

### Market Commentary

- The SGD SORA curve traded mostly lower yesterday, with the curve trading 4-5bps lower across the curve (exception was the 1 year and 1.5 year tenor which traded 1bps and 2bps lower respectively).
- There were heavy flows in SGD corporates yesterday, with flows in ABNANV 0%'32s, HSBC 5.25%'32s, UOBSP 4.25%-PERPs, OCBCSP 3.9%-PERPs, STANLN 5.375%-PERPs, SOCGEN 6.125%-PERPs, UBS 4.85%-PERPs, SINTEC 4.2%-PERPs, CS 5.625%-PERPs, UBS 5.875%-PERPs, AAREIT 5.375%-PERPs and BACR 3.75%'30s.
- UST 10Y yields ended the day 8bps lower to 3.01% yesterday, hitting an intra-day low of 2.97% before paring back some of the gains. This follows inflation readings that came in slightly lower than expectations (though still on the high side) whilst consumption spending data is slowing. US Personal Consumption Expenditures increased 0.2% m/m versus 0.4% per expectations. The Personal Consumption Expenditure ("PCE") Core Deflator index which excludes food and energy and the Fed's preferred inflation measure came in at 4.7% y/y versus 4.8% expected. On a m/m basis, this had risen 0.3%. PCE Deflator index though rose 0.6% m/m, higher than the 0.2% m/m reading in the previous month.

### Credit Summary:

- **Industry Outlook – Singapore Mid-Year Credit Outlook 2022:** We just published our Singapore Mid-Year Credit Outlook 2022. Key highlights follow on the next page.
- **Industry Outlook – Singapore Property:** URA 2Q2022 flash estimates for private residential property revealed that prices increased 3.2% q/q, with total increase in 1H2022 at 3.9%. We expect property prices to remain firm ahead with strong demand and dwindling supply.
- **Ascott Residence REIT ("ART") | Issuer Profile: Neutral (5):** ART has announced the appointment of Ms Teo Joo Ling as Chief Executive Officer and Executive Non-Independent Director as part of ART's regular succession and leadership renewal process.
- **Keppel Infrastructure Trust ("KIT") | Issuer Profile: Neutral (4) and Keppel Corporation Limited ("KEP") | Issuer Profile: Neutral (5):** KIT announced that its trustee-manager has signed a non-binding term sheet with its sponsor, Keppel Infrastructure Holdings Pte Ltd ("Keppel Infrastructure"), to buy a 50% equity stake in Marina East Water Pte. Ltd. ("MEW") for an enterprise value of ~SGD355mn. Separately, KIT also announced that the acquisition of the remaining 30%-stake in SingSpring Desalination Plant has been completed.

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**Asian Credit Daily****Credit Headlines****Industry Outlook – Singapore Mid-Year Credit Outlook 2022:**

