

Market Commentary

- The SGD swap curve bull-flattened yesterday, with the shorter tenors trading 0-1bps lower while the longer tenors traded 2bps lower.
- The Bloomberg Barclays Asia USD IG Bond Index average OAS widened 1bps to 117bps, and the Bloomberg Barclays Asia USD HY Bond Index average OAS widened 8bps to 445bps. The HY-IG Index Spread widened 7bps to 327bps.
- Flows in SGD corporates were heavy, with flows in TMGSP 4.05%'25s, FPLSP 4.98%-PERPs, TMGSP 4.8%'22s, UBS 4.85%-PERPs, SPHSP 3.2%'30s, UBS 5.875%-PERPs, CPIPGR 5.8%-PERPs, ARASP 5.6%-PERPs, FPLSP 4.38%-PERPs, STANLN 5.375%-PERPs, CAPLSP 3.65%-PERPs and BREAD 4.0%'23s.
- 10Y UST Yields fell by 5bps to 1.77%, after a report that the Wuhan coronavirus had migrated to the U.S.

Credit Research

Andrew Wong

+65 6530 4736

WongVKAM@ocbc.com

Ezien Hoo, CFA

+65 6722 2215

EzienHoo@ocbc.com

Wong Hong Wei, CFA

+65 6722 2533

WongHongWei@ocbc.com

Seow Zhi Qi, CFA

+65 6530 7348

zhiqiseow@ocbc.com

Credit Summary:

- [Mapletree Industrial Trust \(“MINT”\)](#) | **Issuer Profile: Neutral (3)**: MINT reported 3QFY2020 results. Gross revenue was up 9.7% y/y to SGD102.6mn while net property income (“NPI”) was up 14.0% y/y to SGD81.9mn. Average overall portfolio occupancy was higher at 90.9% up from 90.5% in the preceding quarter. MINT’s aggregate leverage increased q/q from 29.2% to 34.1% as at 31 December 2019. MINT has no debt maturing for the remaining of FY2020.
- [CapitaLand Commercial Trust \(“CCT”\)](#) | **Issuer Profile: Neutral (3)**: CCT reported 4Q2019 results. Gross revenue grew by 8.9% y/y while net property income (“NPI”) was up by 3.3% y/y. CCT’s portfolio committed occupancy improved slightly to 98.0% (30 Sep 2019: 97.6%). Aggregate leverage decreased slightly to 35.1% from 35.5% in the preceding quarter. Separately, the respective managers of CapitaLand Mall Trust (“CMT”) and CCT have jointly announced the proposed merger of CMT and CCT to create a diversified commercial REIT to be named “CapitaLand Integrated Commercial Trust” (“CICT”).
- [CapitaLand Mall Trust \(“CMT”\)](#) | **Issuer Profile: Positive (2)**: CMT reported 4Q2019 results. Gross revenue and NPI for the quarter grew by 12.7% and 13.1% y/y respectively. Portfolio occupancy was higher at 99.3%, up from 98.9% in the preceding quarter. Aggregate leverage fell to 32.9% from 34.4% in the preceding quarter. In 2020, CMT will see SGD310.2mn of borrowings come due.
- [Suntec Real Estate Investment Trust \(“SUNTEC”\)](#) | **Issuer Profile: Neutral (4)**: SUNTEC reported 4Q2019 results. NPI and joint venture income contribution rose 1.1% y/y to SGD80.2mn, with office outperforming retail. Aggregate leverage fell q/q to 37.7% (3Q2019: 38.2%). The credit profile of SUNTEC may evolve due to the pending acquisition and additions to its office portfolio.
- [UBS Group AG \(“UBS”\)](#) | **Issuer Profile: Neutral (3)**: UBS reported its FY2019 results with operating profit before tax of USD5.58bn, down 6.9% y/y. UBS’s CET1 capital position remains above its capital guidance of around 13.0% and minimum CET1 capital ratio requirements of 9.6% (excluding countercyclical buffer) as at 1 January 2020 with its CET1 ratio as at 31 December 2019 of 13.7%, up from 12.9% as at 31 December 2018. UBS has revised down some of its strategic targets.

