

Market Commentary

- The SGD swap curve fell slightly yesterday, with the shorter tenors trading 0-1bps lower while the longer tenors traded 1bps lower.
- The Bloomberg Barclays Asia USD IG Bond Index average OAS remained unchanged at 116bps, and the Bloomberg Barclays Asia USD HY Bond Index average OAS also remained unchanged at 437bps. The HY-IG spread remained unchanged at 321bps.
- Flows in SGD corporates were heavy, with flows in CPIPGR 5.8%-PERPs, SPHSP 3.2%'30s, CATHAY 3.375%'23s, FPLSP 4.98%-PERPs, ARASP 5.6%-PERPs, GUOLSP 4.6%-PERPs, TMGSP 4.8%'22s, STANLN 5.375%-PERPs and UBS 4.85%-PERPs.
- 10Y UST also remained unchanged at 1.82% as the market was closed yesterday to observe Martin Luther King Jr. Day.

Credit Research

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Credit Summary:

- [China Aoyuan Property Group Limited \("CAPG"\)](#) | **Issuer Profile: Neutral (5):** In July 2019, CAPG announced the proposed acquisition of a [~13.9%-stake in Aeon Life Insurance Company Ltd \("AEON"\)](#) via its wholly-owned subsidiary Aoyuan Corporation (Group) Limited. As the conditions precedent to the acquisition has not been fulfilled within the prescribed schedule, the share transfer agreements have been terminated and the vendors shall refund the relevant amounts to CAPG.
- [Keppel Infrastructure Trust \("KIT"\)](#) | **Issuer Profile : Neutral (4):** KIT reported their 4Q2019 financial results. KIT's reported Funds from Operations ("FFO") for its main assets was SGD38.3mn (down 28.2% q/q). As at 31 December 2019, KIT's consolidated unadjusted gross gearing was 1.23x, similar to the 1.24x as at 30 September 2019. Adjusting finance leases as debt and taking 50% of perpetual as debt (and 50% of perpetual as equity), we find adjusted gross gearing higher at 1.60x (30 September 2019: 1.49x). KIT has managed to obtain a one year extension on its Basslink's financing, though the negotiations with lenders at KMC is still on-going.
- [Mapletree Logistics Trust \("MLT"\)](#) | **Issuer Profile : Neutral (4):** MLT reported their third quarter results for the financial year ended March 2020 ("3QFY2020"). MLT's gross revenue declined slightly by 0.5% q/q to SGD121.1mn and net property income similarly declined 0.5% q/q to SGD108.6mn. We find EBITDA/Interest at 4.8x. MLT's refinancing risk is manageable in our view, with only SGD365.4mn of debt coming due in the short term, representing 12% of gross debt while its cash balance was SGD223.9mn as at 31 December 2019.

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Credit Headlines

China Aoyuan Property Group Limited (“CAPG”) | Issuer Profile: Neutral (5)

- In July 2019, CAPG announced the proposed acquisition of a [~13.9%-stake in Aeon Life Insurance Company Ltd \(“AEON”\)](#) via its wholly-owned subsidiary Aoyuan Corporation (Group) Limited.
- As the conditions precedent to the acquisition has not been fulfilled within the prescribed schedule, the share transfer agreements have been terminated and the vendors shall refund the relevant amounts to CAPG. Certain amounts have been received while the remaining balance is in progress.
- Per the earlier July 2019 announcement, RMB2.4bn (out of the RMB3.3bn of total consideration) would have been paid upon signing of the relevant share transfer agreement.
- We had [earlier maintained CAPG’s issuer profile at Neutral \(5\) given deal execution risk](#) though flagged that if the deal had went through, CAPG’s credit direction would have been increasingly inconsistent with that of Neutral (5). With the termination of the agreement, we continue to maintain CAPG’s issuer profile at Neutral (5). (Company, OCBC)

Keppel Infrastructure Trust (“KIT”) | Issuer Profile: Neutral (4)

