

### Market Commentary

- The SGD swap curve flattened 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 remain mostly unchanged at 117bps, and the Bloomberg Barclays Asia USD HY Bond Index average OAS widened 4bps to 448bps. The HY-IG Index Spread widened 4bps to 331bps.
- Flows in SGD corporates were heavy, with flows in SLHSP 3.5%/30s, UBS 4.85%-PERPs, TMGSP 4.05%/25s, STANLN 5.375%-PERPs, HSBC 5.0%-PERPs, CATHAY 3.378%-23s, CAPLSP 3.65%-PERPs, FPLSP 4.38%-PERPs, FPLSP 3.95%-PERPs, CPIPGR 5.8%-PERPs, SPHSP 4.0%-PERPs and UBS 5.875%-PERPs.
- 10Y UST Yields fell 0.5bps to 1.77%, with investors feeling cautious due to the outbreak of the Wuhan coronavirus.

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### Credit Summary:

- [Mapletree Logistics Trust \("MLT"\)](#) | **Issuer Profile: Neutral (4)**: MLT announced the proposed acquisition of a logistics property in South Korea, Seoul. The total acquisition cost is expected to be funded by debt.
- [Mapletree Commercial Trust \("MCT"\)](#) | **Issuer Profile: Neutral (3)**: MCT reported a strong set of 3QFY2020 results. Gross revenue was up by 16.7% y/y and as at 31 Dec 2019, overall actual portfolio occupancy was higher at 98.3%. Reported aggregate leverage was also higher at 33.4%.
- [Keppel Real Estate Investment Trust \("KREIT"\)](#) | **Issuer Profile: Neutral (4)**: KREIT reported 4Q2019 results. Gross revenue and net property income rose 10.4% and 9.3% y/y respectively. Overall portfolio committed occupancy was 99.1%. Reported aggregate leverage improved from the preceding quarter.
- [ESR-REIT \("EREIT"\)](#) | **Issuer Profile: Neutral (4)**: EREIT reported 4Q2019 results. Gross revenue rose 0.9% q/q. As at 31 Dec 2019, EREIT's aggregate leverage was 41.5%. In 2019, EREITs' rental reversion was flat.
- [Frasers Property Ltd \("FPL"\)](#) | **Issuer Profile: Neutral (4)**: FPL acquired Bedfont Lakes Ltd and this acquisition does not materially change the credit profile of FPL as it is small relative to the total assets.
- [Frasers Centrepoint Trust \("FCT"\)](#) | **Issuer Profile: Neutral (3)**: FCT reported 1QFY2020 results. Gross revenue and NPI were up 1.0% and 2.6% y/y respectively. Portfolio occupancy was better at 97.3% while aggregate leverage climbed to 33.2%. In FY2020, FCT has SGD188mn of borrowings coming due.
- [Cache Logistics Trust \("CACHE"\)](#) | **Issuer Profile: Neutral (4)**: CACHE announced 4Q2019 results. CACHE reported a 12.2% y/y decline in gross revenue. As at 31 December 2019, short term debt was SGD113.3mn, representing 22% of total debt, which in our view is manageable for CACHE.
- [Westpac Banking Corporation \("WSTP"\)](#) | **Issuer Profile: Positive (2)**: Westpac has announced the appointment of John McFarlane as a Non-Executive Director and Chairman-Elect. Mr McFarlane has very strong experience in both global and Australian banking. We view this appointment as a credit positive.
- [Industry Outlook – Singapore Property](#): Firstly, prices rose 0.5% q/q in 4Q2019, led by the increase of landed properties. Secondly, units are moving and unsold units in the pipeline continued to decline. Thirdly, 4Q2019 real estate statistics look supportive of the market.

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

- MLT announced the proposed acquisition of a logistics property in South Korea for KRW35.8bn (~SGD41.4mn) while transaction cost is estimated at KRW2.5bn (~SGD2.9mn). The property is located in a logistics cluster in Seoul. The property is currently leased to a domestic third party logistics service provider and a domestic distributor and manufacturer of commercial packaging paper with a weighted average lease term to expiry of 6.2 years. Initial net property income (“NPI”) yield is 5.5% though MLT expects a stabilised NPI yield of 6.4%.
- The total acquisition cost is expected to be funded by debt with MLT’s aggregate leverage ratio to settle at ~37.4% post acquisition, taking into account of repayment of existing loans with proceeds from the divestment of a Chinese logistics asset. As at 31 December 2019, this was 37.5%. (Company, OCBC)