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Credit Headlines

Mapletree Industrial Trust (“MINT”) | Issuer Profile: Neutral (3)

- MINT reported its 3QFY2020 results for financial year ending 31 March 2020. Gross revenue was up 9.7% y/y to SGD102.6mn while net property income (“NPI”) was up 14.0% y/y to SGD81.9mn. This came on the back of new revenue contributions from 18 Tai Seng and 7 Tai Seng Drive as well as higher revenue contribution from 30A Kallang Place.
- Average overall portfolio occupancy was higher at 90.9% up from 90.5% in the preceding quarter as higher occupancies were registered for the hi-tech buildings and business park buildings segments.
- The acquisition of an 80% interest in the Turnkey Portfolio and 10 powered shell data centres were completed on 1 November 2019 and 14 January 2020 respectively. We expect these acquisitions to contribute to MINT in the next quarter.
- 62 out of the 108 existing tenants at the Kolam Ayer 2 Cluster had committed to new leases at alternative MIT clusters. Kolam Ayer 2 Cluster will be redeveloped into a new high-tech industrial precinct. The construction of the redevelopment of the Kolam Ayer 2 Cluster remained on track to commence in the second half of 2020.
- Total debt increased q/q by SGD391.3mn to SGD1.6bn as at 31 December 2019. This was due to the additional loans drawn to fund the acquisition of the Turnkey Portfolio. Consequently, MIT’s aggregate leverage increased q/q from 29.2% to 34.1% as at 31 December 2019. MINT has no debt maturing for the remaining of FY2020. MINT’s credit metrics remain manageable in our view and we will continue to hold MINT at Neutral(3) issuer profile. (Company, OCBC)

CapitaLand Commercial Trust (“CCT”) | Issuer Profile: Neutral (3)

- CCT reported 4Q2019 results. Gross revenue grew by 8.9% y/y to SGD107.8mn while net property income (“NPI”) was up by 3.3% y/y to SGD81.9mn. The increase was due to higher contribution from 21 Collyer Quay, Capital Tower and Main Airport Center (acquired on 17 Sep 2019). The increase was offset partially by lower revenue from Six Battery Road and Bugis Village.
- CCT’s portfolio committed occupancy improved slightly to 98.0% (30 Sep 2019: 97.6%, 30 June 2019: 98.6%, 31 March 2019: 99.1%). Of the expiring rents in 2020, 10% out of the 27% has already been completed (either renewed or re-let)
- Aggregate leverage decreased slightly to 35.1% from 35.5% in the preceding quarter on the back of higher deposited property value. All-in average cost of debt was lower at 2.4% p.a. After refinancing CapitaGreen’s bank borrowings in 4Q 2019, CCT’s proportion of unencumbered assets increased to 91.0% of total assets. This improves CCT’s financial flexibility. CCT also issued its first green bond comprising JPY10.0bn of unsecured bonds due in Nov 2027 in Dec 2019, which were swapped into approximately SGD124.7mn at a fixed interest rate of 2.84% p.a.
- Looking ahead, CCT’s growth pipeline includes the call option for the balance 55% of CapitaSpring’s commercial component (not currently owned by CCT). The call option is exercisable within five years after the development obtained TOP (expected to be 1H2021).
- Separately, the respective managers of CapitaLand Mall Trust (“CMT”) and CCT have jointly announced the proposed merger of CMT and CCT to create a diversified commercial REIT to be named “CapitaLand Integrated Commercial Trust” (“CICT”). CICT is expected to be the third largest REIT in Asia Pacific and the largest REIT in Singapore, with a market capitalisation of SGD16.8bn and a combined property value of SGD22.9bn. (Company, OCBC)

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Credit Headlines

CapitaLand Mall Trust (“CMT”) | Issuer Profile: Positive (2)

- CMT reported 4Q2019 results. Gross revenue and NPI for the quarter grew by 12.7% and 13.1% y/y to SGD203.4mn and SGD140.7mn respectively. The increase in gross revenue was mainly due to the completion of the acquisition of the remaining 70.0% interest in Westgate on 1 Nov 2018 and the opening of Funan on 28 Jun 2019 after a three-year redevelopment, though partially offset by lower income from Lot One Shoppers’ Mall, mainly due to rejuvenation works which commenced in 3Q 2019 (expected completion: 2H2020).
- Portfolio occupancy was higher at 99.3%, up from 98.9% in the preceding quarter, with rental reversion at ~+0.8% for the full year. The lease expiry for 2020 stands at 20.1% of net lettable area with the bulk of it at Westgate and Plaza Singapura. In 2019, shopper traffic grew 1.4% y/y while tenants’ sales fell by 1.4% y/y, specifically sporting goods gained 9.3% y/y while electrical and electronics fell by 18.1% y/y and home furnishing fell 17.5% y/y.
- Aggregate leverage inched fell to 32.9% from 34.4% in the preceding quarter in part due to higher deposited property valuation. Reported interest coverage was stable q/q at 4.7x.
- In 2020, CMT will see SGD310.2mn of borrowings come due, we think this is very manageable as we think CMT’s assets fully unencumbered.
- Separately, the respective managers of CapitaLand Mall Trust (“CMT”) and CCT have jointly announced the proposed merger of CMT and CCT to create a diversified commercial REIT to be named “CapitaLand Integrated Commercial Trust” (“CICT”). CICT is expected to be the third largest REIT in Asia Pacific and the largest REIT in Singapore, with a market capitalisation of SGD16.8bn and a combined property value of SGD22.9bn. (Company, OCBC)

