

Market Commentary

- The SGD swap curve mostly fell last Friday, with most of the tenors trading 0-1bps lower while the 1-year traded 1bps higher.
- The Bloomberg Barclays Asia USD IG Bond Index average OAS tightened 1bps to 169bps, while the Bloomberg Barclays Asia USD HY Bond Index average OAS widened 2bps to 672bps. The HY-IG Index Spread widened 2bps to 502bps.
- Flows in SGD corporates were heavy, with flows in OLAMSP 4%'26s, SIASP 3.13%'26s, SPHSP 3.2%'30s, UBS 5.875%-PERPs, CAPLSP 2.9%'32s and HSBC 4.7%-PERPs.
- 10Y UST Yields fell 1bps to 0.7%, as investors were digesting the Fed's new inflation-tolerant messages and markets looked out for the progress of the new stimulus package this week.

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Credit Summary:

- [Lippo Malls Indonesia Retail Trust \("LMRT"\)](#) | **Issuer Profile: Negative (6)**: Following the reiteration of the intent to acquire Lippo Mall Puri last month, LMRT provided more details with regards to financing. As a recap, ~SGD280mn gross proceeds will be raised through a rights issue, with debt financing up to SGD120mn. At the same time, LMRT's sponsor, Lippo Karawaci Tbk PT is undertaking consent solicitation for two tranches of its notes, namely its USD420mn 8.125% '25s and USD417mn 6.75% '26s to approve waivers to allow the proposed divestment of Lippo Mall Puri to LMRT.
- [Keppel Corp Ltd \("KEP"\)](#) | **Issuer Profile: Neutral (4)**: KEP's asset management arm, Keppel Capital Holdings Pte Ltd announced a strategic cooperation with the National Pension Service of Korea to explore investment opportunities for private infrastructure in Asia.
- [CITIC Envirotech Ltd \("CEL"\)](#) | **Issuer Profile: Unrated**: CEL, will be calling the CELSP 3.9%-PERP, its sole SGD-denominated perpetual on its first call date on 19 October 2020. The perpetual distribution rate would have stepped up to ~7.9% based on today's forward rate if not called (large step up margin of 500bps), thus economically encouraging a call.
- [First Real Estate Investment Trust \("FIRT"\)](#) | **Issuer Profile: Negative (6)**: FIRT announced that it has received a non-binding rental restructuring proposal from PT Lippo Kawaraci, its main Master Lessee and FIRT's initial Sponsor. However the terms of the non-binding proposal details was not shared. Separately, FIRT is also reviewing its refinancing plans.
- [OUE Commercial Real Estate Investment Trust \("OUE-CT"\)](#) | **Issuer Profile: Unrated**: The Business Times in its opinion piece dated 18 September 2020 opined that ultimate controlling equity holders of OUE-CT (via their ownership in OUE Limited) are open to receiving offers for OUE-CT assets including OUE Downtown (office components), Crowne Plaza Changi Airport while potential buyers with preferred profiles have also been approached discreetly for OUE-CT's stake in One Raffles Place. Additionally, OUE Bayfront office development may be available for sale for a partial stake.

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Credit Headlines

Lippo Malls Indonesia Retail Trust (“LMRT”) | Issuer Profile: Negative (6)

- Following the reiteration of the [intent to acquire Lippo Mall Puri](#) last month, LMRT provided more details with regards to financing.
- As a recap, ~SGD280mn gross proceeds will be raised through a rights issue, with debt financing up to SGD120mn. At the indicative issue price of SGD0.060 per rights unit, it looks deeply discounted relative to the closing price of SGD0.115 on 17 Sep 2020. The corresponding 4,682,872,029 rights units also look large (at 1.6x) in relation to ~2.93bn units outstanding. As such, if minorities do not subscribe to the rights issue, LMRT may see the stake from its sponsor, Lippo Karawaci Tbk PT (“LK”), increase substantially from the current levels of ~32%.
- At the same time, LK is undertaking a consent solicitation for two tranches of its notes, namely its USD420mn 8.125% ‘25s and USD417mn 6.75% ‘26s, to approve waivers to allow the proposed divestment of Lippo Mall Puri to LMRT. The consent expiration deadline is expected to be around 16 Oct 2020.
- As such, we believe LMRT is moving significantly closer to acquiring Lippo Mall Puri. If the acquisition completes, this is likely to be credit positive to bondholders as LMRT will increase in scale, though near-term headwinds from COVID-19 is larger and remains uncertain. As a recap, [Jakarta has re-imposed social restrictions recently](#). We continue to hold LMRT at a Negative (6) Issuer Profile for now. (Company, OCBC)

