

June 13, 2019

Credit Headlines: CWT International Ltd, Frasers Centrepoint Trust, Lippo Malls Indonesia Retail Trust

Market Commentary

- The SGD swap curve bull-flattened over yesterday, with the shorter tenors and belly trading 2-4bps lower, while the longer tenors traded 5-6bps lower.
- The Bloomberg Barclays Asia USD IG Bond Index average OAS widened 1bps to 137bps while the Bloomberg Barclays Asia USD HY Bond Index average OAS widened 6bps to 503bps.
- Flows in SGD corporates were heavy, dominated by SOCGEN 6.125%-PERPs, with additional flows in UBS 5.875%-PERPs, HSBC 5.0%-PERPs, BACR 3.75%'30s, WINGTA 4.35%-PERPs, ESRCAY 6.75% 22's, HSBC 4.7%-PERPs and SINTEC 5.0%-PERPs.
- 10Y UST yields fell 2bps to 2.12%, after soft US inflation data increased investors' expectations that the Federal Reserve will ease monetary policy, against the backdrop of rising trade tensions and slowing economic growth. Spread between 3-month treasury bills and 10-year treasury notes continued to be inverted, albeit narrower to -8bps.

Credit Headlines

CWT International Ltd ("CWTI") | Issuer Profile: Unrated

- CWT International has confirmed that receivers over its charged assets is intending to sell these charged assets and are taking steps to sell charged assets (eg: carrying out due diligence and assessing the marketability of these charged assets). In our view, this would include CWT Pte Ltd ("CWT SG") which still has SGD100mn of bonds outstanding due in March 2020.
- Separately, CWT SG's Deputy CEO / CFO was quoted by the media that for CWT SG, it is business as usual. We have officially suspended coverage of CWTI on 4 June 2019 given the lack of information over the receivership process, though will keep an eye on major news on this name. (Company, Reuters, OCBC)

Frasers Centrepoint Trust ("FCT") | Issuer Profile: Neutral (3)

- FCT concluded its equity fund raising exercise yesterday. The REIT raised SGD437.4mn in total, 84.5% of which was from the private placement at SGD2.382 per unit while the balance 15.5% was from the preferential offering at SGD2.35 per unit.
- SGD188.7mn or rather 43% of the funds raised will be used to pare down loans taken up in connection with the acquisition of stake in PGIM Real Estate Asia Retail fund.
- We see resultant aggregate leverage manageable, at the 33% handle. (OCBC, Company)

Credit Headlines (cont'd)

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

- LMRT priced a USD250mn 5NC3 issue at 7.5%. Proceeds will be used to refinance the SGD120mn revolving credit facility and SGD175mn term loan due in 25 Aug 2020 (“2020s term loan”).
- While the SGD75mn LMRTSP 4.1% ‘20s with maturity on 22 June 2020 (1) comes due before the 2020s term loan and (2) is trading at a higher yield (8.3%) than the financing cost of the 2020s term loan (estimate: 5%), management explained that this exercise will free up the revolving credit facility and thereby increase financial flexibility in the short term. This may also allow LMRT to increase its bank debt headroom, and we note that LMRT intends to acquire [Lippo Mall Puri](#) some time in 2H2019.
- Swapping the USD bond issuance back to SGD, we estimate the effective financing cost paid by LMRT at ~7.25%. This increases financing costs as we estimate that the financing cost is 4%-5% for the revolving credit facility and term loans. In addition, we note that the USD bond issue is more expensive than the SGD perpetuals (coupons at 7% and 6.6%).
- We calculate the NPI yield on LMRT’s existing portfolio at ~8%. As such, we think the financing cost of the USD bond issue (7.25% in SGD terms, without factoring transaction costs for issuance) may potentially exceed the net property income yield on LMRT’s assets, taking into consideration REIT management expenses, income tax and withholding tax.
- However, we acknowledge that this exercise helps to improve the debt maturity profile of LMRT from 2 years in 1Q2019 to ~3.7 years. We continue to maintain LMRT at a Negative (6) Issuer Profile. (Company, OCBC)

