

June 26, 2019

Credit Headlines: Frasers Commercial Trust, Commerzbank AG

Market Commentary

- The SGD swap curve was little changed yesterday, with the shorter tenors and belly trading 0-1bps lower, while the longer tenors traded 1bps lower.
- The Bloomberg Barclays Asia USD IG Bond Index average OAS widened 1bps to 136bps while the Bloomberg Barclays Asia USD HY Bond Index average OAS was unchanged at 494bps.
- Flows in SGD corporates were heavy, with flows in UBS 5.875%-PERPs, SOCGEN 6.125%-PERPs, FPLSP 3.95%-PERPs, FPLSP 4.98%-PERPs, and KEPSP 4.0%'42s.
- 10Y UST yields fell 3bps to 1.99%, after US Federal Reserve Chairman Jerome Powell stated that downside risks to the US economy have increased recently, strengthening the case for policy makers to cut interest rates in the near future. Spread between 3-month treasury bills and 10-year treasury notes continued to be inverted, with the spread widening to -11bps.

Credit Headlines

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

- Google Asia Pacific Pte Ltd will be taking up ~344,100 sq ft of space (~33.3% of current total net lettable area at ATP) at Alexandra Technopark ("ATP") for a term of 5 years commencing 1Q2020. The average gross rent for the 5 years is comparable to recent signing rents for ATP. This would bring ATP's committed occupancy rate to 93.7%, up from 59.2% at end March 2019.
- While this is good news given ATP have been struggling with occupancy since the departure of Hewlett Packard, it seems the rent is fixed for the entire renting tenure. (OCBC, Company)

Commerzbank AG ("CMZB") | Issuer Profile: Neutral (4)

- Following up to the [most recent news](#) on a possible merger for CMZB, it has been reported that Unicredit SpA has put a possible bid for CMZB on hold after CMZB indicated to Unicredit SpA that such an exercise comes too soon after the [end of merger talks with Deutsche Bank AG](#).
- Both Unicredit SpA and Netherlands-based ING Groep NV continue to show strong interest in exploring a merger with CMZB with Unicredit SpA reported to already have a clear and defined plan on how to merge both German and Italian businesses of a combined entity.
- These advances appear to have the backing of the German government so noise on this front is unlikely to dissipate in the near term. That said, the noise is driven by a strong willingness to merge however the ability to do so from a regulatory and capital requirement perspective remains challenging. We presently have our issuer profile on CMZB at Neutral (4). (Reuters, Bloomberg, OCBC)

Table 1: Key Financial Indicators

| | 26-Jun | 1W chg (bps) | 1M chg (bps) |
|--------------------|--------|--------------|--------------|
| iTraxx Asiax IG | 68 | 0 | -6 |
| iTraxx SovX APAC | 43 | 0 | -5 |
| iTraxx Japan | 63 | -3 | -1 |
| iTraxx Australia | 65 | -1 | -9 |
| CDX NA IG | 58 | 3 | -6 |
| CDX NA HY | 107 | 0 | 1 |
| iTraxx Eur Main | 55 | 0 | -13 |
| iTraxx Eur XO | 264 | 8 | -29 |
| iTraxx Eur Snr Fin | 68 | 1 | -19 |
| iTraxx Sovx WE | 17 | 1 | -1 |
| AUD/USD | 0.696 | 1.19% | 0.65% |
| EUR/USD | 1.136 | 1.18% | 1.47% |
| USD/SGD | 1.355 | 0.58% | 1.48% |
| China 5Y CDS | 48 | 4 | -5 |
| Malaysia 5Y CDS | 59 | -1 | -8 |
| Indonesia 5Y CDS | 94 | 1 | -14 |
| Thailand 5Y CDS | 34 | 0 | -3 |

| | 26-Jun | 1W chg | 1M chg |
|----------------------------|----------|--------|--------|
| Brent Crude Spot (\$/bbl) | 65.78 | 6.41% | -4.24% |
| Gold Spot (\$/oz) | 1,413.92 | 3.94% | 10.00% |
| CRB | 180.88 | 2.71% | 1.26% |
| GSCI | 424.63 | 3.47% | -0.58% |
| VIX | 16.28 | 7.46% | 2.71% |
| CT10 (bp) | 2.007% | -1.60 | -31.29 |
| USD Swap Spread 10Y (bp) | -8 | -1 | -2 |
| USD Swap Spread 30Y (bp) | -35 | -3 | -7 |
| US Libor-OIS Spread (bp) | 18 | -3 | 3 |
| Euro Libor-OIS Spread (bp) | 6 | 0 | 0 |
| DJIA | 26,548 | 0.31% | 3.76% |
| SPX | 2,917 | -0.01% | 3.23% |
| MSCI Asiax | 646 | 0.68% | 4.93% |
| HSI | 28,123 | -0.28% | 2.81% |
| STI | 3,298 | 0.30% | 4.05% |
| KLCI | 1,674 | 0.47% | 4.75% |
| JCI | 6,324 | -0.24% | 4.40% |

New issues:

- Standard Chartered PLC has priced a SGD750mn NC5.25-perpetual bond at 5.375%, tightening from IPT of 5.75% area.
- Kookmin Bank has priced a USD500mn AT1 NC5-perpetual bond at 4.35%, tightening from IPT of 4.7% area.
- Qingdao Jiazhouwan Development Co., Ltd has priced a USD300mn 3-year bond at 5.8%.
- CMB International Leasing Management Ltd has priced a USD900mn 5-year bond at T+140bps, and a USD100mn 10-year bond at T+170bps.
- Redsun Properties Group Ltd has priced a USD250mn 3.25NC2 bond at 11.875%, tightening from IPT of 12.125% area.
- Huafa 2019 I Co., Ltd (guarantor: Zhuhai Huafa Group Co., Ltd) has priced a USD300mn 5-year bond at 4.25%, tightening from IPT of 4.55% area.
- China VAST Industrial Urban Development Company Ltd has priced a USD180mn 2-year bond at 13.0%, tightening from IPT of 13.25% area.
- SMC Global Power Holdings Corp. has priced a USD300mn re-tap of its existing SMCGL 6.5% NC5-perpetual bond at 6.0%, tightening from IPT of 6.2% area.
- KWG Group Holdings Ltd has priced a USD625mn 5NC2 bond at 5.875%.

| Date | | Size | Tenor | Pricing |
|-----------|---|----------------------|----------------------|----------------------|
| 25-Jun-19 | Standard Chartered PLC | SGD750mn | NC5.25-perpetual | 5.375% |
| 25-Jun-19 | Kookmin Bank | USD500mn | NC5-perpetual | 4.35% |
| 25-Jun-19 | Qingdao Jiazhouwan Development Co., Ltd | USD300mn | 3-year | 5.8% |
| 25-Jun-19 | CMB International Leasing Management Ltd | USD900mn USD100mn | 5-year 10-year | T+140bps T+170bps |
| 25-Jun-19 | Redsun Properties Group Ltd | USD250mn | 3.25NC2 | 11.875% |
| 25-Jun-19 | Huafa 2019 I Co., Ltd | USD300mn | 3-year | 4.25% |
| 25-Jun-19 | China VAST Industrial Urban Development Company Ltd | USD180mn | 2-year | 13.0% |
| 25-Jun-19 | SMC Global Power Holdings Corp. | USD300mn | SMCGL 6.5%- PERPs | 6.0% |
| 25-Jun-19 | KWG Group Holdings Ltd | USD625mn | 5NC2 | 5.875% |

Source: OCBC, Bloomberg

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