

Jan 29, 2019

Credit Headlines: CMA CGM, Industrial Property Sector, Ascott Residence Trust

Market Commentary

- The SGD swap curve steepened yesterday, with swap rates trading within 1bps higher across most tenors (with the exception of both the 1-year and 12-year swap rates trading 1bps lower).
- The Bloomberg Barclays Asia USD IG Bond Index average OAS remained unchanged at 152bps while the Bloomberg Barclays Asia USD HY Bond Index average OAS tightened 11bps to 523bps.
- Flows in SGD corporates were heavy yesterday, with flows seen in UBS 5.875%-PERPs, DBSSP 3.98%-PERPs, CQBNEP 4.35%'21s, SINTEC 5.0%-PERPs, BNP 4.35%'29s, HSBC 5.0%-PERPs and OCBCSP 3.8%-PERPs.
- 10Y UST yields fell 1bps to close the trading session at 2.75%, on the back of strong demand for the USD162bn of new debt sold. The new supply of notes was issued to pay for US President Donald Trump's tax cuts and fiscal policies.

Credit Headlines

CMA CGM (acquired Neptune Orient Lines, "NOL") | Issuer Profile: Neutral (4)

- CMA CGM has published on 28 January 2019 its prospectus for the [Public Tender Offer](#) on CEVA Logistics ("CEVA") shares with an offer price of CHF 30 per share.
- The entire Public Tender Offer process is expected to close in mid-April 2019. It is worth noting that CEVA do not recommend its shareholders to tender their shares into the offer, quoting the reason that the valuation of the revised business plan for the period up to 2023 indicates a midpoint value of CHF 40 per share, greater than what is offered by CMA CGM. (Company, OCBC)

Industrial Property Sector

- JTC has released its industrial property market report for 4Q2018. The all industrial Q/q price index was flat in 4Q2018, after 3Q2018 saw a small +0.1% uptick from 2Q2018. 2Q2018 saw the price index first flatten after falling consecutively for 12 quarters since 2Q2015.
- Encouragingly in 3Q2018, we finally saw the all industrial rental index flattening out q/q, after falling consecutively for 14 quarters since 2Q2015. Single-user factory saw a +0.6% q/q uptick while the other three sub-segments saw a 0.1% q/q fall respectively.
- All industrial vacancies was 10.7%, down from 10.9% in 3Q2018. Overall, the market has bottomed out and we expect broad sector rents to flat line for 2019.
- For 2019, 1.5mn sqm of industrial space is expected to be added into the market, 0.2mn sqm more than that projected in end-September 2018. With average annual demand of 1.1mn sqm in the past 3 years, we still expect some oversupply, though significantly reduced versus the 2014 – 2017 period. (JTC, OCBC)

Credit Headlines (cont'd)

Ascott Residence Trust ("ART") | Issuer Profile: Neutral (4)

- ART reported its 4Q2018 and 2018 financials. Gross revenue was up 1.5% y/y to SGD136.5mn, driven by the full quarter contribution from Ascott Orchard Singapore (acquisition completed in October 2017) and an additional SGD2.7mn revenue contribution from existing properties and partly offset by the divestment of two properties in China.
- Reported gross profit was up 2.6% y/y to SGD63.4mn, with the largest increase in SGD terms coming from the USA, Japan, China and Singapore. The USA saw a 16% y/y increase in gross profit to SGD10.1mn, driven by a 5% y/y increase in revenue per available unit ("RevPAU") to USD255 from stronger demand in New York and renovated units at the Sheraton Tribeca New York Hotel. Excluding rental housing units, Japan saw gross profit rise by 12.5% y/y to SGD8.1mn, driven by a 3% increase in RevPAU from stronger demand in Tokyo and a stronger JPY against SGD. Despite the divestment of Citadines Biyun Shanghai and Citadines Gaoxin Xi'an in China which led to a lower y/y revenue, underlying same-store revenue saw a 1.5% y/y increase to RMB67.2mn and stronger gross profit at RMB23.9mn (4Q2017: RMB20.6mn). The 3% y/y increase in overall Singapore's gross profit to SGD7.1mn was largely attributable to the additional contribution from Ascott Orchard Singapore as the properties under management contracts saw a 7.4% y/y decline in gross profit to SGD2.5mn.
- Based on our calculation, EBITDA (which does not include other income and other expenses) was SGD52.6mn (up 4.5% y/y) and EBITDA/Interest manageable at 4.4x. Assuming ART pays out SGD4.8mn in perpetual distribution per quarter and adding 50% of that as interest, we find adjusted EBITDA/Interest at 3.7x.
- As at 31 December 2018, aggregate leverage was 36.7%, while including 50% of perpetual as debt, we find adjusted aggregate leverage at 41%. ART has announced the (1) proposed sale of Ascott Raffles Place ("ART") and (2) debt-funded greenfield development of lyf at one-North. Assuming these transactions go through and proceeds from the sale of ARP goes towards paying down debt, we expect ART's aggregate leverage to fall to 33% before the REIT re-levers again for new acquisitions. We maintain ART's issuer profile at Neutral (4). (Company, OCBC)

Table 1: Key Financial Indicators

	29-Jan	1W chg (bps)	1M chg (bps)
iTraxx Asiax IG	85	-3	-11
iTraxx SovX APAC	62	-2	-8
iTraxx Japan	67	-4	-20
iTraxx Australia	82	-2	-13
CDX NA IG	73	-3	-15
CDX NA HY	105	1	3
iTraxx Eur Main	77	-2	-11
iTraxx Eur XO	328	-3	-26
iTraxx Eur Snr Fin	92	-4	-17
iTraxx Sovx WE	24	-1	-2
AUD/USD	0.716	0.52%	1.59%
EUR/USD	1.143	0.62%	-0.32%
USD/SGD	1.354	0.47%	0.69%
China 5Y CDS	59	-2	-7
Malaysia 5Y CDS	87	-4	-23
Indonesia 5Y CDS	119	-6	-18
Thailand 5Y CDS	42	-2	-3

