

Asian Credit Daily

Thursday, December 8, 2022

Market Commentary

- The SGD SORA curve traded mostly lower yesterday, with shorter tenors trading mixed 3-5bps lower, belly tenors trading 4-5bps lower and 10Y trading 5bps lower.
- There were light flows in SGD yesterday.
- UST 10Y yields declined by 12bps to 3.42% and touched its lowest level in about three months on Wednesday, as investors worried about the potential for the U.S. economy to slow more than anticipated in 2023. The yield spread between 2-year and 10-year USTs sits at minus 85bps, near the widest since 1981. On the economic front, a U.S. productivity report showed weaker output but accelerating labor costs, the Labor Department said on Wednesday. Unit labor costs, the price of labor per single unit of output, climbed by a smaller 2.4% annual pace in the third quarter, compared with the preliminary 3.5% increase.

Credit Summary:

- **Industry Outlook – Singapore Residential Property:** The government announced the Government Land Sales (“GLS”) programme for 1H2023. The confirmed list for private residential units has been increased to 4,090 units (2H2022: 3,505 units). This is the 5th consecutive increase since 2H2020, with the government citing resilient housing demand.
- **Keppel Infrastructure Trust (“KIT”) | Issuer Profile: Neutral (4):** KIT announced that it has obtained a total of SGD420mn in two debt facilities.
- **Keppel Real Estate Investment Trust (“KREIT”) | Issuer Profile: Neutral (4), Lendlease Group (“LLC”) | Issuer Profile: Neutral (3):** KREIT and Lendlease Group (“LLC”) announced that Equifax Inc (“Equifax”), a global data, analytics and technology company focusing on consumer credit will be the anchor tenant for “Blue & William”, which is currently being developed into a Grade A office building. The development is designed to be a green building located in North Sydney.

Credit Research

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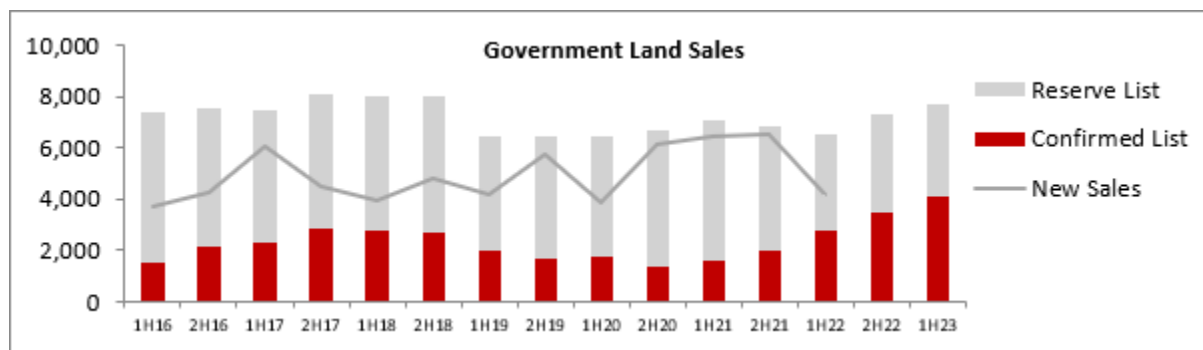
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Credit Headlines

Industry Outlook – Singapore Residential Property

- The government announced the Government Land Sales (“GLS”) programme for 1H2023.
- The confirmed list for private residential units has been increased to 4,090 units (2H2022: 3,505 units). This is the 5th consecutive increase since 2H2020, with the government citing resilient housing demand.
- With the increase, we think supply is finally catching up with demand, with ~5,000 units sold per half year over the last 5 years. However, the increase in units will take time to complete and hence supply remains tight in the near-term. We continue to expect housing prices to increase by 3-5% in 2023. (URA, OCBC)



Source: URA, OCBC

Keppel Infrastructure Trust (“KIT”) | Issuer Profile: Neutral (4)