**Mapletree Commercial Trust (“MCT”) | Issuer Profile: Neutral (3)**

- MCT reported a strong set of 3QFY2020 results for the financial year ending 31 March 2020. Gross revenue was up by 16.7% y/y to SGD131.3mn, due to contribution by newly acquired Mapletree Business City II (on 1 Nov 2019) and higher y/y contributions from all properties except Mapletree Anson.
  - Mapletree Business City I saw a 7.3% y/y gain in revenue on the back of higher rental income from new and renewed leases and effects of the step-up rents in existing leases.
  - Vivocity recorded a 2.3% y/y growth in revenue, mainly due to higher rental income achieved together with the asset enhancement initiatives completed and step-up rents though partially offset by lower other revenue.
- As at 31 Dec 2019, overall actual portfolio occupancy was higher at 98.3%, up from 96.1% in the preceding quarter, while committed occupancy remained stable at 98.9%. YTD FY2020, shopper traffic was down by 2.2% y/y while tenant sales were down by 0.5% y/y at VivoCity. That said, momentum has continued to pick up as NTUC FairPrice and new Basement 2 tenants started contributing from May 2019.
- MCT achieved a positive rental reversion of 5.0% in the quarter, with retail at +6.7% and office/business park at +0.7%. Weighted average lease expiry for MCT’s portfolio is 2.6 years. Expiring leases for the remaining of FY2020 is just 0.6% for Office/Business Park.
- Reported aggregate leverage was higher at 33.4% (up from 31.7% in the preceding quarter) with reported interest coverage at 4.4x. MCT has completed its refinancing needs for FY2020 and some of FY2021 (with a balance of SGD285mn coming due to FY2021). Coupled with fully-unencumbered assets, MCT’s credit metrics remain intact in our view. (Company, OCBC)

## Asian Credit Daily

### Credit Headlines

#### Keppel Real Estate Investment Trust ("KREIT") | Issuer Profile: Neutral (4)

- KREIT reported 4Q2019 results. Gross revenue increased 10.4% y/y to SGD41.7mn from SGD37.8mn and a 9.3% y/y gain in net property income ("NPI") to SGD33.4mn from SGD30.5mn. The increase was mainly attributable to higher property income and NPI from Ocean Financial Centre, 275 George Street, 8 Exhibition Street, and income contribution from T Tower. This was offset by lower property income and NPI from Bugis Junction Towers after it was divested on 29 November 2019. NPI attributable to unitholders though was down by 2.0% y/y to SGD29.0mn from SGD29.6mn a year ago.
- Overall portfolio committed occupancy was 99.1%. Expiring leases 2020 is manageable at 10.8% of total Net Lettable Area, with as much as 8.0% coming from its Singapore portfolio.
- Reported aggregate leverage improved to 35.8% from 38.9% in the preceding quarter, following the repayment of loans with a major portion of the divestment proceeds from Bugis Junction Towers. All-in interest rate was reduced to 2.77%. For 2020, KREIT has SGD400mn of bank loans maturing. We think this is manageable for KREIT as it has SGD124.8mn of cash on hand. Separately, we note that KREIT's assets are 78% unencumbered.
- Over 4Q2019, KREIT has continued its unit buy-back programme and has purchased and cancelled 37.9mn units.
- Lastly, 311 Spencer Street has topped out, with development completion expected in 2Q2020. (Company, OCBC)

#### ESR-REIT ("EREIT") | Issuer Profile: Neutral (4)

- EREIT announced their 4Q2019 results. As EREIT had combined with VIVA Industrial Trust in October 2018, we find y/y comparison to be less useful. In 4Q2019, EREIT reported gross revenue of SGD62.5mn, up 0.9% q/q while net property income was SGD46.2mn, up 1.9% q/q.
- EBITDA (based on our calculation) was SGD41.8mn, 5.7% q/q higher, the increase in EBITDA was predominantly due to the NPI increase while in 3Q2019 EREIT incurred higher transaction costs in relation to the acquisition of 49% interest in 48 Pandan Road.
- We find EBITDA/Interest higher at 3.3x in 4Q2019 (3Q2019: 3.1x). As at 31 December 2019, perpetuals was SGD150mn, if we assume that EREIT pays SGD6.9mn p.a. in perpetual distribution (SGD1.7mn per quarter) and taking 50% of this as interest, we find EBITDA/(Interest and 50% of perpetual distribution), we find the coverage at 3.1x, still manageable.
- As at 31 December 2019, EREIT's aggregate leverage was 41.5%, including its' proportionate debt and asset at PTC Logistics Hub which was acquired in August 2019 and one of the highest levered REITs in our coverage universe.
- In 4Q2019, EREIT took a SGD91.6mn revaluation loss (properties are revalued once a year), this represents 3% of its investment property value prior to the revaluation.
- In 2019, EREITs' rental reversion was flat (climbing up from the negative rental reversion of 2.9% in 2018) while portfolio occupancy was 90.5%.
- We expect 2020 to be a more challenging year for EREIT due to impending supply in Singapore. All of EREIT's properties are located in Singapore. That being said, with all properties being unencumbered and the REIT having secured commitments from bank lenders to refinance all of its short term debt due of SGD160mn, we are comfortable maintaining EREIT's issuer profile at Neutral (4) for now. (Company, OCBC)

