

Asian Credit Daily

25 January 2024

Market Commentary:

- The SGD SORA curve traded lower yesterday, with short tenors trading 0-2bps lower, belly tenors trading 2-3bps lower, and the 10Y trading 3bps lower.
- Flows in SGD corporates were heavy, with flows in STTGDC 5.7%-PERP, OCBCSP 4.05%-PERP, STANLN 4% '30s, FPLSP 4.38%-PERP, ANZ 4.5% '32s
- According to Bloomberg, South Korea's Financial Supervisory Service has urged management of brokerages to improve their risk management on property project finance and sufficiently set aside provisions to prevent such risks from causing financial instability.
- Indonesian state builder PT Wijaya Karya signed a debt restructuring agreement valued at IDR20.58tn (USD1.31bn). The construction company entered the agreement with 11 financial firms and covers 87.1% of debt being restructured as of 23 January 2024.
- Yesterday, Bloomberg Asia USD Investment Grade spreads tightened by 1bps to 104bps while the Asia USD High Yield spreads tightened by 9bps to 695bps, per Bloomberg.
- In the Asiadollar (ex-Japan) market, Korea Electric Power Corporation (KEPCO) priced a USD1.2bn 3Y green senior unsecured issue at 4.945%.
- In the SGD market, STT GDC Pte. Ltd priced a SGD50mn retap at 100.50 plus accrued on its existing STTGDC 5.7% PERP that was issued recently.

Credit Summary:

- **Industry Outlook – Singapore Hospitality Property:** Business Times reported that the investment sales market for Singapore hospitality assets is active. Reportedly, potential buyers are undertaking exclusive due diligence on Capri by Fraser at Changi City (313-rooms, in the vicinity of the Expo MRT) and Citadines Mount Sophia (154-apartments, in the vicinity of the Dhoby Ghaut MRT).
- **OUE Commercial Real Estate Investment Trust ("OUECT"):** The name of the Trust will be changed from "OUE Commercial Real Estate Investment Trust" to "OUE Real Estate Investment Trust" with effect from 29 January 2024.
- **Mapletree Logistics Trust ("MLT"):** MLT reported third quarter results for the financial year ending 31 March 2024 ("3QFY2024") that were overall cautious over continued weakening in China, but mitigated by relatively stable credit metrics.

Key Market Movements

	25-Jan	1W chg (bps)	1M chg (bps)		25-Jan	1W chg	1M chg
iTraxx Asiax IG	99	-3	8	Brent Crude Spot (\$/bbl)	80.1	1.3%	1.3%
iTraxx SovX APAC	0	0	0	Gold Spot (\$/oz)	2,017	-0.3%	-1.8%
iTraxx Japan	56	-2	-3	CRB Commodity Index	271	3.0%	1.6%
iTraxx Australia	69	-3	-1	S&P Commodity Index - GSCI	550	2.9%	1.1%
CDX NA IG	56	0	1	VIX	13.1	-11.2%	0.8%
CDX NA HY	106	0	0	US10Y Yield	4.17%	2bp	27bp
iTraxx Eur Main	59	-2	0				
iTraxx Eur XO	321	-11	5	AUD/USD	0.658	0.0%	-3.2%
iTraxx Eur Snr Fin	68	-3	1	EUR/USD	1.088	0.0%	-1.2%
iTraxx Eur Sub Fin	126	-5	3	USD/SGD	1.340	0.3%	-1.2%
				AUD/SGD	0.881	0.3%	2.3%
USD Swap Spread 10Y	-36	1	2	ASX200	7,540	2.6%	0.5%
USD Swap Spread 30Y	-71	0	-1	DJIA	37,806	1.4%	1.1%
				SPX	4,869	2.7%	2.4%
China 5Y CDS	64	-3	4	MSCI Asiax	612	2.3%	-1.4%
Malaysia 5Y CDS	44	-1	3	HSI	15,969	3.7%	-2.3%
Indonesia 5Y CDS	75	-1	4	STI	3,148	0.3%	0.2%
Thailand 5Y CDS	42	0	2	KLCI	1,504	0.9%	3.4%
Australia 5Y CDS	17	0	0	JCI	7,226	-0.4%	-0.2%
				EU Stoxx 50	4,564	3.7%	0.9%

Source: Bloomberg

Credit Headlines:**Industry Outlook – Singapore Hospitality Property**

- Business Times reported that the investment sales market for Singapore hospitality assets is active. Reportedly, potential buyers are undertaking exclusive due diligence on Capri by Fraser at Changi City (313-rooms, in the vicinity of the Expo MRT) and Citadines Mount Sophia (154-apartments, in the vicinity of the Dhoby Ghaut MRT).
- An expression of interest was also reported to have closed in 4Q2023 for Citadines Raffles Place (299-apartments, located within CapitaSpring in the vicinity of the Raffles Place MRT) while Dorsett Singapore (285-rooms at Outram Park in the vicinity of the Outram Park MRT) is also being marketed by a property brokerage. (Business Times)

OUE Commercial Real Estate Investment Trust (“OUECT”)

