

Market Commentary

- The SGD swap curve bear-steepened yesterday, with the shorter tenors trading 2bps higher while the belly and longer tenors traded 4bps higher.
- The Bloomberg Barclays Asia USD IG Bond Index average OAS widened 2bps to 123bps, and the Bloomberg Barclays Asia USD HY Bond Index average OAS widened 17bps to 491bps. The HY-IG Index Spread widened 15bps to 368bps.
- Flows in SGD corporates were heavy, with flows in HPLSP 4.4%-PERPs, CATHAY 3.375%'23s, FPLSP 4.98%-PERPs, CAPLSP 3.65%-PERPs, SPHSP 3.2%'30s, GGRSP 4.75%'21s and GUOLSP 4.6%-PERPs.
- 10Y UST Yields fell 7bps to 1.58%, as the death toll in China increased sharply due to the Wuhan coronavirus and the Federal Reserve left interest rates unchanged. The Federal Reserve clarified that policy makers are not comfortable with inflation below 2% and would continue to expand its balance sheet.

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Credit Summary:

- **[First Real Estate Investment Trust \("FIRT"\)](#) | Issuer Profile: Negative (6):** FIRT reported its 4Q2019 results. Gross revenue declined by 1.6% y/y while net property income ("NPI") fell 0.8% y/y. No debt comes due until 2021 when SGD195.9mn of term loans comes due. 2021 is also the same year where the FIRTSP 5.68%-PERP faces first call. As at 31 December 2019, FIRT's reported aggregate leverage was 34.5%, in line with 30 September 2019.
- **[Starhill Global REIT \("SGREIT"\)](#) | Issuer Profile: Neutral (4):** SGREIT reported results for the quarter ended 31 December 2019 ("2QFY2020"). Gross revenue declined 4.5% y/y while net property income ("NPI") declined 5.9% y/y. Overall, actual occupancy at SGREIT was stable q/q at 96.5% (1QFY2020: 96.2%). Aggregate leverage was largely stable at 36.3% in 2QFY2020 (1QFY2020: 36.2%). Reported interest coverage was also slightly lower q/q at 3.6x from 3.7x.
- **[Ascott Residence Trust \("ART"\)](#) | Issuer Profile: Neutral (3):** ART reported its 4Q2019 results for the period ended 31 December 2019. On a standalone basis, ART's 4Q2019 revenue was down by 1.8% y/y and reported gross profit was up by 3.0% y/y. EBITDA (based on our calculation) was SGD61.1mn, with resultant EBITDA/Interest coverage of 4.8x (3Q2019: 4.7x). While we expect ART's performance to be negatively impacted due to the outbreak of the latest strain of coronavirus, this impact is difficult to quantify precisely currently.
- **[Hyflux Ltd \("HYF"\)](#) | Issuer Profile: Unrated:** Following its most recent high court hearing on January 29th, HYF has announced the extension of its debt moratorium to February 28th. There appears to be some disagreement amongst the restructuring advisers on both how to split up the SGD40mn fee allocation and also whether to accept this fee cap. Separately, it has been reported that WongPartnership has applied to the court to be formally discharged as legal adviser to Hyflux due to "loss of confidence" and other "good cause".

Credit Headlines**First Real Estate Investment Trust ("FIRT") | Issuer Profile: Negative (6)**

- FIRT reported its 4Q2019 results. Gross revenue declined by 1.6% y/y to SGD28.9mn while net property income ("NPI") fell 0.8% y/y to SGD28.3mn, this was mainly due to lower variable rental component for its Indonesian properties.
- EBITDA (based on our calculation which does not include other income and other expenses) was correspondingly down 0.7% y/y to SGD25.4mn though finance cost was significantly lower by 11.3% y/y to SGD5.2mn mainly due to absence of a one-off amortisation of loan cost which was recorded in 4Q2018. EBITDA/Interest was thus higher at 4.8x (4Q2018: 4.3x) and highly manageable.
- No debt comes due until 2021 when SGD195.9mn of term loans comes due. 2021 is also the same year where the FIRTSP 5.68%-PERP faces first call.
- In December 2015, FIRT entered an asset swap arrangement where the existing Siloam Hospital Surabaya would be sold to PT Lippo Karawaci Tbk ("LK"), with FIRT buying a new Surabaya hospital when construction completes for SGD90mn. Originally, the new hospital was targeted to complete by 2019, however, development works has been halted.
- In December 2019, FIRT announced that development works of the new Surabaya Hospital had been impacted by a road subsidence at Gubeng Highway. FIRT is currently monitoring the situation and considering its options while the existing Siloam Hospital Surabaya is still operational and contributing to rental income. While the media has highlighted that allegedly the road subsidence was due to construction of the new hospital, FIRT has disclosed that it is not involved in any investigation in relation to the road subsidence.
- As at 31 December 2019, FIRT's reported aggregate leverage was 34.5%, in line with 30 September 2019. We are maintaining FIRT's issuer profile at Negative (6) until (1) Such time where FIRT's main tenant LK's credit profile markedly improves to a level suggestive of Neutral (5) and/or (2) FIRT reduces its reliance on income from Indonesia (and thereby reducing LK counterparty credit risk). (Company, Antara, OCBC)