Suntec Real Estate Investment Trust (“SUNTEC”) | Issuer Profile: Neutral (4)

- SUNTEC reported 4Q2019 results. NPI and joint venture income contribution rose 1.1% y/y to SGD80.2mn, with office (+4.2% y/y to SGD57.0mn) outperforming retail (-5.7% y/y to SGD23.2mn).
 - Office: The stronger performance is mainly due to Suntec City Office (+4.1% y/y to SGD25.5mn) which saw higher occupancy and SGD3.0mn contribution from 55 Currie Street (4Q2018: nil). These more than offset the weaker performance from 177 Pacific Highway (-14.1% y/y to SGD7.9mn) which is impacted by the weaker AUD.
 - Retail: Suntec City Mall was the main drag (-6.1% y/y to SGD21.5mn) mainly due to higher advertising and promotion expenses and property tax. Meanwhile, Suntec Convention registered 31.7% y/y increase to SGD5.4mn from higher yielding events and cost savings from operations.
 - Portfolio statistics look decent with occupancy at 99.1%.
- Aggregate leverage fell q/q to 37.7% (3Q2019: 38.2%) mainly due to revaluation gains of SGD154.4mn. That said, the credit profile of SUNTEC may evolve due to the pending acquisition and additions to its office portfolio (e.g. 9 Penang Road, Olderfleet) though we continue to hold SUNTEC at an Issuer Profile of Neutral (4) for now. (Company, OCBC)

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Credit Headlines

UBS Group AG (“UBS”) | Issuer Profile: Neutral (3)

- UBS reported its FY2019 results with operating profit before tax of USD5.58bn down 6.9% y/y. This was driven by a larger fall in operating income (-4.4% y/y) against a fall in operating expenses (-3.8% y/y). Adjusted operating profit before tax of USD6.04bn which excludes restructuring expenses, goodwill impairments and other expenses was down 0.5% y/y.
- Weaker operating income performance was evidenced in all major business divisions (Global Wealth Management, Personal & Corporate Banking and Investment Bank) due to reduced recurring net fee income from margin compression and growth in lower-margin products in Global Wealth Management while challenging market conditions continued to impact Investment Bank performance.
- UBS’s CET1 capital position remains above its capital guidance of around 13.0% and minimum CET1 capital ratio requirements of 9.6% (excluding countercyclical buffer) as at 1 January 2020 with its CET1 ratio as at 31 December 2019 of 13.7%, up from 12.9% as at 31 December 2018. Similarly, the CET1 ratio improved q/q from 13.1% as at 30 September 2019 with the 60bps rise driven by a reduction in risk weighted assets (lower asset volumes and model updates) and a rise in CET1 capital.
- With expectations of operating conditions remaining weak, UBS has revised down some of its strategic targets. It is now aiming for a 12-15% return on CET1 capital over 2020-2022 (~17% ambition by FY2021) and a cost to income ratio of 75-78% (~72% ambition by FY2021). Other targets (10–15% profit before tax growth in Global Wealth Management, ~13% CET1 capital ratio ~3.7% CET1 leverage ratio) remain intact.
- UBS’s results likely affirm or justify the restructuring currently underway in its Investment Bank and Global Wealth Management with the lowering of growth targets similar to other banks that shows a reduction in ambition for Financial Institutions in 2020 and a more defensive mindset. We continue to review the numbers. (Company, OCBC)