- KIT reported their 4Q2019 financial results. KIT’s reported Funds from Operations (“FFO”) for its main assets was SGD38.3mn (down 28.2% q/q). We focus less on y/y overall FFO change as IXOM was only acquired in February 2019. The Q/q fall for KIT’s FFO was driven by lower FFO at IXOM to SGD11.6mn (14% higher than 2Q2019’s levels) while 3Q2019’s IXOM FFO was SGD21.7mn, with 3Q2019 being a seasonally stronger quarter for IXOM. We also saw lower FFO contribution from Keppel Merlimau Cogen (“KMC”) and City Gas.
- The 51%-owned KMC was negatively affected by unplanned maintenance with the plant achieving 96% of plant availability for FY2019 while in FY2018, plant availability was higher at 98.9%. For City Gas, we are not overly concerned as the plant achieved 100% availability. Concessions (the most stable part of KIT’s cash flow) was down 1.1% q/q.
- In 4Q2019, distributable cash flow (“DCF”) from KIT’s various businesses to the holding company (and SGD-bond issuer) was SGD38.9mn. KIT’s holding company has SGD100mn of senior debt, assuming this comes with an interest cost of 3% p.a and taking its full distribution payment on perpetuals as interest, we estimate the Adjusted DCF/Interest coverage at ~9.0x. As at 31 December 2019, KIT has SGD300mn of perpetuals outstanding.
- As at 31 December 2019, KIT’s consolidated unadjusted gross gearing was 1.23x, similar to the 1.24x as at 30 September 2019. Adjusting finance leases as debt and taking 50% of perpetual as debt (and 50% of perpetual as equity), we find adjusted gross gearing higher at 1.60x (30 September 2019: 1.49x).
- KIT has managed to obtain a one year extension on its Basslink’s financing arrangements (until November 2020), though the negotiations with lenders at KMC is still on-going. Our base case expects that loans at KMC would need to be amortised and/or cash needs to be accumulated for an eventual repayment to match the tolling agreement until June 2030. We are maintaining KIT’s issuer profile at Neutral (4). (Company, OCBC)

Asian Credit Daily**Credit Headlines****Mapletree Logistics Trust (“MLT”) | Issuer Profile: Neutral (4)**

- MLT reported their third quarter results for the financial year ended March 2020 (“3QFY2020”). MLT’s gross revenue declined slightly by 0.5% q/q to SGD121.1mn mainly due to the impact of a weaker JPY, HKD, RMB and AUD against the SGD while this was partly offset by contribution from acquisitions in Vietnam (fully consolidated since November 2019). Net property income similarly declined 0.5% q/q to SGD108.6mn.
- In 3QFY2020, MLT received SGD2.3mn in interest income from shareholders’ loans extended to 15 joint venture properties. Including these into EBITDA, we find EBITDA/Interest at 4.8x. As at 31 December 2019, there was SGD430mn of perpetuals outstanding at MLT. Assuming that MLT pays out SGD17mn p.a in perpetual distribution (SGD4.3mn per quarter) and taking 50% of this as interest, we find Adjusted EBITDA/(Interest plus 50% perpetual distribution) at 4.4x, manageable.
- MLT’s refinancing risk is also manageable in our view, with only SGD365.4mn of debt coming due in the short term, representing 12% of gross debt while its cash balance was SGD223.9mn as at 31 December 2019.
- As at 31 December 2019, MLT’s reported aggregate leverage was 37.5% and this takes into account the REIT’s proportionate debt at the joint ventures. Based on our estimation, its adjusted aggregate leverage including 50% of perpetuals is at ~40% though would have come down slightly following repayment of loans from proceeds of the sale of Mapletree Waigaoqiao Logistics Park located in Shanghai.
- MLT’s portfolio occupancy had inched up slightly to 97.7% in end-2019 (30 September 2019: 97.5%), with gains made in Singapore (97.2% in end-2019 versus 96.5% last quarter) and offsetting weaker occupancies in South Korea and Mainland China. We maintain MLT’s issuer profile at Neutral (4). (Company, OCBC)

