

Market Commentary:

- The SGD SORA OIS curve traded higher yesterday with shorter tenors trading 2-3bps higher while belly tenors and 10Y traded 1bps higher.
- Flows in SGD corporates were heavy, with flows in LREIT 4.75%-PERP, HSBC 5.25%-PERP, AIA 3.58% '35s, ESRCAY 5.65%-PERP, QNMSP 3.95% '28s, HSBC 4.75% '34s.
- Lai Sun Development Co. ("Lai Sun") is seeking bank's support for a HKD3.5bn loan refinancing deal, backed by its Cheung Sha Wan Plaza Office Tower and shopping center in Kowloon district. Lai Sun have obtained commitments from nine out of the original 19 lenders for the five-year refinancing while the others are still not on board. Even without all approvals from the bank, Lai Sun could still opt to partially repay the loan and refinance the remainder. Separately, Lai Sun is in talk to refinance a HKD3.97bn loan backed by onshore assets, including Hong Kong Plaza in Shanghai, due in early 2026.
- In other news by Bloomberg, Road King Infrastructure Ltd. has engaged Sodali & Co. to identify holders of three perpetual dollar notes with distribution rate of 7.75%, 7.95% and 7% to facilitate effective communication.
- Bloomberg Asia USD Investment Grade spreads tightened by 1bps to 67bps and Bloomberg Asia USD High Yield spreads tightened by 8bps to 357bps respectively. (Bloomberg, OCBC)

Credit Summary:

- **Macquarie Group Limited ("MQG"):** MQG announced its 1QFY2026 trading update for the three months ended 30 June 2025 as part of its 2025 Annual General Meeting materials. Overall 1QFY2026 net profit is down y/y due to lower performance in Macquarie Asset Management ("MAM") and Commodities and Global Markets ("CGM").
- **Mapletree Pan Asia Commercial Trust ("MPACT"):** MPACT announced the divestment of two Japan office buildings, namely ABAS Shin-Yokohama ("ASY") and TS Ikebukuro Building ("TSI"), for a combined sale price of JPY8.7bn (~SGD78.7mn). The sale will be fully settled in cash.
- **Mapletree Logistics Trust ("MLT"):** MLT reported its first quarter results for the financial year ending 31 March 2026. Operating performance had been affected by divestments, lower contribution from existing properties (notably China and South Korea) as well as currency depreciation from overseas assets against the SGD. Our base case assumes that acquisitions and divestments will broadly net off each other, however we continue to monitor MLT's acquisition path. Any divergence from our base case may cause us to review MLT's fundamentals.
- **OUE Real Estate Investment Trust ("OUEREIT"):** OUEREIT reported its 1H2025 results. Overall results are modestly weaker due primarily to the weaker Hospitality segment, though offset somewhat by better Commercial segment. We foresee a stable outlook in the next 12 months, underpinned by the premium asset portfolio wholly in Singapore.

Credit Headlines

Macquarie Group Limited ("MQG")

