

Jan 21, 2019

**Credit Headlines:** Frasers Commercial Trust, Frasers Centrepont Trust

## **Market Commentary**

- The SGD swap curve steepened last Friday, with swap rates trading 3-4bps higher across most tenors (with the exception of the 12-year swap rate trading 3bps higher).
- The Bloomberg Barclays Asia USD IG Bond Index average OAS tightened 2bps to 157bps while the Bloomberg Barclays Asia USD HY Bond Index average OAS tightened 4bps to 572bps.
- Flows in SGD corporates were heavy yesterday, with flows seen in SINTEC 5.0%-PERPs, BNP 4.35%'29s, UBS 5.875%-PERPs, DBSSP 3.98%-PERPs, MRCOOP 3.28%'25s, MAPLSP 3.95%-PERPs and HSBC 4.7%-PERPs.
- 10Y UST yields rose 4bps to close at a 3-week-high of 2.78%, as optimism for a conclusion to the US-China trade war continued along with a stronger-than-forecasted output from the US manufacturing sector.

## **Credit Headlines:**

### **Frasers Commercial Trust ("FCOT") | Issuer Profile: Neutral (4)**

- FCOT reported 1Q2019 results. Reported gross revenue was 10.7% lower y/y at SGD31.5mn, mainly due to lower occupancy rates for the Singapore properties (75.0% down from 83.3% as at 31 December 2017), divestment of 55 Market Street on 31 August 2018 and effects of the average weaker Australian dollar. NPI declined by 15.0% y/y as a result of lower portfolio gross revenue, higher property tax for Alexandra Technopark ("ATP") and higher amortisation of lease incentives for Central Park and 357 Collins Street. Including the 50.0% interest in Farnborough Business Park in the UK which was acquired on 29 January 2018 (and accounted for as a share of results of joint venture), NPI would have been ~4% y/y instead.
- Although portfolio committed occupancy rate reportedly improved marginally to 83.8% as at 31 December 2018, it includes a lease by HP Singapore (9.0% of the net lettable area of the property) which has expired on 31 December 2018 and was not renewed. Low occupancy at ATP (30 Dec 2018: 68.6% (~60% after adjusting for HP's departure), 30 Sep 2018: 70.2%) and Central Park (30 Dec 2018: 71.5%, 30 Sep 2018: 70.0%) continue to drag overall portfolio occupancy. FY2019 lease expiries as a percentage of total gross rental income are 18.1%. The bulk of the expiries (8.8% of portfolio gross rental income, 6.1% when adjusted for committed leases secured) is at ATP whose SGD45mn asset enhancement initiative announced in January 2017 is nearing completion. We think the performance of ATP post-AEI is crucial to FCOT.
- Aggregate leverage of 28.4% is low. As at 30 December 2018, FCOT only has SGD29mn bank borrowings coming due in 2019. The low leverage level provides substantial headroom and flexibility for FCOT to acquire assets from sponsor. It is worth noting that FCOT has over SGD4bn in right of first refusal properties from sponsor, Frasers Property Group. We are maintaining FCOT at Neutral (4) Issuer Profile. (OCBC, Company)

### **Frasers Centrepont Trust ("FCT") | Issuer Profile: Neutral (3)**

- FCT announced that Dr Chew Tuan Chiong, 62, CEO and Executive Director of Frasers Centrepont Asset Management Ltd ("FCAM"), as manager of FCT, has expressed his intention to retire. Dr Chew joined FCAM as CEO in Jan 2010. (Company)

**Table 1: Key Financial Indicators**

	21-Jan	1W chg (bps)	1M chg (bps)
iTraxx Asiax IG	85	-5	-14
iTraxx SovX APAC	64	-4	-7
iTraxx Japan	72	-5	-12
iTraxx Australia	85	-5	-12
CDX NA IG	73	-7	-20
CDX NA HY	105	1	4
iTraxx Eur Main	76	-6	-14
iTraxx Eur XO	321	-21	-37
iTraxx Eur Snr Fin	94	-11	-18
iTraxx Sovx WE	25	-1	0
AUD/USD	0.716	-0.47%	1.75%
EUR/USD	1.137	-0.83%	0.02%
USD/SGD	1.359	-0.37%	1.13%
China 5Y CDS	59	-5	-11
Malaysia 5Y CDS	89	-8	-22
Indonesia 5Y CDS	123	-7	-18
Thailand 5Y CDS	43	-3	-2

	21-Jan	1W chg	1M chg
Brent Crude Spot (\$/bbl)	62.31	5.63%	15.77%
Gold Spot (\$/oz)	1,283.00	-0.68%	2.07%
CRB	182.21	2.32%	5.86%
GSCI	413.20	2.55%	8.65%
VIX	17.8	-2.14%	-40.88%
CT10 (bp)	2.784%	8.18	-0.60
USD Swap Spread 10Y (bp)	4	1	0
USD Swap Spread 30Y (bp)	-18	3	-5
TED Spread (bp)	38	0	-4
US Libor-OIS Spread (bp)	35	-2	-6
Euro Libor-OIS Spread (bp)	5	1	1
DJIA	24,706	2.96%	10.07%
SPX	2,671	2.87%	10.51%
MSCI Asiax	622	2.89%	4.99%
HSI	27,091	1.59%	5.19%
STI	3,224	0.80%	5.85%
KLCI	1,692	0.53%	1.31%
JCI	6,448	1.36%	4.62%

## New issues

- Easy Tactic Ltd has priced a USD300mn 3.5NC2 bond (guarantor: R&F Properties HK Co Ltd and certain Non-PRC subsidiaries of Guangzhou R&F Properties Co.) at 9.25% (9.125% at 99.633), tightening from IPT of 9.5% area.

Date	Issuer	Size	Tenor	Pricing
18-Jan-19	Easy Tactic Ltd	USD300mn	3.5NC2	9.25%
17-Jan-19	Mercatus Co-operative Ltd	SGD100mn	6-year	3.28%
17-Jan-19	Bharat Petroleum Corporation Ltd	USD500mn	3-year	CT+187.5bps
17-Jan-19	BOC Aviation Ltd	USD500mn	5-year	CT+155bps
17-Jan-19	CMB Wing Lung Bank Ltd	USD400mn	Perp NC5 AT1	6.5%
17-Jan-19	Country Garden Holdings Co Ltd	USD550mn USD450mn	3.25NC2 COGARD 8.0%'24s	7.125% 8.25%
16-Jan-19	State Bank of India/London	USD1.25bn 2-tranche	USD400mn: 3-year USD850mn: 5-year	CT+157.5bps CT+185bps
16-Jan-19	Greenland Global Investment Ltd	USD300mn	1-year, 9-month	8.0%
16-Jan-19	DBS Group Holdings Ltd	USD100mn	5-year	3.422%
15-Jan-19	Housing & Developmental Board	SGD600mn	10-year	2.675%
15-Jan-19	Bocom Leasing Management Hong Kong Company Ltd	USD1.5bn 2-tranche	USD800mn: 3-year USD700mn: 5-year	3Y FXD+172.5bps 5Y FXD+200bps
15-Jan-19	China Aoyuan Group Ltd	USD500mn	3NC2	8.5%
15-Jan-19	Yuzhou Properties Company Limited	USD500mn	3-year	8.625%
15-Jan-19	Zhenro Properties Group Limited	USD150mn	ZHPRHK 10.5% '20s	10.625%
15-Jan-19	Hanwha Total Petrochemical Co Ltd	USD400mn	5-year	CT5+140bps

Source: OCBC, Bloomberg

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