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Key Market Movements

	21-Jan	1W chg (bps)	1M chg (bps)		21-Jan	1W chg	1M chg
iTraxx Asiax IG	50	-3	-3	Brent Crude Spot (\$/bbl)	65.20	1.56%	-1.42%
iTraxx SovX APAC	25	-1	-2	Gold Spot (\$/oz)	1,560.88	0.94%	5.05%
iTraxx Japan	43	-1	-1	CRB	182.89	-0.68%	-1.17%
iTraxx Australia	47	0	-1	GSCI	426.91	-0.75%	-1.47%
CDX NA IG	44	-1	-1	VIX	12.1	-3.66%	-3.28%
CDX NA HY	110	0	0	CT10 (%)	1.822%	1.06	-9.56
iTraxx Eur Main	43	-1	-1				
iTraxx Eur XO	208	-1	0	AUD/USD	0.688	-0.38%	-0.66%
iTraxx Eur Snr Fin	52	1	-2	EUR/USD	1.109	-0.31%	0.04%
iTraxx Eur Sub Fin	108	1	-4	USD/SGD	1.347	-0.01%	0.65%
iTraxx Sovx WE	11	0	0	AUD/SGD	0.926	0.37%	1.33%
USD Swap Spread 10Y	-4	0	0	ASX 200	7,062	1.44%	3.61%
USD Swap Spread 30Y	-31	0	-2	DJIA	29,348	1.82%	3.14%
US Libor-OIS Spread	24	-3	-13	SPX	3,330	1.97%	3.37%
Euro Libor-OIS Spread	6	0	0	MSCI Asiax	712	-0.03%	4.04%
				HSI	28,796	-0.55%	3.32%
China 5Y CDS	30	-1	-2	STI	3,280	0.89%	2.11%
Malaysia 5Y CDS	33	-1	-2	KLCI	1,589	0.26%	-1.32%
Indonesia 5Y CDS	60	-2	-3	JCI	6,245	-0.82%	-0.63%
Thailand 5Y CDS	20	-2	-3	EU Stoxx 50	3,799	0.51%	0.59%
Australia 5Y CDS	16	-1	0				

Source: Bloomberg

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New Issues

- Dafa Properties Group Limited priced a USD200mn 364-day bond at 12.75%, tightening from IPT of 13.125%.
- RongXingDa Development (BVI) Limited (Parent Guarantor: RiseSun Real Estate Development Co., Ltd) priced a USD300mn 364-day bond at 8.875%, tightening from IPT of 9.375%.
- Socam Development Ltd priced a USD180mn 2-year notes at 6.25%, tightening from IPT of 6.5% area.
- Sunshine 100 China Holdings Ltd priced a USD150mn re-tap of its SUNCHN 11.5%'21s at 12.5%.
- Dexin China Holdings Company Limited priced a USD200mn 2.25-year bond at 13%, tightening from IPT of 13.5% area.
- Global Prime Capital Pte. Ltd (Guarantor: PT Bumi Serpong Damai Tbk. and some of its subsidiaries) priced a USD300mn 5NC3 bond at 5.95%, tightening from IPT of 6.25% area.
- Wanda Properties Overseas Ltd. (Subsidiary Guarantors: Wanda Commercial Properties (Hong Kong) Co. Ltd., Wanda Real Estate Investments Limited, Wanda Commercial Properties Overseas Ltd.) priced a USD400mn 3.5-year bond at 6.875%, tightening from IPT of 7.25% area.
- Thomson Medical Group Limited priced a SGD175mn 5-year bond at 4.05%, tightening from IPT of 4.35% area.
- Indian Railway Finance Corp. arranged investor meetings commencing 21 Jan for its potential USD offering.
- Helenbergh China Holdings Limited has mandated banks for its proposed re-tap of HLBCNH 12.875%'21s.

Date	Issuer	Size	Tenor	Pricing
20-Jan-20	Dafa Properties Group Limited	USD200mn	364-day	12.75%
20-Jan-20	RongXingDa Development (BVI) Limited	USD300mn	364-day	8.875%
20-Jan-20	Socam Development Ltd	USD180mn	2-year	6.25%
20-Jan-20	Sunshine 100 China Holdings Ltd	USD150mn	SUNCHN 11.5%'21s	12.5%
20-Jan-20	Dexin China Holdings Company Limited	USD200mn	2.25-year	13%
20-Jan-20	Global Prime Capital Pte. Ltd	USD300mn	5NC3	5.95%
20-Jan-20	Wanda Properties Overseas Ltd.	USD400mn	3.5-year	6.875%
20-Jan-20	Thomson Medical Group Limited	SGD175mn	5-year	4.05%
17-Jan-20	Sun Hung Kai Properties (Capital Market) Limited	USD300mn	SUNHUN 2.875%'30s	T+106.5bps

Source: OCBC, Bloomberg

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