

### Market Commentary

- The SGD swap curve traded mostly lower yesterday. The shorter tenors traded 1bps higher, though belly tenors traded 1-4bps lower, and longer tenors traded 5bps lower.
- There were heavy flows in SGD corporates on Friday, with flows in OLAMSP 5.5%-PERPs, HSBC 4.7%-PERPs, STSP 3.3%-PERPs, and ESRCA 5.65%-PERPs.
- UST 10Y Yields traded sideways yesterday, remaining at 1.63% to start the week. Amid a lack of significant economic data releases, US Treasury Secretary Janet Yellen said in an interview that she expects inflation levels to decrease to the 2 percent level around the middle to second half of 2022.

### Credit Research

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### Credit Summary:

- [ARA Logos Logistics Trust \("ALOG"\)](#) | **Issuer Profile: Neutral (4)**: ALOG announced its 3Q2021 business updates. We maintain ALOG's issuer profile at Neutral (4) and would cease coverage of ALOG should the transaction with ESR-REIT be successfully completed.
- [CapitaLand China Trust \("CLCT"\)](#) | **Issuer Profile: Neutral (4)**: CLCT reported 9M2021 results. We think CLCT's credit profile should continue to evolve as it looks to increase diversification with an increased focus on new economy assets.
- [HSBC Holdings PLC \("HSBC"\)](#) | **Issuer Profile: Neutral (3)**: HSBC reported its 3Q2021 results. With HSBC's operating performance on track, we maintain our Neutral (3) issuer profile on HSBC.
- [Keppel Real Estate Investment Trust \("KREIT"\)](#) | **Issuer Profile: Neutral (4)**: KREIT announced its 3Q2021 business updates. We maintain KREIT's issuer profile at Neutral (4).
- [Sembcorp Industries Ltd \("SCI"\)](#) | **Issuer Profile: Neutral (4)**: SCI, PT Pelayanan Listrik Nasional Batam and PT Trisurya Mitra Bersama announced that they have signed an exclusive joint development agreement to develop a large-scale integrated solar and energy storage project in the Batam, Bintan and Karimun region of Indonesia.

**Asian Credit Daily****Credit Headlines****ARA Logos Logistics Trust (“ALOG”) | Issuer Profile: Neutral (4):**

- ALOG announced its 3Q2021 business updates. Gross revenue was SGD34.0mn (up 15.1% y/y) in 3Q2021 while net property income was SGD26.1mn (up 13.9% y/y). Per ALOG, this was driven by increased revenue from ALOG’s Australian portfolio bought in April 2021, new leases and y/y stronger AUD versus the SGD in 3Q2021, though partly offset by the divestment of two properties in 2Q2021.
- Reported aggregate leverage was 37.8% as at 30 September 2021 (30 June 2021: 39.5%) though ALOG has an announced but yet to complete property acquisition in Brisbane while debt at its fund investments are not taken into account in the reported aggregate leverage level.
- As at 30 September 2021, portfolio occupancy remains healthy at 97.6%, though had fell temporarily from the 98.2% as at 30 June 2021. Reported interest coverage ratio (which does not factor perpetual distributions) was 3.6x for the 12 months ended 30 September 2021, lower than the 4.0x for the 12 months ended 30 June 2021.
- In October 2021, ESR-REIT announced the [proposed combination with ALOG](#) and it remains to be seen if the transaction will go through. The transaction is subject to various approvals including unitholder approvals of both REITs. If successful, the enlarged REIT will be known as ESR-LOGOS REIT (“ELOG”), becoming the ninth largest listed REIT in Singapore by free float. In the joint announcement, the ALLTSP 5.5%-PERP is intended to be early redeemed. We maintain ALOG’s issuer profile at Neutral (4) and would cease coverage of ALOG should the transaction be successfully completed. (Company, OCBC)