- MQG announced its 1QFY2026 trading update for the three months ended 30 June 2025 as part of its 2025 Annual General Meeting materials. Overall 1QFY2026 net profit is down y/y due to lower performance in Macquarie Asset Management ("MAM") and Commodities and Global Markets ("CGM"):
 - MAM performance was impacted by the timing of investment-related income from asset realisations. Assets under management ("AuM") of AUD945.8bn was up 1% q/q with continued growth in private market AuM. As a recap, MQG agreed to divest its North American and European Public Investments businesses to Nomura while keeping its Public Investments business in Australia. Performance fees improved y/y however.
 - CGM net profits were down y/y due to lower net interest and trading income in North American Gas and Power that impacted Commodities performance. Offsetting this partially was increased client activity in Financial Markets and Asset Finance, in particular foreign exchange and interest rate risk management, Financing and Futures.
- Conversely, Banking and Financial Services ("BFS") and Macquarie Capital ("MC") saw improved performance y/y with loan, deposit and funds on platform volume growth in BFS that offset margin compression from portfolio mix changes and competition. MC benefitted from volume growth and higher income in the private credit portfolio and increased fee and commission income.
- MQG continues to maintain a solid capital position with the CET1 ratio at 12.7% as at 30 June 2025, down marginally from 12.8% as at 31 March 2025 as dividends, employee awards and business growth offset earnings contribution. The 12.7% translates to a capital surplus of AUD7.6bn against the 10.5% minimum under the Australian Prudential Regulation Authority ("APRA")'s "Unquestionably Strong" bank capital framework, down from AUD9.5bn as at 31 March 2025.
 - The AUD7.6bn buffer also includes the AUD500mn operational overlay imposed by APRA.
 - On an internationally comparable Basel III basis, the CET1 ratio was 17.6% as at 30 June 2025, stable q/q.
 - Other credit ratios including the Leverage Ratio (5.1%, stable q/q), Liquidity Coverage Ratio (184% against 175% in 4QFY2025) and Net Stable Funding Ratio (110% vs 113% in 4QFY2025) as at 30 June 2025 remain well above the minimum regulatory requirements of 3%, 100% and 100% respectively.
- Separately, MQG announced that Chief Financial Officer ("CFO") Alex Harvey will retire in 2026 with deputy CFO Frank Kwok to be the new CFO. Mr Harvey has been with MQG for almost 30 years.
- MQG's fundamentals remain supported by its diversified businesses and somewhat conservative management in terms of risk tolerance and risk management and have both contributed to a solid track record in financial performance. Its outlook continues to be cautious considering the ongoing influence of inflation and interest rates on the operating environment and geopolitical volatility. (Company, OCBC)

Mapletree Pan Asia Commercial Trust ("MPACT")

- MPACT announced the divestment of two Japan office buildings, namely ABAS Shin-Yokohama ("ASY") and TS Ikebukuro Building ("TSI"), for a combined sale price of JPY8.7bn (~SGD78.7mn). The sale will be fully settled in cash.
- The move is aligned with MPACT's ongoing portfolio reconstitution strategy to enhance asset quality, reduce single-tenant risk, and improve management efficiency. Proceeds are intended to reduce debt
- These are small property transactions vis-à-vis MPACT's total assets of SGD16.1bn as at 31 March 2025 although MPACT had been facing softness in its North Asia portfolio and in our view, this move reduces its North Asia presence slightly. (Company, OCBC)

Mapletree Logistics Trust ("MLT")

- MLT reported its first quarter results for the financial year ending 31 March 2026. Operating performance had been affected by divestments, lower contribution from existing properties (notably China and South Korea)

as well as currency depreciation from overseas assets against the SGD. Our base case assumes that acquisitions and divestments will broadly net off each other, however we continue to monitor MLT's acquisition path. Any divergence from our base case may cause us to review MLT's fundamentals.