**Asian Credit Daily****Credit Headlines****Frasers Property Ltd (“FPL”) | Issuer Profile: Neutral (4)**

- FPL acquired Bedfont Lakes Ltd for GBP135mn (SGD238mn), which comprises three individual high-specification office buildings in the UK. This is leased on a long-term basis as the headquarter campus for Cisco Systems Ltd.
- The acquisition does not materially change the credit profile of FPL as it is small relative to the total assets (SGD37.6bn) of the group. (Company, OCBC)

**Frasers Centrepoint Trust (“FCT”) | Issuer Profile: Neutral (3)**

- FCT reported its first quarter results for financial year ending 30 September 2020 (“1QFY2020”). Gross revenue was up 1.0% y/y to SGD49.8mn. NPI was up by 2.6% y/y to SGD36.3mn. Growth was supported by higher overall portfolio occupancy and rental growth from renewals and replacement leases.
- Portfolio occupancy was better at 97.3%, up from 96.5% as at 30 Sep 2019. Average rental reversion for FCT was +5.0% over 1Q2020, with Causeway Point recording +7.1% change compared to preceding rental rates. FY2020 will see 26.6% of FCT’s portfolio by gross rental income come due.
- While shopper traffic was up 8.4% y/y in 1QFY2020 (attributed mainly to higher traffic registered at Northpoint City North Wing), tenants’ sales was down 0.5% y/y over the quarter.
- Aggregate leverage climbed to 33.2% (4QFY2019: 32.6%, 3QFY2019: 23.5%, 2QFY2019: 28.6%). This is in line with our expectation as FCT has earlier acquired 40% stake in Waterway Point. Reported interest cover for the quarter improved to 5.93x from 5.34x in the preceding quarter, in part due to the lower average cost of borrowings at 2.57% vs. 2.63% in Sep 2019.
- In FY2020, FCT has SGD188mn of borrowings (17.8% of total) coming due. This includes FCTSP 3.0% ‘20s (issue amount: SGD70mn) and FCTSP 2.365% ‘20s (issue amount: SGD90mn). Should FCT tap the bond market to refinance these bonds we think FCT could possibly bring its all-in cost of borrowings even lower. FCT’s assets remain largely unencumbered, except for some of its smaller malls namely Anchorpoint, Yew Tee Point and Changi City Point. Overall, we think FCT’s credit health remains intact and will continue to maintain its issuer profile at Neutral (3). (Company, OCBC)

## Asian Credit Daily

### Credit Headlines

#### Cache Logistics Trust (“CACHE”) | Issuer Profile: Neutral (4)

- CACHE announced their 4Q2019 results. CACHE reported a 12.2% y/y decline in gross revenue to SGD27.2mn, this was driven by the conversion of Cache Gul LogisCentre from a previous master lease to a multi-tenancy structure in April 2019, lower signing rents, absence of contribution from Jinshan Chemical Warehouse which was sold in December 2018, a weaker AUD against the SGD and some downtime in between leases though partly offset by the new acquisition of a warehouse in Altona, Melbourne. On a q/q basis which was not affected by asset movements, CACHE’s gross revenue fell 1.9%, mainly due to lease expiries for certain properties and downtime between leases. We note that committed portfolio occupancy was 95.3% for 31 December 2019 versus 94.0% in the previous quarter which signals that next quarter we could see gross revenue coming back.
- EBITDA (based on our calculation) was SGD18.5mn, down 3.3% q/q, mainly due to the decline in top line. We find EBITDA/Interest at 4.0x in 4Q2019, down somewhat from 4.1x in 3Q2019. As at 31 December 2019, CACHE has SGD100mn of perpetuals outstanding. Assuming CACHE pays SGD5.5mn p.a in perpetual distribution (SGD1.4mn per quarter) and taking 50% of this, we find EBITDA/(Interest plus 50% perpetual distribution) of 3.5x, manageable.
- As at 31 December 2019, reported aggregate leverage was 40.1%, while gross debt had increased slightly, total assets had declined 3% q/q. CACHE like many other REITs revalue their properties once a year. In 4Q2019, the REIT took a revaluation loss of SGD55.0mn, representing 4% of its investment property value prior to the revaluation. Assuming 50% of its perpetuals as debt, we find adjusted aggregate leverage at 44%, on the high side versus other REITs in our coverage.
- As at 31 December 2019, short term debt was SGD113.3mn, representing 22% of total debt, which in our view is manageable for CACHE. Secured debt now only represents 3% of its total assets versus more than 20% before 3Q2018. CACHE has the ability to raise secured funding if need be. We maintain CACHE’s issuer profile at Neutral (4) for now. (Company, OCBC)

