

Market Commentary

- The SGD swap curve slightly fell last Friday (with the exception of the 1-year which traded slightly higher), with most of the tenors trading 0-1bps lower.
- The Bloomberg Barclays Asia USD IG Bond Index average OAS widened 1bps to 169bps, and the Bloomberg Barclays Asia USD HY Bond Index average OAS widened 9bps to 678bps. The HY-IG Index Spread widened 8bps to 510bps.
- Flows in SGD corporates were heavy, with flows in AREIT 3%-PERPs, HSBC 5%-PERPs, UOBSP 4%-PERPs, UBS 4.85%-PERPs, CS 5.625%-PERPs, FPLSP 4.98%-PERPs, OLAMSP 4% '26s, STANLN 5.375%-PERPs and UBS 5.875%-PERPs.
- 10Y UST Yields fell 1bps to 0.67%, despite stronger-than-expected August CPI.

Credit Research

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Credit Summary:

- [Mapletree Industrial Trust \("MINT"\)](#) | **Issuer Profile: Neutral (3)**: MINT has entered into a sale and purchase agreement to acquire a data centre and office located in the State of Virginia in the US. The purchase consideration is between USD200.6mn and USD262.1mn (~SGD272.8mn to SGD356.5mn). The total acquisition cost is between USD204.3mn and USD266.9mn (~SGD277.8mn to SGD363.0mn). MINT intends to finance the acquisition with a mix of debt financing, proceeds from equity fund raising and/or internal cash resources.
- [Macquarie Group Limited \("MQG"\)](#) | **Issuer Profile: Neutral (3)**: MQG announced some high-level guidance for its 1H2021 results for the 6 months ending 30 September 2020 as part of its participation at the Jeffries Asia Forum. Key points are (1) the market remains challenging with uncertainty making short-term forecasting extremely difficult; (2) MQG is currently unable to provide meaningful earnings guidance for FY2021 however expects that earnings will fall around 35% y/y and 25% h/h.

Asian Credit Daily**Credit Headlines****Mapletree Industrial Trust (“MINT”) | Issuer Profile: Neutral (3)**

- MINT has entered into a sale and purchase agreement to acquire a data centre and office located in the State of Virginia in the US. The property is fully leased on a triple net basis with a balance lease term of over 5 years to a multinational company with strong credit standing. Additional details will be released upon finalization of the transaction.
- The purchase consideration is between USD200.6mn and USD262.1mn (~SGD272.8mn to SGD356.5mn). The total acquisition cost is between USD204.3mn and USD266.9mn (~SGD277.8mn to SGD363.0mn). MINT intends to finance the acquisition with a mix of debt financing, proceeds from equity fund raising and/or internal cash resources.
- MINT’s assets under management will increase from SGD6.6bn to SGD6.9bn as a result, with exposure to Data Centres up to 41.0% of portfolio AUM from 38.5% as at 30 June 2020.(Company, OCBC).

Macquarie Group Limited (“MQG”) | Issuer Profile: Neutral (3)

- MQG announced some high-level guidance for its 1H2021 results for the 6 months ending 30 September 2020 as part of its participation at the Jeffries Asia Forum. Key points are (1) the market remains challenging with uncertainty making short-term forecasting extremely difficult; (2) MQG is currently unable to provide meaningful earnings guidance for FY2021 however expects that earnings will fall around 35% y/y and 25% h/h.
- MQG’s key assumptions include a recovery in Australia (33% of FY2020 income) from 2H2020 with peak unemployment of 9%, GDP contraction of 9% y/y and a 15% fall in house prices to mid-2020, while unemployment will rise to 14% and GDP will contract by 9% y/y by mid-2020 in the US (25% of FY2020 income). Based on these assumptions, MQG is adequately provisioned according to management. Under its downside scenario however, MQG would need to raise around AUD400mn in additional provisions. MQG’s baseline scenario assumes a recovery within 18 months while the downside scenario incorporates a half year delay to the recovery and a recovery period around 18months longer resulting in a more severe economic impact.
- Per MQG’s FY2020 results, the 88.4% y/y rise in total credit and other impairment charges were somewhat evenly spread amongst MQG’s divisions with weaker current and expected macro-economic assumptions raising provisions against its performing loan portfolios in most divisions, higher central provisions as an overlay for expected credit losses on the performing portfolio due to a higher weighting to the Expected Credit Losses (“ECL”) downside scenario as well as certain specific stresses.
- Per management, MQG’s CET1 ratio has improved to 13.2% as at 30 June 2020 against 12.2% as at 31 March 2020 and continues to maintain a cautious approach to capital, funding and liquidity. We will continue to hold MQG at Neutral (3) issuer profile as its business composition and diversity which underpins our view as well as management’s considered and selective strategy should position the group for medium term opportunities. (Company, OCBC)