- KIT announced that it has obtained a total of SGD420mn in two debt facilities.
- Under the SGD300mn facility, all outstanding loans need to be immediately paid if Keppel Capital Holdings Pte Ltd ceases to own 100%-stake in the KIT Trustee-Manager.
- Under the SGD120mn facility, if the KIT Trustee-Manager ceases to be a subsidiary (directly or indirectly) of Keppel Corporation Limited, the facility would be payable. (Company)

Keppel Real Estate Investment Trust (“KREIT”) | Issuer Profile: Neutral (4), Lendlease Group (“LLC”) | Issuer Profile: Neutral (3)

- KREIT and Lendlease Group (“LLC”) announced that Equifax Inc (“Equifax”), a global data, analytics and technology company focusing on consumer credit will be the anchor tenant for “Blue & William”, which is currently being developed into a Grade A office building. The development is designed to be a green building located in North Sydney.
- Equifax will occupy around a third of the building’s net lettable area (~4,350 square metres across levels 5 to 7) and is expected to move in from late-2023.
- LLC is the developer of the project and bears the property development risk. The building reached structural completion in September 2022, where practical completion of the property is expected in mid-2023. KREIT bought this development project in December 2021.
- LLC will provide a three-year rental guarantee on unlet space after practical completion. Per KREIT management, it is common for Australian developers to bear leasing risk for the initial lease term. (Company, OCBC)

Key Market Movements

	8-Dec	1W chg (bps)	1M chg (bps)		8-Dec	1W chg	1M chg
iTraxx Asiax IG	135	5	-52	Brent Crude Spot (\$/bbl)	77.92	-10.31%	-18.29%
iTraxx SovX APAC	29	3	-4	Gold Spot (\$/oz)	1,783.80	-1.07%	4.17%
iTraxx Japan	77	1	-16	CRB	265.89	-4.96%	-6.39%
iTraxx Australia	90	5	-20	GSCI	573.05	-7.71%	-11.80%
CDX NA IG	82	6	-6	VIX	22.68	10.20%	-11.20%
CDX NA HY	100	-1	1	CT10 (%)	3.449%	-5.54	-67.40
iTraxx Eur Main	92	5	-14				
iTraxx Eur XO	467	22	-49	AUD/USD	0.672	-1.38%	3.23%
iTraxx Eur Snr Fin	101	4	-13	EUR/USD	1.050	-0.17%	4.25%
iTraxx Eur Sub Fin	182	10	-21	USD/SGD	1.357	-0.27%	3.07%
iTraxx Sovx WE	5	0	--	AUD/SGD	0.912	1.13%	-0.18%
USD Swap Spread 10Y	-2	2	-3	ASX 200	7,183	-2.33%	3.23%
USD Swap Spread 30Y	-37	5	13	DJIA	33,598	-2.87%	1.32%
US Libor-OIS Spread	21	-11	-13	SPX	3,934	-3.58%	2.76%
Euro Libor-OIS Spread	248	2	20	MSCI Asiax	618	-1.69%	10.00%
				HSI	19,351	3.28%	16.88%
China 5Y CDS	76	1	-15	STI	3,240	-1.59%	3.00%
Malaysia 5Y CDS	80	8	-9	KLCI	1,465	-1.81%	1.61%
Indonesia 5Y CDS	105	18	-16	JCI	6,718	-4.31%	-4.71%
Thailand 5Y CDS	60	3	-22	EU Stoxx 50	3,921	-1.11%	4.86%
Australia 5Y CDS	28	2	-3				

Source: Bloomberg

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New Issues

- TFI Overseas Investment Ltd (Guarantors: TF International Securities Group Ltd) priced a 2.5-year USD250mn senior unsecured bond at 6.75%. Industrial & Commercial Bank of China Ltd., Macau Branch priced a 2-year USD250mn senior unsecured floating rate bond at SOFR+80, tightening from its IPT area of SOFR+120 area.

Date	Issuer	Size	Tenor	Pricing
7-Dec-22	TFI Overseas Investment Ltd (Guarantors: TF International Securities Group Ltd)	USD250mn	2.5-year	6.75%
7-Dec-22	Industrial & Commercial Bank of China Ltd., Macau Branch	USD250mn	2-year	SOFR+80

Source: OCBC, Bloomberg

Treasury Research & Strategy

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