#### Westpac Banking Corporation (“WSTP”) | Issuer Profile: Positive (2)

- Westpac has announced the appointment of John McFarlane as a Non-Executive Director and Chairman-Elect to commence from February and April 2nd respectively. He is set to replace current Chairman Lindsay Maxsted who brought forward his planned 2020 departure following the [announcement of proceedings by Australia’s financial crimes intelligence agency \('AUSTRAC'\)](#) for alleged systemic breaches by Westpac under the Anti-Money Laundering and Counter-Terrorism Financing Act.
- Mr McFarlane has very strong experience in both global and Australian banking as the former chairman of Barclays PLC (from 2015 to May 2019) and former CEO of Australia & New Zealand Banking Group Ltd from 1997 to 2007. We view this appointment as a credit positive recognizing not only Mr McFarlane’s background in dealing with issues similar to what Westpac now faces but also as a vote of confidence in Westpac’s future.
- Mc McFarlane’s appointments remain subject to regulatory approvals. We continue to maintain our Positive (2) issuer profile on Westpac for now. While the situation continues to develop, we think Westpac’s systemic importance in Australia’s financial sector may somewhat limit the damage from an eventual harsh, yet balanced outcome for Westpac. (Company, Bloomberg, OCBC)

## Asian Credit Daily

### Credit Headlines

#### Industry Outlook – Singapore Property

- **Prices increased:** URA released 4Q2019 real estate statistics. Prices rose 0.5% q/q in 4Q2019, led by the increase of landed properties (+3.6%). Although non-landed properties fell by 0.3%, we note that non-landed properties in outside central region rose by 2.8%.
- **Units are moving:** 2,443 sales of private residential units (excluding ECs) exceeded 2,226 units launched in 4Q2019. In particular, unsold units in the pipeline continued to decline. 30,162 units remained unsold at the end of 4Q2019, compared with 31,948 units in the previous quarter.
- **Remain optimistic on Singapore Property:** 4Q2019 real estate statistics look supportive of the market. As mentioned in our [Credit Outlook 2020](#), we expect private property prices to rise by mid-single digit in 2020. (URA, OCBC)

## Asian Credit Daily

### Key Market Movements

	23-Jan	1W chg (bps)	1M chg (bps)		23-Jan	1W chg	1M chg
iTraxx Asiax IG	52	1	-1	Brent Crude Spot (\$/bbl)	62.41	-3.42%	-5.99%
iTraxx SovX APAC	27	1	0	Gold Spot (\$/oz)	1,561.47	0.58%	5.09%
iTraxx Japan	43	-1	-1	CRB	180.03	-1.97%	-2.41%
iTraxx Australia	48	2	1	GSCI	418.53	-2.15%	-3.35%
CDX NA IG	45	1	0	VIX	12.91	4.20%	2.38%
CDX NA HY	109	0	0	CT10 (%)	1.757%	-5.05	-17.25
iTraxx Eur Main	44	0	-1				
iTraxx Eur XO	212	5	3	AUD/USD	0.687	-0.41%	-0.75%
iTraxx Eur Snr Fin	53	0	-1	EUR/USD	1.109	-0.44%	-0.01%
iTraxx Eur Sub Fin	110	-1	-2	USD/SGD	1.349	-0.10%	0.53%
iTraxx Sovx WE	12	0	0	AUD/SGD	0.927	0.29%	1.30%
USD Swap Spread 10Y	-5	0	0	ASX 200	7,081	0.55%	4.36%
USD Swap Spread 30Y	-31	0	-2	DJIA	29,186	0.85%	2.22%
US Libor-OIS Spread	23	-2	-15	SPX	3,322	1.18%	3.03%
Euro Libor-OIS Spread	6	0	1	MSCI Asiax	703	-1.04%	2.52%
				HSI	28,341	-1.88%	1.56%
China 5Y CDS	34	3	2	STI	3,249	-0.89%	1.08%
Malaysia 5Y CDS	35	2	0	KLCI	1,576	-0.72%	-2.34%
Indonesia 5Y CDS	63	3	0	JCI	6,233	-0.79%	-1.15%
Thailand 5Y CDS	21	0	-2	EU Stoxx 50	3,770	0.02%	-0.18%
Australia 5Y CDS	16	0	0				

Source: Bloomberg

**Asian Credit Daily****New Issues**

- Cyprus Investments, Inc. priced a USD140mn 3-year bond at 3m-US LIBOR+90bps.

Date	Issuer	Size	Tenor	Pricing
22-Jan-20	Cyprus Investments, Inc.	USD140mn	3-year	3m-US LIBOR+90bps
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



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