**Asian Credit Daily****Credit Headlines****CapitaLand China Trust ("CLCT") | Issuer Profile: Neutral (4):**

- CLCT reported 9M2021 results. Net property income grew 81.1% y/y to RMB903.4mn, helped by the addition of 5 Business Parks acquired in late 2020, consolidation of 100%-stake in Rock Square while we note that 9M2020's figures were impacted by rental relief due to the pandemic.
- Underlying results look decent on a y/y basis, with continuous improvement in Retail and Business Parks occupancy.
- For the retail segment, occupancy increased q/q to 96.7% (2Q2021: 95.4%). Tenant sales rose 27.3% y/y, with stronger recovery in Beijing Malls (+44.3% y/y) than Non-Beijing Malls (+18.9% y/y) due to resurgences of COVID-19 in non-Beijing malls. The strong growth is due to normalization trends with resumption in social activities and improved consumer sentiments. Continued improvements (if any) will be contingent on continued recovery of consumer demand which is in turn dependent on resurgence of COVID-19 cases and government policies.
- Meanwhile, business park occupancy increased q/q to 96.7% (2Q2021: 94.0%) on the back of 100% return to office while catering to high-growth and innovation-based industries. CLCT also highlighted positive business confidence with favourable leasing demand expected to continue for the business park segment.
- Following [CLCT's announcement to acquire four prime logistics properties for RMB1.68bn earlier this month](#) and divestments of CapitaMall Saihan (completed June 2021) and CapitaMall Minzhongleyuan (Feb 2021), we think CLCT's credit profile should continue to evolve. The target portfolio mix in 5 years will be 30% retail (down from the current 78.6%), 30% new economy assets (up from the current 21.4%, assuming completion of the 4 logistics properties) and 40% commercial / integrated developments.
- Aggregate leverage inched up q/q to 36.4% (2Q2021: 35.9%) with interest coverage improving q/q to 4.7x (2Q2021: 4.4x). We believe CLCT will be able to refinance SGD7.8mn debt maturing in 2021 and SGD213.1mn debt maturing in 2022 given its decent access to the capital markets. (Company, OCBC)

**Asian Credit Daily****Credit Headlines****HSBC Holdings PLC (“HSBC”) | Issuer Profile: Neutral (3):**

- HSBC's 75.8% y/y improvement in 3Q2021 (+10.1% q/q) profit before tax to USD5.4bn was driven by a USD659mn writeback in expected credit losses and other credit impairment charges (EUR785mn charge in 3Q2020) as well as improved share of profits from associates and joint ventures (USD721mn in 3Q2021 against EUR27mn loss in 3Q2020 due to non-recurrence of goodwill impairments previously recorded in The Saudi British Bank).
- For 9M2021, HSBC's profit before tax of USD16.2bn was up 119.7% y/y on a significant reversal of expected credit losses reflecting the improved operating environment, a better-than-expected performance in the bank's credit exposures and absence of large specific charges.
- Underlying trends for HSBC's businesses and its strategy look supportive for its fundamentals. Adjusted revenues were down 1% y/y due to lower markets revenues as expected (given strong 2020 performance and less capital deployed) as well as unfavourable market impacts in life insurance manufacturing. This offset decent performance in wealth and trade finance products which are a focus of HSBC's strategy. Overall 3Q2021 revenue performance was mitigated by broadly unchanged operating expenses as cost saving initiatives offset higher technology investment. All geographic segments were profitable in 3Q2021.
- With earnings performance and improvement in asset quality, methodology changes and a reduction in customer lending balances from short term debt repayment (that collectively reduced risk weighted assets), HSBC's capital position improved 30bps q/q with its CET1 ratio at 15.9% as at 30 September 2021, still above its target range of 14%. Overall CET1 capital fell mostly due to unfavourable foreign exchange movements. That said, given the solid capital position, management are initiating a USD2bn share buyback. Management expect that HSBC's CET1 ratio will trend down to the 14%-14.5% target range through risk weighted asset growth from regulatory developments and business growth, and further capital returns.
- Despite a cautious outlook on the operating environment, recent performance has given management a constructive view on 2022. Anticipated interest rate increases, and further stabilisation of economic conditions are expected to help revenues while expected credit losses should improve in 2H2022. Management have indicated there remains USD1.2bn in stage 1 and stage 2 credit provisions from 2020 – this may be released depending on performance of HSBC's loan book and developments of exposures under HSBC's customer relief programmes. As at 30 September 2021, USD2.0bn (USD5.5bn as at 31 December 2020) in personal loans remain under relief while wholesale customers under relief was USD29.6bn (USD35.3bn as at 31 December 2020). Progress of HSBC's renewed strategy announced in February 2021 appears to be gaining momentum. Since 2020 when its strategic repositioning was first announced, HSBC has achieved USD2.6bn in savings costing USD3.1bn while risk weighted asset reductions are USD93bn against its USD110bn target by end 2022.
- With HSBC's operating performance on track, we maintain our Neutral (3) issuer profile on HSBC. (Company, OCBC)

**Asian Credit Daily****Credit Headlines****Keppel Real Estate Investment Trust ("KREIT") | Issuer Profile: Neutral (4):**