Table 1: Key Financial Indicators

	13-Jun	1W chg (bps)	1M chg (bps)
iTraxx Asiax IG	73	-3	0
iTraxx SovX APAC	47	-2	-1
iTraxx Japan	67	-2	7
iTraxx Australia	71	-3	-2
CDX NA IG	62	-1	-4
CDX NA HY	106	1	0
iTraxx Eur Main	62	-5	-7
iTraxx Eur XO	273	-19	-18
iTraxx Eur Snr Fin	79	-5	-4
iTraxx Sovx WE	18	-1	0
AUD/USD	0.693	-0.69%	-0.22%
EUR/USD	1.129	0.12%	0.61%
USD/SGD	1.367	-0.20%	0.27%
China 5Y CDS	51	-4	0
Malaysia 5Y CDS	66	-4	-2
Indonesia 5Y CDS	102	-5	-8
Thailand 5Y CDS	36	0	-5

	13-Jun	1W chg	1M chg
Brent Crude Spot (\$/bbl)	60.11	-2.53%	-14.41%
Gold Spot (\$/oz)	1,333.30	-0.15%	2.57%
CRB	173.24	0.52%	-2.48%
GSCI	399.78	0.31%	-7.34%
VIX	15.91	-1.12%	-22.58%
CT10 (bp)	2.121%	0.31	-28.10
USD Swap Spread 10Y (bp)	-4	-4	-1
USD Swap Spread 30Y (bp)	-30	-2	-2
US Libor-OIS Spread (bp)	21	4	4
Euro Libor-OIS Spread (bp)	5	0	-1
DJIA	26,005	1.82%	2.68%
SPX	2,880	1.90%	2.42%
MSCI Asiax	631	1.97%	-1.03%
HSI	27,308	1.54%	-4.35%
STI	3,204	1.85%	-0.93%
KLCI	1,651	0.40%	3.10%
JCI	6,276	4.03%	2.29%

New issues:

- Zhenro Properties Group Ltd has priced a USD200mn PerpNC2.6Y bond at 10.25%, tightening from IPT of 10.5% area.
- China Merchants Bank Co Ltd of London has priced a USD600mn 3Y FRN at 3m\$+74bps, tightening from IPT of 3m\$+95bps area.
- Republic of Korea has priced a USD500mn 5-year bond at T+30bps, tightening from IPT at T+55bps area, and also a USD1bn 10-year bond at T+55bps, tightening from IPT of T+75bps area.
- CNAC (HK) Finbridge Co., Ltd (guarantor: China National Chemical Corporation Ltd) has priced USD2.3bn deal over 4 tranches; with a USD300mn 3-year bond at T+135bps (tightening from IPT at T+160bps area), a USD900mn 5-year bond at T+155bps (tightening from IPT of T+190bps area), a USD900mn 10-year bond at T+182.5bps area (tightening from IPT of T+220bps area) and a USD200mn 30-year bond at 4.75% (tightening from IPT of 4.95% area).
- LMIRT Capital Pte. Ltd has priced a USD250mn 5NC3 bond at 7.50%, tightening from IPT of 7.75% area.
- Sichuan Railway Investment Group Co., Ltd. Has scheduled investor meetings commencing on 13 June for its potential USD bond issuance.

<u>Date</u>		<u>Size</u>	<u>Tenor</u>	<u>Pricing</u>
12-Jun-19	Zhenro Properties Group Ltd	USD200mn	NC2.6-perpetual	10.25%
12-Jun-19	China Merchants Bank Co Ltd, London Branch	USD600mn	3-year	3-month US LIBOR+74bps
12-Jun-19	The Republic of Korea	USD500mn USD1.0bn	5-year 10-year	T+30bps T+55bps
12-Jun-19	CNAC (HK) Finbridge Co., Ltd	USD300mn USD900mn USD900mn USD200mn	3-year 5-year 10-year 30-year	T+135bps T+155bps T+182.5bps 4.75%
12-Jun-19	LMIRT Capital Pte Ltd	USD250mn	5NC3	7.5%
11-Jun-19	Haimen Zhongnan Investment Development International Co., Ltd	USD350mn	3-year	11.875%
11-Jun-19	Power Finance Corp Ltd	USD400mn USD600mn	5-year 10-year	T+195bps T+242.5bps
11-Jun-19	Tuspark Forward Ltd	USD550mn	3-year	7.35%
11-Jun-19	Republic of Indonesia	USD750mn	10-year	3.45%
11-Jun-19	Shanghai Port Group (BVI) Holding Co., Ltd	USD400mn USD300mn	5-year 10-year	T+100bps T+130bps
11-Jun-19	Sunac China Holdings Ltd	USD600mn	3NC2	7.5%

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