [acquisition announced yesterday](#) while the balance of SGD6.4mn will be used to pay the fees and expenses.
- As such, we think MINT will have to raise SGD565mn in debt. Consequentially, we see MINT’s pro-forma aggregate leverage rising to 37.6% from 33.4% at 30 June 2019 and pro-forma EBITDA/Interest at 4.5x, down from 6.6x.
- Despite MINT’s weaker credit metrics, its Issuer Profile is borderline within our range for Neutral (3) for now. A downgrade is possible if MINT continues on a leveraging path. We view MINT’s shift into Hi-Tech Building such as Data Centres as strategic and perhaps necessary given the muted growth in segments such as Flatted Factories which it was most exposed to prior to the transaction.
- Post-transaction, Data Centres will make up 31.5% of MINT’s overall portfolio, with Flatted Factories at 27.4%. (Company, OCBC)

Asian Credit Daily

Credit Headlines

CITIC Envirotech Ltd (“CEL”) | Issuer Profile: Neutral (5)

- CEL announced that it has entered into a conditional construction and cooperation agreement with Karazhanbasmunai JSC (“KBM”) to construct, operate and manage the demineralisation of reservoir water in the field of Karazhanbas and providing the technology, equipment and services required in connection to this demineralisation. CEL will also be supplying desalinated water to KBM for 15 years until 2035.
- KBM is a company established in Kazakhstan and a joint venture entity between CITIC Canada Energy Limited (CITIC Canada) and JSC KazMunaiGas Exploration Production. CITIC Canada owns 50% of the issued voting shares in KBM. CEL’s indirect parent company, CITIC Limited’s (“CITIC”) exact effective interest in CITIC Canada and KBM is not directly provided, although it is disclosed that KBM is an associate of CITIC, via CITIC Resources Holdings Limited (“CITIC Resources”). CITIC Resources is a separately listed mining and exploration company that forms part of CITIC’s Resources & Energy business.
- We note that CITIC Resources holds a 50%-stake in CITIC Canada, while CITIC Resources itself is ~50%-owned by CITIC, which gives CITIC Limited ~13%-effective stake in KBM, based on our estimates.
- KBM is required to develop the design and estimated documentation and obtain relevant approvals in accordance with the laws of Kazakhstan, at the cost and expense of CEL. The total amount of investment costs to be incurred by CEL is estimated at USD65mn (~SGD89.6mn).
- Given that this is a related party transaction, CEL will be seeking shareholders’ approval for the transaction, with a shareholders circular to be issued in due course. While this is a smaller scale transaction, in our view, it signals further linkages of CEL with the broader CITIC group. CITIC is a state-owned entity, which also plays a role in executing public policy objectives. (Company, OCBC)

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Key Market Movements

	18-Sep	1W chg (bps)	1M chg (bps)		18-Sep	1W chg	1M chg
iTraxx Asiax IG	55	-2	-11	Brent Crude Spot (\$/bbl)	64.50	6.07%	9.99%
iTraxx SovX APAC	35	0	-7	Gold Spot (\$/oz)	1,501.34	0.28%	0.36%
iTraxx Japan	54	-1	-8	CRB	178.79	2.20%	4.92%
iTraxx Australia	57	-1	-9	GSCI	420.65	2.50%	6.26%
CDX NA IG	51	1	-4	VIX	14.44	-5.00%	-21.82%
CDX NA HY	108	0	1	CT10 (%)	1.815%	7.68	26.15
iTraxx Eur Main	48	-1	-2				
				AUD/USD	0.685	-0.12%	1.33%
iTraxx Eur XO	250	2	-21	EUR/USD	1.107	0.52%	-0.10%
iTraxx Eur Snr Fin	59	1	-6	USD/SGD	1.375	0.33%	0.84%
iTraxx Sovx WE	15	-1	-4				
				DJIA	27,111	0.75%	4.73%
USD Swap Spread 10Y	-12	0	-1	SPX	3,006	0.88%	4.05%
USD Swap Spread 30Y	-42	0	-1	MSCI Asiax	628	-0.29%	4.40%
US Libor-OIS Spread	30	0	3	HSI	26,838	-1.18%	4.29%
Euro Libor-OIS Spread	6	-1	0	STI	3,183	-0.68%	2.17%
China 5Y CDS	39	-1	-10	KLCI	1,596	-0.01%	-0.22%
Malaysia 5Y CDS	43	-2	-13	JCI	6,237	-1.58%	-0.79%
Indonesia 5Y CDS	77	0	-16				
Thailand 5Y CDS	28	0	-4				

Source: Bloomberg

New Issues

- Wuhan Metro Group Co., Ltd has priced a USD300mn 5-year bond at T+129bps, tightening from IPT of T+165bps area.
- Joy Treasure Assets Holdings Inc (Guarantor: China Orient Asset Management (International) Holding Ltd) has priced a USD400mn 5-year bond at T+145bps (tightening from IPT of T+165bps area), and a USD500mn 10-year bond at T+185bps (tightening from IPT of T+220bps area).
- Azure Power Solar Energy Private Ltd has priced a USD350.1mn 5.25NC3 bond at 5.65%, tightening from IPT of 6.0% area.

Date	Issuer	Size	Tenor	Pricing
17-Sep-19	Wuhan Metro Group Co., Ltd	USD300mn	5-year	T+129bps
17-Sep-19	Joy Treasure Assets Holdings Inc	USD400mn USD500mn	5-year 10-year	T+145bps T+185bps
17-Sep-19	Azure Power Solar Energy Private Ltd	USD350.1mn	5.25NC3	5.65%
16-Sep-19	Bangkok Bank PCL ,Hong Kong Branch	USD1.2bn	15NC10	T+190bps
16-Sep-19	Agricultural Bank of China Limited, Singapore Branch	USD500mn	3-year FRN	3m-US LIBOR +66bps
12-Sep-19	The Bank of East Asia, Ltd	USD650mn	NC5-Perpetual	5.875%
12-Sep-19	Huai'an Traffic Holding Co., Ltd	USD300mn	3-year	6.0%
11-Sep-19	Zhaobing Investment (BVI) Ltd	USD300mn	3-year	6.0%
10-Sep-19	Guangxi Communications Investment Group Corporation Ltd	USD300mn	3-year	3.7%
10-Sep-19	FWD Group Ltd	USD600mn	NC5-Perpetual	6.375%
10-Sep-19	Shuifa International Holdings (BVI) Co., Ltd	USD400mn	3-year	4.15%
10-Sep-19	SK Hynix Inc.	USD500mn	5-year	T+162.5bps
10-Sep-19	Country Garden Holdings Co., Ltd	USD500mn	6NC4	6.15%
10-Sep-19	Korea Development Bank	USD100mn	2-year	3m-US LIBOR+30bps
10-Sep-19	Housing and Development Board	SGD500mn	15-year	2.315%

Source: OCBC, Bloomberg

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