Keppel Corp Ltd (“KEP”) | Issuer Profile: Neutral (4)

- KEP’s asset management arm, Keppel Capital Holdings Pte Ltd (“Keppel Capital”) announced a strategic cooperation with the National Pension Service of Korea (“NPS”) to explore investment opportunities for private infrastructure in Asia.
- NPS is the third largest pension fund globally and is a long-time investor of infrastructure assets. (Company, OCBC)

CITIC Envirotech Ltd (“CEL”) | Issuer Profile: Unrated

- CEL, will be calling the CELSP 3.9%-PERP, its sole SGD-denominated perpetual on its first call date on 19 October 2020. The perpetual distribution rate would have stepped up to ~7.9% based on today’s forward rate if not called (large step up margin of 500bps), thus economically encouraging a call.
- Since the take-private of CEL, CEL has become a ~72.8%-owned subsidiary of CITIC Ltd (“CITIC”, Issuer profile: Unrated) and no longer listed on the Singapore Stock Exchange. While CITIC does not explicitly guarantee CEL’s debt, CITIC’s own cost of funding is low. (Company, OCBC)

Asian Credit Daily**Credit Headlines****First Real Estate Investment Trust (“FIRT”) | Issuer Profile: Negative (6)**

- FIRT announced that it has received a non-binding rental restructuring proposal from PT Lippo Kowaraci Tbk (“LK”), its main Master Lessee and FIRT’s initial Sponsor. However the terms of the non-binding proposal details was not shared. Earlier in [June 2020, LK had unilaterally announced that it intends to restructure the rental restructuring proposal](#).
- FIRT’s REIT Manager board has set up an independent board committee comprising all of the independent directors of FIRT REIT Manager board. The committee would carefully consider and evaluate the non-binding proposal. In arriving at a decision in respect of any proposed rental restructuring, the independent board committee will consult its advisers and will act in the best interests of FIRT.
- A financial adviser will be appointed in connection with the restructuring discussions and FIRT will make an announcement once the appointment is made.
- FIRT is also reviewing its refinancing plans. SGD196mn of debt comes due in 1Q2021 and FIRT is in discussions with its lenders and reviewing all options available to arrive at a sustainable capital structure for the REIT, after taking into account the potential impact of any proposed rental restructuring. The FIRTSP 5.68%-PERP faces first call on 8 July 2021, and we do not expect FIRT to redeem the perp at first call.
- Any agreement reached in respect of any proposed rental restructuring is likely to be an “interested person transaction” which means a revised rental agreement would require unitholders approval. In our view, this means that unitholders have an opportunity to decide whether to accept or reject the renewal terms. We think though, the [ultimate resolution of the lease terms is dependent on the balance of bargaining power](#) between Master Lessees versus FIRT as landlord. [OUE Limited \(“OUE”, Issuer profile: Neutral \(5\)\)](#) is FIRT’s Sponsor and majority owns the FIRT REIT Manager. While LK and OUE are two separately listed entities, there exist familial relationships between the board members of the two entities. It is also highly likely that common ownership between OUE and LK exists, although we do not have information on the percentages. (Company, OCBC)

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Credit Headlines

OUE Commercial Real Estate Investment Trust (“OUE-CT”) | Issuer Profile: Unrated

- The Business Times in its opinion piece dated 18 September 2020 opined that ultimate controlling equity holders of OUE-CT (via their ownership in OUE Limited (“OUE”, Issuer profile: Neutral (4)) are open to receiving offers for [OUE-CT assets](#) including OUE Downtown (office components), Crowne Plaza Changi Airport while potential buyers with preferred profiles have also been approached discreetly for OUE-CT’s stake in One Raffles Place. Additionally, OUE Bayfront office development may be available for sale for a partial stake.
- On the same day, OUE-CT had issued an announcement in response to this article with the following:
 - The OUE-CT REIT Manager explores potential acquisitions and divestment opportunities as part of its proactive asset management strategy with a view to maximising returns to unitholders of OUE-CT.
 - The OUE-CT REIT Manager from time to time receives unsolicited expressions of interests in respect of the assets owned by OUE-CT, where the REIT Manager will evaluate all such proposals carefully taking into account the best interests of all unitholders.
 - No exclusivity arrangement has been entered into in relation to a sale of any of OUE-CT assets nor is there any certainty that any such transaction will materialise.
 - Despite the ownership of stake of OUE in OUE-CT and OUE REIT Manager being wholly-owned by OUE, OUE-CT’s REIT Manager’s board of directors comprises a majority of independent directors. The OUE-CT REIT Manager is responsible for managing the assets of OUE-CT in the best interests of all unitholders including assessing and, if thought fit, approving any potential acquisition or divestment. (Business Times, Company)