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Key Market Movements

| | 14-Sep | 1W chg (bps) | 1M chg (bps) | | 14-Sep | 1W chg | 1M chg |
|------------------------------|--------|-----------------|-----------------|----------------------------------|----------|---------|---------|
| iTraxx Asiax IG | 60 | 1 | -5 | Brent Crude Spot (\$/bbl) | 39.81 | -5.24% | -11.14% |
| iTraxx SovX APAC | 32 | 0 | -4 | Gold Spot (\$/oz) | 1,942.76 | 0.47% | -0.12% |
| iTraxx Japan | 61 | 1 | 2 | CRB | 146.41 | -2.19% | -1.87% |
| iTraxx Australia | 63 | 2 | -6 | GSCI | 341.05 | -2.79% | -3.16% |
| CDX NA IG | 70 | 3 | 2 | VIX | 26.87 | -20.03% | 21.86% |
| CDX NA HY | 106 | 0 | 2 | CT10 (%) | 0.669% | -4.90 | -4.04 |
| iTraxx Eur Main | 56 | 3 | 1 | | | | |
| | | | | | | | |
| iTraxx Eur XO | 328 | 5 | -17 | AUD/USD | 0.728 | 0.10% | 1.58% |
| iTraxx Eur Snr Fin | 66 | 6 | 1 | EUR/USD | 1.184 | 0.19% | -0.03% |
| iTraxx Eur Sub Fin | 136 | 10 | 2 | USD/SGD | 1.367 | -0.08% | 0.26% |
| iTraxx Sovx WE | 13 | 0 | -1 | AUD/SGD | 0.996 | -0.18% | -1.30% |
| | | | | | | | |
| | | | | | | | |
| USD Swap Spread 10Y | 1 | 1 | 1 | ASX 200 | 5,889 | -0.94% | -3.87% |
| USD Swap Spread 30Y | -37 | 1 | 3 | DJIA | 27,666 | -2.22% | -0.95% |
| US Libor-OIS Spread | 17 | 0 | -2 | SPX | 3,341 | -3.30% | -0.95% |
| Euro Libor-OIS Spread | -2 | -1 | 0 | MSCI Asiax | 715 | -0.37% | 0.23% |
| | | | | HSI | 24,503 | -0.78% | -2.70% |
| China 5Y CDS | 37 | 2 | -3 | STI | 2,490 | -0.78% | -3.53% |
| Malaysia 5Y CDS | 46 | 1 | -5 | KLCI | 1,505 | -0.73% | -3.82% |
| Indonesia 5Y CDS | 93 | 4 | -12 | JCI | 5,017 | -4.26% | -4.40% |
| Thailand 5Y CDS | 38 | 1 | -2 | EU Stoxx 50 | 3,316 | 1.69% | 0.33% |
| Australia 5Y CDS | 15 | 0 | 0 | | | | |

Source: Bloomberg

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New Issues

- Trafigura Group has mandated banks for its proposed USD bond offering.

| Date | Issuer | Size | Tenor | Pricing |
|-----------|--|----------------------|-------------------|------------------------|
| 10-Sep-20 | Guangzhou Metro Investment Finance BVI Ltd (Guarantor: Guangzhou Metro Investment Finance HK Ltd) | USD500mn USD330mn | 5-year 10-year | T+122.5bps T+160bps |
| 10-Sep-20 | Xinyuan Real Estate Co Ltd | USD300mn | 3NP2 | 14.5% |
| 10-Sep-20 | Filinvest Development Cayman Islands (Guarantor: Filinvest Development Corp.) | USD200mn | 5-year | 4.25% |
| 10-Sep-20 | ENN Energy Holdings Ltd | USD750mn | 10-year | T+200bps |
| 10-Sep-20 | Contemporary Ruiding Development Limited (Guarantor : Contemporary Amperex Technology Co., Limited) | USD1bn USD500mn | 5-year 10-year | T+165bps T+200bps |
| 10-Sep-20 | HSBC Institutional Trust Services (Singapore) Ltd. (in its capacity as trustee of Ascendas Real Estate Investment Trust) | SGD300mn | PerpNC5 | 3.0% |
| 9-Sep-20 | The Republic of Korea | USD625mn | 10-year | T+50bps |
| 9-Sep-20 | AIA Group Ltd | USD1.75b | 20-year | T+175bps |
| 9-Sep-20 | Yi Bright International Limited (Guarantor: Linyi City Construction Investment Group Co) | USD300mn | 3-year | 3.0% |
| 9-Sep-20 | Transurban Finance Co Pty Ltd | USD900mn | 10.5-year | T+175bps |
| 9-Sep-20 | Bank of China Ltd of Qatar Financial Centre | USD100mn | 3.5-year | 3m-US LIBOR+78bps |
| 8-Sep-20 | United Overseas Bank Ltd | USD600mn | 10.5NC5.5 | T+152bps |
| 8-Sep-20 | BOC Aviation Ltd | USD750mn | 10-year | T+197.5bps |
| 8-Sep-20 | Housing & Development Board | SGD800mn | 5-year | 0.69% |

Source: OCBC, Bloomberg

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