Asian Credit Daily**Credit Headlines****Starhill Global REIT ("SGREIT") | Issuer Profile: Neutral (4)**

- SGREIT reported results for the quarter ended 31 December 2019 ("2QFY2020"). Gross revenue declined 4.5% y/y to SGD48.7mn while net property income ("NPI") declined 5.9% y/y to SGD37.2mn. This was largely due to the rental rebate extended to the master tenant during the asset enhancement period of Starhill Gallery in Malaysia and the weaker AUD against SGD. Excluding Starhill Gallery, gross revenue and NPI for the REIT would have fallen by 0.4% y/y and 0.6% y/y respectively.
- The asset enhancement works at Starhill Gallery is to convert the property into an integrated development with hotel and retail elements. The revamped property will be renamed The Starhill. Expected completion date is by end 2021. The mall remains partially open as redevelopment works are set in stages.
- For its Singapore retail portfolio, actual occupancy was somewhat stable at 99.6% (preceding quarter: 99.7%). Interestingly, retail tenant sales for Wisma Atria were up 13.0% y/y even though footfall was down by 3.7% y/y. Within FY2020, the Singapore retail segment will see just 5.2% of leases expiry based on gross rents which we think is manageable.
- On the Singapore office front, actual occupancy fell to 89.2% from 93.6% in the preceding quarter. This was due to the pre-termination of a single tenant at Ngee Ann City (Office), even though Wisma Atria (Office) saw actual occupancy rise to 91.3% from 87.7% as at 30 Sep 2019. The Singapore office segment will see 10.9% of leases by gross rents expiry within FY2020.
- Overall, actual occupancy at SGREIT was stable q/q at 96.5% (1QFY2020: 96.2%).
- Aggregate leverage was largely stable at 36.3% in 2QFY2020 (1QFY2020: 36.2%). Reported interest coverage was also slightly lower q/q at 3.6x from 3.7x. We think SGREIT has minimal refinancing risk in the near term, as it only has SGD28mn worth of short-term revolving credit facilities coming due in FY2020 and SGD100mn worth of borrowings due in FY2021, while having SGD63.9mn cash on hand and 74% of its assets unencumbered. We continue to hold SGREIT at a Neutral (4) Issuer Profile. (Company, OCBC)

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Credit Headlines

Ascott Residence Trust ("ART") | Issuer Profile: Neutral (3)

- ART reported its 4Q2019 results for the period ended 31 December 2019.
- On 21 October 2019, unitholders of both ART and Ascendas Hospitality Trust ("ASCHTS") had approved the proposed combination of the two. On 31 December 2019, Ascott Reit completed the combination with ASCHTS. Following the completion, ASCHTS was delisted from SGX and the new combined entity had began trading on the SGX on 2 January 2020. The total combined asset value was SGD7.4bn as at 31 December 2019.
- On a standalone basis, ART's 4Q2019 revenue was down by 1.8% y/y to SGD134.1mn, mostly due to a decrease in revenue from the divestment of Ascott Raffles Place Singapore and Somerset West Lake Hanoi. Despite a fall in both revenue and gross profit in Singapore due to the divestment of Ascott Raffles Place, on a same store basis, revenue and gross profit would have improved from higher variable rent earned by Ascott Orchard.
- Standalone reported gross profit was up by 3.0% y/y to SGD65.3mn, mainly due to the adoption of FRS 116 – Leases. Removing the FRS 116 – Leases impact, gross profit for 4Q2019 would have been SGD60.1mn. EBITDA (based on our calculation which does not include other income and other expenses) was SGD61.1mn, while interest expense was higher at SGD12.6mn due to the FRS 116 – Leases impact, with resultant EBITDA/Interest coverage of 4.8x (3Q2019: 4.7x). ART currently has a total of SGD400mn of perpetual securities outstanding and assuming ART pays out SGD17.5mn in distribution per year (SGD4.4mn per quarter) and taking 50% of this as interest, we find adjusted EBITDA/Interest coverage at 3.6x.
- As at 31 December 2019, ART's short term debt (excluding lease liabilities) was SGD337.1mn, representing 14% of gross debt against ART cash balance of SGD275.5mn. ART has an upcoming JPY7bn 1.654% bond due August 2020 and is currently evaluating various refinancing options.
- While we expect ART's performance to be negatively impacted (from direct impact to its China operations as well as indirect impact from an overall reduction in travel activities) due to the outbreak of the latest strain of coronavirus, this impact is difficult to quantify precisely currently. ART, as at 31 December, had 6% of gross profit exposed to China and had signed a sale and purchase agreement in December 2019 to divest Citadines Zhuankou Wuhan, with expected completion in 1H2020. In 4Q2019 though, 25% of ART's standalone reported gross profit are from properties under Master Leases. Assuming the EBITDA on Master Leases were 93% of reported gross profit, this means that EBITDA from Master Leases were SGD15mn and implying that the Master Leases EBITDA alone could have covered overall interest expense of SGD12.6mn by 1.2x. 50% of ASCHTS' net property income (gross profit equivalent) in its most recent available quarterly financials ended September 2019 was also from Master Leases with different Master Lessors. We maintain ART's issuer profile at Neutral (3) for now though are monitoring the situation. (Company, OCBC)