- KREIT announced its 3Q2021 business updates. KREIT's 9M2021's reported property income (income from directly held properties, including those where it has a 50%-interest in) was up 34.8% y/y to SGD162.2mn while share of results of joint ventures and associates were collectively SGD90.5mn. The increase was mainly due to contributions from KREIT's 50%-interest in Victoria Police Centre in Melbourne (commencement of lease upon property achieving practical completion in July 2020), Pinnacle Office Park in Macquarie Park, Sydney (acquired in December 2020) and Keppel Bay Tower in Singapore (acquired in May 2021) and partly offset by the divestment of its 50%-interest in 275 George Street, Brisbane in July 2021. We note that 1H2021 reported property income was SGD105.8mn.
- Reported aggregate leverage was 37.6% as at 30 September 2021, lower than the 38.9% as at 30 June 2021 following debt repayment from the proceeds of divestment of its stake in 275 George Street. As at 30 September 2021, portfolio committed occupancy was 97.1% with a long portfolio weighted average lease expiry ("WALE") of 6.1 years.
- As at 30 September 2021, KREIT faces minimal debt due in 2022 of only SGD72mn (representing only 2% of total debt due). This includes a SGD50mn bond due in February 2022.
- Encouragingly, only 2.8% of leases (by committed attributable area) is due to expire in the rest of 2021 and 16.8% is due in 2022. Per management, despite certain banks giving up office space, they are seeing pockets of demand from technology companies, non-bank financial institutions, users from co-working spaces looking for more permanent space and some flight to quality demand in the Singapore office market. Overall portfolio rental reversion for 3Q2021 was +1%. We maintain KREIT's issuer profile at Neutral (4). (Company, OCBC)

**Sembcorp Industries Ltd ("SCI") | Issuer Profile: Neutral (4):**

- SCI, PT Pelayanan Listrik Nasional Batam ("PLN Batam", a subsidiary of PT PLN (Persero) to provide electricity on Batam) and PT Trisurya Mitra Bersama ("Suryagen", a renewable energy developer based in Indonesia) announced that they have signed an exclusive joint development agreement to develop a large-scale integrated solar and energy storage project in the Batam, Bintan and Karimun region of Indonesia ("BBK").
- The project consists of an approximately 1GWp of solar power generation capability and a large-scale energy storage system in BBK to support managing the intermittency for clean energy deployment and export. The power generated onsite will supply the clean energy needs of local communities and is proposed to be transmitted via subsea cables to Singapore. (Company)

### Key Market Movements

	26-Oct	1W chg (bps)	1M chg (bps)		26-Oct	1W chg	1M chg
iTraxx Asiax IG	83	-1	-4	Brent Crude Spot (\$/bbl)	86.07	1.16%	10.22%
iTraxx SovX APAC	25	-1	-1	Gold Spot (\$/oz)	1,807.06	2.13%	3.25%
iTraxx Japan	48	-1	1	CRB	240.58	1.13%	6.78%
iTraxx Australia	68	-1	3	GSCI	596.52	1.38%	8.51%
CDX NA IG	52	0	1	VIX	15.24	-6.56%	-14.14%
CDX NA HY	109	0	-1	CT10 (%)	1.636%	-0.12	18.51
iTraxx Eur Main	50	0	1				
iTraxx Eur XO	260	6	18	AUD/USD	0.750	0.31%	2.90%
iTraxx Eur Snr Fin	57	0	1	EUR/USD	1.160	-0.28%	-0.80%
iTraxx Eur Sub Fin	0	0	0	USD/SGD	1.347	-0.18%	0.45%
iTraxx Sovx WE	4	0	0	AUD/SGD	1.010	-0.50%	-2.39%
USD Swap Spread 10Y	3	2	0	ASX 200	7,463	1.19%	1.64%
USD Swap Spread 30Y	-20	3	4	DJIA	35,741	1.37%	2.71%
US Libor-OIS Spread	5	0	0	SPX	4,566	1.78%	2.49%
Euro Libor-OIS Spread	-6	0	-1	MSCI Asiax	831	0.35%	2.69%
				HSI	26,132	2.84%	8.02%
China 5Y CDS	46	-1	1	STI	3,202	0.88%	4.59%
Malaysia 5Y CDS	56	-1	6	KLCI	1,588	-0.65%	3.65%
Indonesia 5Y CDS	82	-1	2	JCI	6,626	-0.12%	7.83%
Thailand 5Y CDS	38	-1	-1	EU Stoxx 50	4,188	0.89%	0.72%

Source: Bloomberg

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

- KB Securities Co Ltd priced a USD300mn 5-year senior unsecured bond at T+95bps, tightening from an IPT of T+125bps area.
- PT Tower Bersama Infrastructure Tbk has arranged investor calls commencing 25 October for its proposed USD bond offering.
- Dah Sing Bank Ltd. has arranged investor calls commencing 25 October for its proposed Tier 2 USD bond offering.
- Prudential Plc has arranged investor calls commencing 25 October for its proposed USD bond offering.

Date	Issuer	Size	Tenor	Pricing
25-Oct-21	KB Securities Co Ltd	USD300mn	5-year	T+95bps

*Source: OCBC, Bloomberg*

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