

Market Commentary

- The SGD SORA curve traded mostly higher yesterday, with shorter tenors trading 1-2bps higher (with the exception of 1Y which traded flat), belly tenors trading 1-2bps higher and 10Y trading 2bps higher.
- There were heavy flows in SGD yesterday, with flows in BNP 5.25%'32s, ANZ 4.5%'32s, UOBSP 3.58%-PERPs, OCBCSP 4%-PERPs and ABNANV 5.5%'32s.
- UST 10Y yields fell by 14bps to 3.60% amidst remarks from Federal Reserve ("Fed") chairman Jerome Powell which confirmed that the Feds will slow the pace of subsequent rate hikes and modest progress was observed in labour market data releases. Powell commented that the Feds are "slowing down" from the past four 75bps rate hikes as they "wouldn't...try to crash the economy and then clean up afterward" as well as trying to not "overtighten...because we think that cutting rates is not something we want to do soon". The Fed chairman however kept guidance towards terminal rates as an open debate, preferring to be "slower and feeling our way a little bit" towards the right level of restrictive policy rates. Separately, the Job Openings and Labor Turnover Survey ("JOLTS") for October came in at 10.3mn, below prior month's reading of 10.6mn and suggested a ratio of open jobs to each unemployed person of 1.7, falling from 1.85 as the Fed's aim of dampening demand for labour to put downward pressure on inflation appears to be taking effect.

Credit Summary:

- **City Developments Ltd ("CDL") | Issuer Profile: Neutral (4):** CDL provided 3Q2022 operating updates. In the quarter, CDL and its joint venture associates sold 95 units in total with a sales value of SGD281mn, which lifts 9M2022 total sales to 802 units sold with a total sales value of SGD1.9bn (9M2021: 1382 units with sales value of SGD2.5bn). CDL has paused the plans to IPO its UK commercial properties until the market stabilises. Net gearing ratio (including fair value on investment properties) is unchanged q/q at 52%, with reported interest cover at 12.1x. We continue to hold CDL at a Neutral (4) Issuer Profile.

Credit Research

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Credit Headlines**City Developments Ltd (“CDL”) | Issuer Profile: Neutral (4):**

- CDL provided 3Q2022 operating updates. In the quarter, CDL and its joint venture associates sold 95 units in total with a sales value of SGD281mn, which lifts 9M2022 total sales to 802 units sold with a total sales value of SGD1.9bn (9M2021: 1382 units with sales value of SGD2.5bn). That said, as of 30 Nov, sales have surged to 1,417 units with a total sales value of SGD2.8bn due to the launch of Copen Grand EC which is fully sold.
- While sales were slower q/q this is because most of the projects have largely sold out, such as Piccadilly Grand (85% sold out of 407 units), Canninghill Piers (96% sold out of 696 units), Irwell Hill Residences (94% sold out of 540 units), Boulevard 88 (86% sold out of 154 units), Amber Park (98% sold out of 592 units), Nouvel 18 (98% sold out of 156 units), Haus on Handy (82% sold out of 188 units), Piermont Grand (99.9% sold out of 820 units) and Sengkang Grand Residences which is fully sold. While most units are sold, CDL has replenished its pipeline by securing an EC site from government land sales at Bukit Batok West Avenue 5 for SGD336.07mn (SGD626 psf ppr).
- CDL expects the property market to remain resilient given the low stock levels, recovering economy, Singapore’s political stability, strength as financial hub, sustained interest from local buyers, foreign investors and high-net-worth individuals.
- CDL’s office occupancy remains resilient and improving somewhat q/q with 94.3% committed occupancy (30 Jun 2022: 93.8%) while retail dipped slightly q/q to 95.3% (30 Jun 2022: 95.6%). According to CDL, while the average monthly footfall has recovered to 70% of pre-COVID levels in 3Q022, average monthly tenant sales have already exceeded pre-COVID levels. However, retailers are facing challenges such as manpower shortages and rising operating costs.
- CDL is looking for new development sites in China and holds a positive long-term view even though multiple lockdowns have caused disruption to business and negatively impacted sales of CDL’s inventory.
- Within the UK market, CDL reported that office leasing remains relatively stable with demand for Grade A energy-efficient buildings which benefits 125 Old Broad Street and Aldgate House. Due to the rise in interest rates, rental demand in the UK is underpinned as people turn to renting instead of purchasing homes, which supports CDL’s 665-unit private rented sector (“PRS”). PRS portfolio in Japan is also enjoying stable rent with occupancy of above 95% for stabilised assets due to demand from individuals and corporates returning to the workplace.
- Meanwhile, RevPAR continues to recover, with YTD2022 RevPAR at SGD127.7 (YTD2021: SGD61.3) and improving from 1H2022’s RevPAR of SGD113.6. This is due to recovery in Asia especially Singapore with stellar performance due to Formula 1 Singapore Grand Prix 2022 (excluding Taipei and Beijing which are affected by travel restrictions), Europe especially London due to spike in demand with large crowds paying respects to Her Majesty the Queen and attend her funeral. US hotels also achieved strong recovery due to return of corporate business and easing of COVID-19 travel restrictions.
- CDL has paused the plans to IPO its UK commercial properties until the market stabilises.
- Net gearing ratio (including fair value on investment properties) is unchanged q/q at 52%, with reported interest cover at 12.1x. We continue to hold CDL at a Neutral (4) Issuer Profile. (Company, OCBC)