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Key Market Movements

	22-Jan	1W chg (bps)	1M chg (bps)		22-Jan	1W chg	1M chg
iTraxx Asiax IG	52	-1	-1	Brent Crude Spot (\$/bbl)	64.59	0.16%	-2.34%
iTraxx SovX APAC	26	0	0	Gold Spot (\$/oz)	1,556.43	0.01%	4.75%
iTraxx Japan	43	-1	-1	CRB	181.56	-0.79%	-1.88%
iTraxx Australia	48	1	1	GSCI	425.14	-0.26%	-1.88%
CDX NA IG	46	1	1	VIX	12.85	4.30%	2.72%
CDX NA HY	109	0	0	CT10 (%)	1.783%	0.00	-13.41
iTraxx Eur Main	43	0	-1				
iTraxx Eur XO	211	3	3	AUD/USD	0.685	-0.83%	-1.11%
iTraxx Eur Snr Fin	52	1	-1	EUR/USD	1.109	-0.57%	-0.03%
iTraxx Eur Sub Fin	110	2	-2	USD/SGD	1.350	-0.26%	0.46%
iTraxx Sovx WE	12	0	0	AUD/SGD	0.924	0.62%	1.58%
USD Swap Spread 10Y	-4	0	1	ASX 200	7,094	1.42%	4.08%
USD Swap Spread 30Y	-31	0	-1	DJIA	29,196	1.00%	2.60%
US Libor-OIS Spread	23	-3	-14	SPX	3,321	0.99%	3.09%
Euro Libor-OIS Spread	6	0	0	MSCI Asiax	698	-1.48%	2.08%
				HSI	27,985	-3.12%	0.41%
China 5Y CDS	33	2	1	STI	3,247	-0.71%	1.08%
Malaysia 5Y CDS	35	1	0	KLCI	1,587	0.43%	-1.42%
Indonesia 5Y CDS	62	1	-1	JCI	6,238	-1.38%	-0.74%
Thailand 5Y CDS	21	0	-2	EU Stoxx 50	3,789	0.38%	0.33%
Australia 5Y CDS	16	0	0				

Source: Bloomberg

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New Issues

- Helenbergh China Holdings Limited priced a USD250mn retap of its HLBCHN 12.875%'21s at 12.25%, tightening from IPT of 12.75% area.
- ReNew Power Pvt Ltd priced a USD450mn 5.5-year-WAL green bond at 5.875%, tightening from IPT of 6.125% area.
- Swire Pacific MTN Financing (HK) Limited priced a USD500mn 10-year bond (guaranteed by Swire Pacific Limited) at T+120bps, tightening from IPT of T+145bps area.
- Korea South-East Power Co Ltd priced a USD300mn 5-year green bond at T+62.5bps, tightening from IPT of T+90bps area.
- Shangri-La Hotel Limited priced a SGD250mn 10-year bond at 3.5%, tightening from IPT of 3.7% area.
- Phoenix Group Holdings plc arranged investor calls commencing 21 Jan for its proposed USD bond offering.

Date	Issuer	Size	Tenor	Pricing
21-Jan-20	Helenbergh China Holdings Limited	USD250mn	HLBCHN 12.875%'21s	12.25%
21-Jan-20	ReNew Power Pvt Ltd	USD450mn	5.5-year-WAL	5.875%
21-Jan-20	Swire Pacific MTN Financing (HK) Limited	USD500mn	10-year	T+120bps
21-Jan-20	Korea South-East Power Co Ltd	USD300mn	5-year	T+62.5bps
21-Jan-20	Shangri-La Hotel Limited	SGD250mn	10-year	3.5%
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%

Source: OCBC, Bloomberg

Treasury Research & Strategy

Macro Research

Selena Ling*Head of Research & Strategy*LingSSSelena@ocbc.com**Howie Lee***Thailand, Korea &**Commodities*HowieLee@ocbc.com**Tommy Xie Dongming***Head of Greater China**Research*XieD@ocbc.com**Carie Li***Hong Kong & Macau*carierli@ocbcwh.com**Wellian Wiranto***Malaysia & Indonesia*WellianWiranto@ocbc.com**Dick Yu***Hong Kong & Macau*dicksnyu@ocbcwh.com**Terence Wu***FX Strategist*TerenceWu@ocbc.com

Credit Research

Andrew Wong*Credit Research Analyst*WongVKAM@ocbc.com**Ezien Hoo***Credit Research Analyst*EzienHoo@ocbc.com**Wong Hong Wei***Credit Research Analyst*WongHongWei@ocbc.com**Seow Zhi Qi***Credit Research Analyst*ZhiQiSeow@ocbc.com

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