- We just published our Singapore Mid-Year Credit Outlook 2022. Key highlights include:
  - The SGD corporate credit market in 1H2022 was a relative shelter, with SGD related indices and funds performing better than those for Asia (Ex-Japan) bonds. SGD issuances have also held up better, increasing ~6% y/y to SGD11.7bn, while Asiadollar volumes fell ~40% y/y.
  - Today's environment is significantly more challenging than that of the past decade. Aside from slowing global economic growth and geopolitical risks, inflation rates have shot up to multi-decade highs while rapidly rising rates have resulted in total returns turning negative, even in nominal terms, across most papers regardless of tenure and credit profile. In the SGD space, its relative strength is being tested as existing issues are repriced by new issuances that come in at wider spreads and larger new issue concessions.
  - With the focus honed on capital preservation, we shun longer-dated papers, lower our recommendations for perpetuums and bank capital instruments to neutral while increasing our preference for crossover short-dated bullets and near-cash issues. This should reduce any market-to-market impact while increasing the flexibility to redeploy into new issues should they be priced at even wider spreads. Bottom-up selectivity should also play a major role, with emphasis on issue structure and relative valuation.
  - While fundamentals for Financial Institutions remain stable, the same cannot be said for technicals with rising rates and an uncertain outlook driving noticeably wider reset spreads for new bank capital issues. As such, the economics of existing bank capital instruments have come into question as they now face higher non-call risks. With this in mind, we are adjusting our views on bank capital instruments from top-down to bottom-up, favouring bank capital instruments with near term call dates that may still benefit from a potential reset at a higher benchmark rate and preferring Tier 2s over AT1s as the incentive to call is higher for Tier 2 instruments in our view.
  - With the uplifting of pandemic related restrictions and reopening of borders, we see brighter outlook for both the Hospitality REITs and Retail properties. Given that these two industries were the hardest hit during the pandemic, the rebound is likely due to pent up demand from locals, tourist and business travellers. For Commercial REITs (office), we expect the high growth in rental rates to start tapering in 2H2022 as demand from previously hot sectors like technology starts to fizzle. In addition, more new supply is expected to be completed in 2023. Meanwhile, we expect the Industrial REITs to continue being stable going into 2H2022 though as previously delayed projects gets added into the Singapore market, completions are expected to be significant in 2022.
  - Private residential property prices grew by a more muted 0.7% q/q after a strong 5.0% q/q increase in 4Q2021. We expect prices to rise by 5-7% in 2022 to set another all-time high due to firm demand, dwindling supply and higher development and construction costs. We are not overly worried over rise in mortgage rates as the historical correlation between rates and property prices are weak, household balance sheets remain strong and the rise in rents should offset rise in mortgage repayments. (OCBC)

## Asian Credit Daily

### Credit Headlines

#### Industry Outlook – Singapore Property:

- URA 2Q2022 flash estimates for private residential property revealed that prices increased 3.2% q/q (1Q2022: +0.7% q/q). The largest contributor were properties in Rest of Central Region which saw prices surge 6.0% q/q (1Q2022: -2.7%) while prices increased in Core Central Region at 1.6% q/q (1Q2022: -0.1% q/q) and Outside Central Region at +1.7% q/q (1Q2022: +2.2% q/q).
- The total increase in 1H2022 to 3.9%, which is somewhat ahead of our full year forecast of +5% to +7%.
- While the increase in mortgage rates to high 2% to low 3% recently took the headlines, as mentioned in our just published Mid-Year 2022 Credit Outlook, we are not overly worried. This is mainly because household balance sheets remain strong, increase in mortgage repayments should be affordable and the rise in rents thus far should roughly offset the rise in mortgage repayments.
- We expect property prices to remain firm ahead with strong demand and dwindling supply. More details have been shared in the Mid-Year 2022 Credit Outlook. (URA, OCBC)

#### Ascott Residence REIT (“ART”) | Issuer Profile: Neutral (5):

- ART has announced the appointment of Ms Teo Joo Ling as Chief Executive Officer and Executive Non-Independent Director. The appointment is part of ART’s regular succession and leadership renewal process.
- The outgoing CEO, Ms Beh Siew Kim will be appointed as Non-Executive Non-Independent Director. Ms Beh served as ART’s CEO since 1 May 2017. (Company, OCBC)

#### Keppel Infrastructure Trust (“KIT”) | Issuer Profile: Neutral (4) and Keppel Corporation Limited (“KEP”) | Issuer Profile: Neutral (5):

- KIT announced that its trustee-manager has signed a non-binding term sheet with its sponsor, Keppel Infrastructure Holdings Pte Ltd (“Keppel Infrastructure”) to buy a 50% equity stake in Marina East Water Pte. Ltd. (“MEW”), which owns the Keppel Marina East Desalination Plant in Singapore for an enterprise value of ~SGD355mn.
- The plant commenced commercial operations on 29 June 2020 and has a 25-year concession, from 2020 to 2045, under a Design, Build, Own and Operate (“DBOO”) arrangement with the PUB.
- Both the trustee-manager and Keppel Infrastructure is 100%-owned by KEP. The proposed transaction is subject to customary closing conditions including equity holder approvals and the approval from the Public Utilities Board (“PUB”). A wholly-owned subsidiary of Keppel Infrastructure will continue operating and maintaining the desalination plant.
- Upon the completion, it is expected that Keppel Infrastructure and KIT will each hold a 50% joint-controlling stake in MEW, however, KIT would be receiving 100% of the economic interest from MEW.
- The proposed transaction is part of KEP’s asset monetisation strategy and asset light business model under Vision 2030 where capital can be redeployed towards other growth initiatives, such as renewables and environmental infrastructure, as well as low carbon and decarbonisation solutions.
- Separately, KIT also announced that the acquisition of the remaining 30%-stake in SingSpring Desalination Plant has been completed, bringing KIT’s stake in the plant to 100%. (Company, OCBC)

