

## Asian Credit Daily

15 March 2024

## Market Commentary:

- The SGD SORA curve traded higher yesterday, with short tenors trading 1-2bps higher, belly tenors trading 2-4bps higher and 10Y trading 4bps higher.
- Flows in SGD corporates were heavy, with flows in HSBC 4.75% '34s, UBS 5.75%-PERP, BNP 4.75% '34s, BACR 7.3%-PERP, VRTVEN 3.3% '28s, STANLN 5.375%-PERP, MLTSP 3.725%-PERP.
- The offshore holdings of local government financing vehicles' ("LGFV") debt at Chinese financial institutions in Hong Kong are facing greater scrutiny by China's banking regulator. Officials were particularly interested in their exposure to bonds with tenors of less than one year. These Hong Kong units are the biggest buyers of LGFV bonds.
- Yesterday, Bloomberg Asia USD Investment Grade spreads tightened by 3bps to 90bps, while the Asia USD High Yield spreads tightened by 11bps to 564bps. (Bloomberg, OCBC)

## Credit Summary:

- **Frasers Logistics & Commercial Trust ("FLCT"):** FLCT is acquiring 89.9% interest in 4 property holding companies which hold 3 freehold and 1 leasehold logistics properties in Germany for EUR129.5mn (~SGD188.9mn). The transaction with subsidiaries of Frasers Property Ltd ("FPL") who is the sponsor of FLCT is expected to complete in end-March 2024.
- **Frasers Property Ltd ("FPL"):** The transaction with FLCT represents a small part of FPL's NAV (SGD61.6mn out of SGD9.9bn) and net profit (SGD19.8mn out of SGD400.8mn).

## Key Market Movements

	15-Mar	1W chg (bps)	1M chg (bps)		15-Mar	1W chg	1M chg
iTraxx Asiax IG	100	0	-2	Brent Crude Spot (\$/bbl)	85.2	3.8%	2.8%
				Gold Spot (\$/oz)	2,162	-0.8%	7.9%
iTraxx Japan	47	-2	-9	CRB Commodity Index	283	1.4%	4.3%
iTraxx Australia	59	-3	-7	S&P Commodity Index - GSCI	574	2.6%	3.2%
CDX NA IG	49	0	-3	VIX	14.4	-0.3%	2.8%
CDX NA HY	107	0	0	US10Y Yield	4.28%	21bp	5bp
iTraxx Eur Main	52	0	-4				
iTraxx Eur XO	299	5	-15	AUD/USD	0.656	-1.0%	0.6%
iTraxx Eur Snr Fin	60	-1	-8	EUR/USD	1.088	-0.6%	1.0%
iTraxx Eur Sub Fin	107	-3	-19	USD/SGD	1.338	-0.5%	0.6%
				AUD/SGD	0.878	0.5%	0.0%
USD Swap Spread 10Y	-38	-1	-2	ASX200	7,618	-2.9%	0.2%
USD Swap Spread 30Y	-75	-1	-3	DJIA	38,906	0.3%	0.3%
				SPX	5,150	-0.1%	2.4%
China 5Y CDS	68	2	3	MSCI Asiax	662	1.4%	5.1%
Malaysia 5Y CDS	38	-2	-5	HSI	16,745	2.4%	5.0%
Indonesia 5Y CDS	68	-1	-4	STI	3,174	0.9%	-0.1%
Thailand 5Y CDS	40	-3	-5	KLCI	1,538	-0.1%	0.6%
Australia 5Y CDS	15	0	0	JCI	7,381	0.7%	1.1%
				EU Stoxx 50	4,993	0.4%	5.3%

Source: Bloomberg

**Credit Headlines:****Frasers Logistics & Commercial Trust ("FLCT")**

- **Acquisition of logistic properties in Germany for EUR129.5mn:** FLCT is acquiring 89.9% interest in 4 property holding companies which hold 3 freehold and 1 leasehold logistics properties in Germany for EUR129.5mn (~SGD188.9mn).
- **Purchase at small discount from sponsor:** The purchase price is lower than independent valuations of EUR130.9mn (~SGD190.9mn) and EUR136.7mn (~SGD199.4mn) by 1.1% and 5.3% respectively. The transaction with subsidiaries of Frasers Property Ltd ("FPL") who is the sponsor of FLCT is expected to complete in end-March 2024. The properties are Egelsbach Property (purchase price: EUR44.6mn), Hamburg Property (EUR59.2mn), Saarwellingen Property (EUR7.3mn), Überherrn Property (EUR18.4mn).
- **Acquisition that is DPU and NAV accretive:** The acquisition is expected to be DPU and NAV accretive. However, exact numbers are not disclosed.
- **Statistics of the new portfolio:** According to FLCT, these assets are stabilized and income producing, though the exact amount of income is not disclosed. The total lettable area is 72,422 sqm with an occupancy rate of 100% and 6.1 years WALE. These properties are either certified BREEAM "Very Good" or undergoing BREEAM certification. Key tenants in the portfolio include multinational corporations such as s Schenker AG, DACHSER GmbH & Co. KG and Hermes Germany GmbH, Posagenda GmbH and TB International GmbH as well as third-party logistics providers such as e-commerce fulfilment services.
- **Increased weight towards industrial & logistics in Germany:** This will increase FLCT's portfolio occupancy to 95.9% (previous: 95.8%) and increase the proportion of logistics & industrial assets in the portfolio to 71.1% (previous: 70.3%) while proportion of Germany assets in the portfolio will increase to 25.5% (previous: 23.4%).
- **Aggregate leverage to increase somewhat:** FLCT intends to fund this through external debt financing, with pro forma aggregate leverage rising to 32.5% (prior: 30.7%). (Company, OCBC)

**Frasers Property Ltd ("FPL")**

- **Divestment is small relative to profits and equity:** The transaction represents a small part of FPL's NAV (SGD61.6mn out of SGD9.9bn) and net profit (SGD19.8mn out of SGD400.8mn).
- **Divestment to recycle capital:** FPL stated that the rationale is to recycle capital. We note that this divestment has followed the sale of 24.5% effective stake NEX to Frasers Centrepoint Trust ("FCT") for SGD523.1mn (more details in our published reported OCBC Credit Research – FCT Credit Update 230224). Other assets that FPL may sell include Capri by Fraser (more details in OCBC Asian Credit Daily – 25 Jan 2024). We think that the capital will be used towards the redemption of SGD600mn FPLSP 4.98% PERP (more details in OCBC Asian Credit Daily – 11 Mar 2024). (Company, OCBC)

**New Issues:**

Date	Issuer	Description	Currency	Size (mn)	Tenor	Final Pricing	Initial Pricing
14 Mar	Singapore Airlines Ltd (SIASP)	Fixed	USD	500	10Y	T+110bps	T+150bps

**Mandates:**

- There are no Asiadollar mandates today.
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