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Credit Headlines

Hyflux Ltd (“HYF”) | Issuer Profile: Unrated

- Following its most recent high court hearing on January 29th, HYF has announced the extension of its debt moratorium to February 28th. This however appears to be the only positive development in the restructuring process:
 - Utico FZC, who entered into a restructuring agreement with HYF in late November released a statement on January 28th with somewhat of an ultimatum for the restructuring advisers. Under the current restructuring agreement, around SGD40mn has been allocated to advisers to pay their fees. However, there appears to be some disagreement amongst the advisers on both how to split this up and also whether to accept this fee cap which represents a haircut on currently invoiced fees. Some advisers have rejected this proposal and have indicated that they will not support the deal – a breach of the restructuring agreement according to Utico FZC. Utico have indicated that they will increase the allocation to SGD50mn if advisers approve the restructuring agreement or reduce it to SGD30mn if advisers do not support.
 - Separately, it has been reported that WongPartnership has applied to the court to be formally discharged as legal adviser to Hyflux due to “loss of confidence” and other “good cause”. Per media reports there appears to be some conflict about instructions and the factual basis for assurance on adviser fees.
- The next court hearing is scheduled for February 20th, earlier than the current expiry of the debt moratorium, to hear WongPartnership’s discharge application. With HYF sharing similar sentiments in its reorganisation process update, this adds another complication to the restructuring process if the relationship between HYF and WongPartnership is irreparably damaged. (Company, Bloomberg, Business Times, OCBC)

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Key Market Movements

	30-Jan	1W chg (bps)	1M chg (bps)		30-Jan	1W chg	1M chg
iTraxx Asiax IG	56	2	3	Brent Crude Spot (\$/bbl)	59.57	-3.98%	-12.96%
iTraxx SovX APAC	29	1	2	Gold Spot (\$/oz)	1,578.07	0.97%	4.15%
iTraxx Japan	45	2	2	CRB	172.95	-3.93%	-7.43%
iTraxx Australia	52	3	6	GSCI	398.75	-4.73%	-9.29%
CDX NA IG	48	2	3	VIX	16.39	26.96%	10.59%
CDX NA HY	109	0	-1	CT10 (%)	1.581%	-15.20	-29.83
iTraxx Eur Main	45	0	1				
iTraxx Eur XO	222	4	17	AUD/USD	0.674	-1.50%	-3.57%
iTraxx Eur Snr Fin	53	0	1	EUR/USD	1.101	-0.39%	-1.67%
iTraxx Eur Sub Fin	111	0	0	USD/SGD	1.363	-0.84%	-1.03%
iTraxx Sovx WE	11	0	0	AUD/SGD	0.919	0.73%	2.66%
USD Swap Spread 10Y	-5	0	-2	ASX 200	7,016	-1.63%	3.11%
USD Swap Spread 30Y	-32	0	-2	DJIA	28,734	-1.55%	0.96%
US Libor-OIS Spread	19	-3	-16	SPX	3,273	-1.46%	1.62%
Euro Libor-OIS Spread	5	-1	0	MSCI Asiax	680	-2.11%	-1.57%
				HSI	26,997	-3.53%	-4.67%
China 5Y CDS	40	4	9	STI	3,182	-2.21%	-1.25%
Malaysia 5Y CDS	40	2	5	KLCI	1,543	-2.19%	-4.47%
Indonesia 5Y CDS	65	2	3	JCI	6,130	-1.91%	-2.69%
Thailand 5Y CDS	24	1	0	EU Stoxx 50	3,736	-0.89%	-0.32%
Australia 5Y CDS	17	1	1				

Source: Bloomberg

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New Issues

- Suntec REIT MTN Pte. Ltd priced a SGD200mn 7-year bond at 2.95%, tightening from IPT of 3.15%.

Date	Issuer	Size	Tenor	Pricing
29-Jan-20	Suntec REIT MTN Pte. Ltd	SGD200mn	7-year	2.95%
23-Jan-20	Westpac Banking Corp	USD1.5bn	10NC5	T+135bps
22-Jan-20	Cyprus Investments, Inc.	USD140mn	3-year	3m-US LIBOR+90bps
21-Jan-20	Scenery Journey Ltd	USD2bn USD2bn	3.75-year 2.75-year	12.0% 11.5%
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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