Key Market Movements

	1-Dec	1W chg (bps)	1M chg (bps)		1-Dec	1W chg	1M chg
iTraxx Asiax IG	138	-3	-90	Brent Crude Spot (\$/bbl)	86.87	1.79%	-8.22%
iTraxx SovX APAC	27	-2	-11	Gold Spot (\$/oz)	1,778.69	1.34%	7.93%
iTraxx Japan	81	-2	-22	CRB	279.76	0.18%	2.05%
iTraxx Australia	89	-1	-38	GSCI	621.11	-0.46%	-2.47%
CDX NA IG	76	-1	-13	VIX	20.58	-3.33%	-20.48%
CDX NA HY	102	0	2	CT10 (%)	3.615%	-7.81	-42.73
iTraxx Eur Main	92	4	-19				
iTraxx Eur XO	459	15	-83	AUD/USD	0.681	0.67%	6.47%
iTraxx Eur Snr Fin	103	5	-18	EUR/USD	1.044	0.27%	5.68%
iTraxx Eur Sub Fin	185	13	-29	USD/SGD	1.358	1.29%	4.23%
iTraxx Sovx WE	5	0	0	AUD/SGD	0.925	0.62%	-2.13%
USD Swap Spread 10Y	-4	-1	-10	ASX 200	7,350	1.50%	5.35%
USD Swap Spread 30Y	-44	-1	-1	DJIA	34,590	1.44%	5.67%
US Libor-OIS Spread	33	1	6	SPX	4,080	1.91%	5.38%
Euro Libor-OIS Spread	247	8	25	MSCI Asiax	622	3.37%	15.53%
				HSI	18,597	5.30%	20.33%
China 5Y CDS	78	3	-44	STI	3,313	1.84%	5.82%
Malaysia 5Y CDS	73	-3	-31	KLCI	1,494	3.49%	3.32%
Indonesia 5Y CDS	91	-9	-45	JCI	7,081	0.39%	0.41%
Thailand 5Y CDS	60	-6	-27	EU Stoxx 50	3,965	0.46%	8.59%
Australia 5Y CDS	28	-2	-8				

Source: Bloomberg

New Issues

- Deyang Development Holding Group Co., Ltd. has mandated banks to arrange a series of fixed income investor calls commencing 30 November 2022 for a proposed USD senior unsecured bond offering.

Temporary Suspension

- Do note that our official coverage on **Credit Agricole SA** is temporarily suspended due to OCBC's other business.

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