	29-Jan	1W chg	1M chg
Brent Crude Spot (\$/bbl)	59.97	-2.49%	14.89%
Gold Spot (\$/oz)	1,304.22	1.48%	1.69%
CRB	177.47	-2.60%	3.81%
GSCI	401.28	-2.89%	7.01%
VIX	18.87	6.01%	-33.42%
CT10 (bp)	2.737%	-0.24	1.86
USD Swap Spread 10Y (bp)	3	0	0
USD Swap Spread 30Y (bp)	-18	0	0
TED Spread (bp)	38	1	-6
US Libor-OIS Spread (bp)	34	-3	-5
Euro Libor-OIS Spread (bp)	4	0	0
DJIA	24,528	-0.72%	6.36%
SPX	2,644	-1.01%	6.36%
MSCI Asiax	631	2.03%	6.18%
HSI	27,365	1.33%	7.29%
STI	3,180	-0.39%	4.16%
KLCI	1,690	-0.70%	-0.11%
JCI	6,463	-0.09%	4.34%

New issues

- Baoxin Auto Finance I Ltd has priced a USD300mn 363-day bond (parent guarantor: China Grand Automotive Services Co Ltd; subsidiary guarantor: China Grand Automotive Services (Hong Kong) Ltd) at 8.75%, tightening from IPT of 9.25% area.
- CMOC Capital Ltd has priced a USD300mn 3-year bond (guarantor: China Molybdenum Co Ltd) at 5.48%, tightening from IPT of high 5% area.
- Fantasia Holdings Group Co has priced a USD100mn re-tap of its existing FTHDGR 15.0%'21s (subsidiary guarantors: certain non-PRC subsidiaries) at par, in line with IPT.
- Fortune Star (BVI) Ltd has priced a USD500mn 2-year bond (parent guarantor: Fosun International Ltd) at 6.875%, tightening from IPT of 7.25% area.
- Hyundai Capital America (HYNMTR) has priced a USD1bn 2-tranche deal, with the USD650mn 3-year bond priced at CT3+140bps (IPT of CT+160bps area) and the USD350mn 5-year bond priced at CT5+173bps (IPT of CT+185bps area).
- Jingrui Holdings Ltd has priced a USD150mn 1.5-year bond (subsidiary guarantors: certain non-PRC subsidiaries) at 13.0%, in line with the final guidance.
- Kookmin Bank has priced a USD450mn 10-year Tier 2 bond at CT10+187.5bps, tightening from IPT of CT+215bps area.
- RKPF Overseas 2019 (A) Ltd has priced a USD400mn 4NC2 bond (parent guarantor: Road King Infrastructure Ltd) at 7.875%, tightening from IPT of 8.5% area.
- Yuzhou Properties Co Ltd has priced a USD500mn 4NC3 bond (subsidiary guarantors: certain restricted subsidiaries outside of the PRC) at 8.5%, in line with the final guidance.
- Industrial & Commercial Bank of China Ltd of Hong Kong has priced USD100mn 1-year floating rate note at 3-month US LIBOR +65bps.

New issues (cont'd)

<u>Date</u>	<u>Issuer</u>	<u>Size</u>	<u>Tenor</u>	<u>Pricing</u>
28-Jan-19	Baoxin Auto Finance I Ltd (China Grand Automotive Services Co Ltd)	USD300mn	363-day	8.75%
28-Jan-19	CMOC Capital Ltd (China Molybdenum Co Ltd)	USD300mn	3-year	5.48%
28-Jan-19	Fantasia Holdings Group Co	USD100mn	FTHDGR 15.0%'21s	15.0%
28-Jan-19	Fortune Star (BVI) Ltd (Fosun International Ltd)	USD500mn	2-year	6.875%
28-Jan-19	Hyundai Capital America (HYNMTR)	USD650mn USD350mn	3-year 5-year	CT3+140bps CT5+173bps
28-Jan-19	Jingrui Holdings Ltd	USD150mn	1.5-year	13.0%
28-Jan-19	Kookmin Bank	USD450mn	10-year Tier 2	CT10+187.5bps
28-Jan-19	RKPF Overseas 2019 (A) Ltd (Road King Infrastructure Ltd)	USD400mn	4NC2	7.875%
28-Jan-19	Yuzhou Properties Co Ltd	USD500mn	4NC3	8.5%
28-Jan-19	Industrial & Commercial Bank of China Ltd/Hong Kong	USD100mn	1-year	3M US LIBOR +65bps
25-Jan-19	Champion Sincerity Holdings Ltd (Greentown China Holdings Ltd)	USD400mn	NC3-perpetual	8.125%
25-Jan-19	Chongqin Banan Economic Park Development & Construction Co	SGD150mn	34-month	4.35%
24-Jan-19	Sino-Ocean Land Treasure IV Ltd (Sino-Ocean Group Holding Ltd)	USD500mn	3.25-year	CT3+287.5bps
24-Jan-19	Celestial Miles Ltd (NWS Holdings Ltd)	USD800mn	NC5-perpetual	5.75%
24-Jan-19	ESR Cayman Ltd	SGD150mn	3-year	6.75%
23-Jan-19	Export-Import Bank of China	USD130mn	2-year	3M US LIBOR +55bps
23-Jan-19	Nuoxi Capital Ltd (Peking University Founder Group Company Ltd)	USD150mn	3-year	7.5%
23-Jan-19	Yankuang Group (Cayman) Ltd (Yankuang Group Co)	USD215mn	3-year	6.0%

Source: OCBC, Bloomberg

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