## Key Market Movements

	1-Jul	1W chg (bps)	1M chg (bps)		1-Jul	1W chg	1M chg
iTraxx Asiax IG	143	12	32	<b>Brent Crude Spot (\$/bbl)</b>	109.92	-2.83%	-5.48%
iTraxx SovX APAC	41	5	10	<b>Gold Spot (\$/oz)</b>	1,806.30	-1.13%	-2.18%
iTraxx Japan	104	9	36	<b>CRB</b>	291.15	-1.87%	-9.02%
iTraxx Australia	131	7	35	<b>GSCI</b>	709.23	-3.51%	-10.62%
CDX NA IG	101	7	20	<b>VIX</b>	28.71	-1.17%	11.76%
CDX NA HY	97	-2	-4	<b>CT10 (%)</b>	2.989%	-14.13	8.30
iTraxx Eur Main	119	8	30				
iTraxx Eur XO	581	42	136	<b>AUD/USD</b>	0.688	-0.89%	-4.07%
iTraxx Eur Snr Fin	129	8	30	<b>EUR/USD</b>	1.047	-0.78%	-1.68%
iTraxx Eur Sub Fin	245	19	56	<b>USD/SGD</b>	1.391	-0.35%	-1.19%
iTraxx Sovx WE	5	0	-1	<b>AUD/SGD</b>	0.957	0.54%	3.02%
<b>USD Swap Spread 10Y</b>	8	-1	1	<b>ASX 200</b>	6,596	0.27%	-8.82%
<b>USD Swap Spread 30Y</b>	-24	0	-2	<b>DJIA</b>	30,775	0.32%	-6.21%
<b>US Libor-OIS Spread</b>	8	-6	-6	<b>SPX</b>	3,785	-0.27%	-7.70%
<b>Euro Libor-OIS Spread</b>	30	3	14	<b>MSCI Asiax</b>	653	-0.92%	-4.36%
				<b>HSI</b>	21,860	2.75%	2.65%
<b>China 5Y CDS</b>	86	9	14	<b>STI</b>	3,105	-0.20%	-4.27%
<b>Malaysia 5Y CDS</b>	104	10	25	<b>KLCI</b>	1,449	0.84%	-6.74%
<b>Indonesia 5Y CDS</b>	144	17	38	<b>JCI</b>	6,915	-1.82%	-3.27%
<b>Thailand 5Y CDS</b>	65	6	17	<b>EU Stoxx 50</b>	3,455	0.54%	-8.10%
<b>Australia 5Y CDS</b>	27	5	2				

Source: Bloomberg

## Asian Credit Daily

### New Issues

- Nanjing Jiangbei New Area Industrial Investment Group priced a USD270mn 364-day bond at 4.4%, tightening from IPT of 4.8% area.
- Barclays Plc priced SGD450mn of Perpetual Subordinated Contingent Convertible NC5.5 at 8.3%, tightening from IPT of 8.6% area.
- LG Chem Ltd has mandated banks to arrange a series of fixed income investor calls on 5 July 2022 of a proposed USD 3Y senior unsecured green bond.

Date	Issuer	Size	Tenor	Pricing
30-Jun-22	Nanjing Jiangbei New Area Industrial Investment Group	USD270mn	364-day	4.4%
30-Jun-22	Barclays Plc	SGD450mn	PerpNC5.5	8.3%

Source: OCBC, Bloomberg

### Temporary Suspension

- Do note that our official coverage on **Barclays PLC, City Developments Limited, Frasers Hospitality Trust and Frasers Property Limited** are temporarily suspended due to OCBC's other business.

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