- The name of the Trust will be changed from “OUE Commercial Real Estate Investment Trust” to “OUE Real Estate Investment Trust” with effect from 29 January 2024.
- Management believes that the name change will more accurately reflect the Trust’s diversified portfolio of commercial office, retail and hospitality assets. (Company)

Mapletree Logistics Trust (“MLT”)

- MLT reported third quarter results for the financial year ending 31 March 2024 (“3QFY2024”) that were overall cautious over continued weakening in China, but mitigated by relatively stable credit metrics.
- **China a drag to MLT’s operating performance:**
 - MLT’s 3QFY2024 overall revenue and net property income (“NPI”) increased by 2.1% y/y and 1.5% y/y to SGD184.0mn and SGD159.5mn respectively, driven by contribution from existing properties in Singapore and contribution from acquisitions in Japan, South Korea and Australia completed in 1QFY2024, partly offset by lower contribution from existing properties in China and absence of revenue from divested properties and properties under development while weaker RMB, JPY, HKD, MYR and the AUD against the SGD also offset gains.
 - However, on a q/q basis, overall revenue and NPI fell 1.4% and 1.5% respectively, mainly due to absence of revenue from divested properties, lower contribution from existing properties in China and weaker currencies of MLT’s overseas assets against the SGD, offset by higher contribution from its Singapore assets.
 - Overall portfolio occupancy as at 31 December 2024 was 95.9%, dipping 1 percentage point compared to the previous quarter, with flat-to-lower occupancies seen across MLT’s markets.
 - While overall rental reversion for 3QFY2024 was positive at +3.8%, notably this would be even higher at +6.2% if not for China, which saw rental reversion at negative 9.4%. MLT has flagged that the leasing environment remains challenging in China and continues to expect negative rental reversions from China for the coming quarter. We think this is particularly so as MLT faces significant lease expiries on an overall portfolio basis in FY2025 at 29.9% by net lettable area (7.6% for remaining FY2024). ~39% of these expiring leases in FY2025 (being 11.6% of the 29.9%) are leases in China, followed by ~18% in Singapore and ~12% in Malaysia.
 - Per JLL, a real estate consultancy, tenants are cautious in leasing activities amidst macroeconomic uncertainty, with large tenants demanding rental discounts during lease renewal negotiations as part of cost savings. Additionally, aggregating new supply in the various logistics markets that JLL tracks, JLL calculates that new supply in 9M2023 for China was 38% higher y/y.
- **Overall stable credit metrics compared to the previous quarter:**
 - For the 12 months to 31 December 2023, MLT’s Reported Adjusted Interest Coverage Ratio (which includes perpetual distributions in the denominator) was 3.2x. In contrast, for the 12 months to 31

December 2022, this was 3.6x, which in our view was mainly due to an increase in debt levels y/y. However, on a q/q basis, MLT had paid down some debt from net proceeds from divestment.

- As at 31 December 2023, reported aggregate leverage (does not include perpetuals) was 38.8%, relatively flat q/q. As at 31 December 2023, MLT has SGD580mn of perpetuals outstanding across two tranches. MLT did not exercise the call of the SGD180mn MLTSP 3.65%-PERP at first call date in March 2023 and this perpetual which has been reset to 5.2074% remains outstanding.
- As at 31 December 2023, MLT faces only SGD110mn of debt due for the rest of FY2024 (representing 2% of gross debt) and SGD402mn in FY2025 (representing 7% of gross debt). MLT continues to have a high proportion of its debt fixed or hedged into fixed rate at 83% as at 31 December 2023, stable to the 83% as at 30 September 2023.

- **Continues to rejuvenate portfolio:**

- Unlike many other S-REITS we track, MLT had resumed to be acquisitive in 2023, with net investing outflow of SGD794.9mn recorded in 9MFY2024 against only a net investing outflow of SGD184.6mn in 9MFY2023. Per MLT, it continues to focus on active portfolio rejuvenation through acquisitions, asset enhancement and selective divestments. As of writing, there are two small, proposed divestments in Malaysia announced in November 2023 which have not yet complete. In December 2023, MLT announced the proposed acquisition of a modern Grade A warehouse located in Farukhnagar, Delhi National Capital Region, India for a property purchase price of INR900mn (~SGD14.5mn). The size is small relative to MLT's total assets as at 31 December 2023 of SGD13.9bn. However, this transaction marks a further expansion of MLT into India, a new geographical market for MLT. If completed, the asset will be MLT's third property in India. (Company, OCBC)

New Issues:

Date	Issuer	Description	Currency	Size (mn)	Tenor	Final Pricing	Initial Pricing
24 Jan	Korea Electric Power Corporation (KEPCO)	Green, Fixed	USD	1,200	3-Yr	T+80bps	T+115bps area
24 Jan	STT GDC Pte. Ltd	Green, PERP, Reset in 2030	SGD	50	Existing 5.7% PERPc30	100.50 + accrued	N.A.

Mandates:

- Hyundai Capital Services, Inc. is planning to issue a USD-denominated Rule 144A/Reg S fixed rate senior unsecured bond offering with expected tenor(s) of 3- and/or 5-year.
- Shaoxing Shangyu State-owned Capital Investment and Operation Co., Ltd. is planning to issue a USD Reg S Bond.

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