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Key Market Movements

	21-Sep	1W chg (bps)	1M chg (bps)		21-Sep	1W chg	1M chg
iTraxx Asiax IG	57	-1	-7	Brent Crude Spot (\$/bbl)	42.90	8.31%	-3.27%
iTraxx SovX APAC	32	0	-4	Gold Spot (\$/oz)	1,949.94	-0.35%	0.49%
iTraxx Japan	61	0	0	CRB	151.54	3.44%	1.06%
iTraxx Australia	63	1	-5	GSCI	358.03	4.98%	1.32%
CDX NA IG	71	3	4	VIX	25.83	-3.87%	14.60%
CDX NA HY	106	0	2	CT10 (%)	0.694%	2.79	2.50
iTraxx Eur Main	56	1	1				
iTraxx Eur XO	298	-20	-34	AUD/USD	0.730	0.22%	2.00%
iTraxx Eur Snr Fin	62	-3	-2	EUR/USD	1.185	-0.10%	0.48%
iTraxx Eur Sub Fin	128	-4	-4	USD/SGD	1.357	0.52%	1.05%
iTraxx Sovx WE	13	0	-1	AUD/SGD	0.992	0.28%	-0.94%
USD Swap Spread 10Y	1	0	2	ASX 200	5,863	-0.62%	-4.06%
USD Swap Spread 30Y	-36	0	5	DJIA	27,657	-0.03%	-0.98%
US Libor-OIS Spread	14	-1	-4	SPX	3,319	-0.64%	-2.29%
Euro Libor-OIS Spread	-2	-1	0	MSCI Asiax	727	0.60%	1.70%
				HSI	24,455	-0.20%	-2.62%
China 5Y CDS	36	0	-2	STI	2,498	0.31%	-1.22%
Malaysia 5Y CDS	44	-1	-7	KLCI	1,507	1.11%	-4.47%
Indonesia 5Y CDS	93	1	-10	JCI	5,059	0.85%	-4.05%
Thailand 5Y CDS	38	0	-2	EU Stoxx 50	3,284	-0.97%	0.73%
Australia 5Y CDS	15	--	-1				

Source: Bloomberg

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New Issues

- China Development Bank Financial Leasing Co. has arranged investor calls commencing 18 September 2020 for its proposed USD Tier 2 subordinated capital bond offering.
- Zhejiang Baron (BVI) Company Limited (Guarantor: Hangzhou Jianggan District Urban Construction & Comprehensive Development Co., Limited) has arranged investor calls commencing 21 September 2020 for its proposed USD bond offering.

Date	Issuer	Size	Tenor	Pricing
17-Sep-20	Xianjin Industry Investment Co. (Guarantor: Hefei Industry Investment Holding (Group) Co.)	USD300mn	3-year	2.95%
17-Sep-20	Jining High Tech Urban Construction Investment Co Ltd	USD82mn	JIHITE 5.5%'23s	5.5%
17-Sep-20	Tingyi Cayman Islands Holding Corp	USD500mn	5-year	T+147.5bps
17-Sep-20	China Aoyuan Group Ltd	USD350mn	5.5NC3	6.2%
17-Sep-20	Concord New Energy Group Ltd	USD90mn	3-year	10.75%
17-Sep-20	China Construction Bank Corp. Singapore Branch	SGD500mn	3-year	1.073%
17-Sep-20	GSH Corporation Limited	SGD30mn	GSHSP 5.2%'22s	5.2%
16-Sep-20	Industrial and Commercial Bank of China Ltd.	USD2.9bn	PerpNC5	3.58%
16-Sep-20	Trafigura Funding SA (Guarantors: Trafigura Group Pte. Ltd. and Trafigura Trading LLC & Trafigura Pte Ltd)	USD400mn	5-year	5.875%
16-Sep-20	Scentre Group Trust 2	USD1.5bn USD1.5bn	60NC6 60NC10	4.75% 5.125%
16-Sep-20	Taiwan Semiconductor Manufacturing Company, Ltd.	USD1bn	40NC5	2.7%
15-Sep-20	Hyundai Capital America	USD1.1bn USD750mn USD650mn	3-year 5-year 7-year	T+112bps T+157bps T+192bps
15-Sep-20	Three Gorges Finance I Cayman Islands Ltd (Guarantor: China Three Gorges Corp)	USD500mn USD500mn	5-year 10-year	T+115bps T+150bps
15-Sep-20	Times China Holdings Ltd	USD350mn	5.5NC3	6.2%

Source: OCBC, Bloomberg

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