- **Softer top line y/y**
 - MLT reported gross revenue of SGD177.4mn in 1QFY2026, lower by 2.4% y/y while net property income was lower by 2.1% y/y to SGD153.4mn. The decline in top line was primarily attributed to lower contribution from existing properties in China, the absence of income from 12 divested properties and the depreciation of several regional currencies (mainly CNY, HKD, KRW, AUD and VND) against the SGD. These headwinds were partially offset by stronger contributions from assets in Singapore, Australia, and HKSAR, full period contribution from acquisitions completed in 1QFY2025 as well as the appreciation of the JPY and MYR against the SGD. We note that in SGD-terms, China revenue fell by 18% y/y while South Korea revenue fell by 11% y/y in 1QFY2026.
 - On a q/q basis, gross revenue was 1.2% lower, though NPI rose marginally by 0.4% due to lower maintenance expenses, lower loss allowances and absence of expenses from divested properties.
- **China rental reversion remains negative, albeit narrower q/q while lease expiries remain heavy in the rest of FY2026**
 - Portfolio occupancy dipped slightly to 95.7% as at 30 June 2025 from 96.2% in the previous quarter. This was mainly driven by the inclusion of Mapletree Joo Koon Logistics Hub (redevelopment of 5A Joo Koon Circle, received Temporary Occupation Permit in May 2025), which had an initial occupancy of 42.4%. Excluding this asset, portfolio occupancy would have been relatively stable at 96.3%.
 - Notably, China's rental reversion remained negative at -7.5%, though narrower versus the -9.4% in the prior quarter. Overall portfolio reversion was +2.1% in 1QFY2026, or +2.8% excluding China.
 - Lease expiries remain significant, with 25.3% of leases (by net lettable area) due to expire in the remaining of FY2026, ~49% of which are in China and ~11% are in South Korea. We expect MLT to continue to prioritise occupancy, especially amid ongoing trade tensions and economic uncertainty.
- **Minimal short-term refinancing risk**
 - MLT reported a stable interest coverage ratio (including perpetual distributions) of 2.9x for the 12 months to 30 June 2025. That said, based on our EBITDA calculation, EBITDA fell by 14.9% y/y, led by higher other trust expenses (net foreign exchange losses), rendering EBITDA/Interest plus perpetual distributions to soften to 2.5x in 1QFY2026 versus 2.9x in 4QFY2025.
 - MLT also reported a small increase in aggregate leverage to 41.2% as at 30 June 2025 (31 March 2025: 40.7%), driven by currency impact from the weakening of foreign currencies on its asset values. As at 30 June 2025, 20.5% of MLT's assets under Management are located in Singapore with the rest spread across the rest of the Asia-Pacific region (focused on HKSAR, China, Japan, South Korea, and Australia).
 - MLT faces only SGD318mn of debt maturing for the remaining of FY2026 (representing 6% of total debt), which is well-covered by its SGD818mn in committed credit facilities and SGD315mn in cash balance.
- **Limited direct impact from tariffs but monitoring for indirect impact**
 - Per MLT estimates, tenants contributing ~85% of its revenue are serving domestic consumption with tenants engaged in exports accounting for ~15% of revenue.
 - Amidst the trade tariffs, the MLT REIT Manager is focusing on maintaining portfolio stability, managing costs, and executing its portfolio rejuvenation strategy by divesting lower specification assets with limited redevelopment potential and reinvesting in modern logistics facilities with higher growth potential. (Company, OCBC)

QUE Real Estate Investment Trust ("OUEREIT")

- OUEREIT reported its 1H2025 results. **Overall results are modestly weaker due primarily to the weaker Hospitality segment, though offset somewhat by better Commercial segment. We foresee a stable outlook in the next 12 months, underpinned by the premium asset portfolio wholly in Singapore.**

- **Net Property Income (“NPI”) in 1HFY2025 fell 10.1% y/y to SGD105.3mn largely due disposal of Lippo Plaza Shanghai (“LPS”).** On a like-for-like basis (“LFL basis”), excluding LPS, NPI fell modestly by 2.0% y/y to SGD105.3mn from SGD107.5mn in 1HFY2024.
- **Stronger Commercial segments y/y:** Revenue and NPI of Commercial segment (includes office and retail), on a LFL basis, rose by 3.6% y/y to SGD86.1mn and 5.1% to SGD65.2mn respectively.
 - **Singapore Office performance remains strong:** Rental reversion for 1HFY2025 was strong at 9.1%, while average passing rent increased by 2.7% y/y to SGD10.86 psf per month as of 30 June 2025. Committed occupancy of Singapore Office fell by 0.8ppts q/q to 95.5%, as of 30 June 2025, though still outperforming Singapore Core CBD office committed occupancy of 94.7%.
 - **Stronger Singapore Retail Segment:** Mandarin Gallery committed occupancy fell by 0.5ppts q/q to 99.0% as of 30 June 2025. Rental reversion came in strong at 34.3% in 1HFY2025. Meanwhile, average passing rent rose by 5.3% y/y to SGD22.22 psf per month.
- **Weaker Hospitality segment amidst lesser events 1H2025:** 1H2025 revenue and NPI of hospitality segment fell by 12.9% y/y to SGD45.0mn and 11.7% y/y to SGD40.2mn. The weaker performance was mainly due to a high base last year and muted demand amid fewer major events (eg six nights of Taylor Swift’s Era Tour and MICE events in 1H2024), more cautious travel sentiment, and macroeconomic headwinds affecting discretionary spending in 1H2025. Hilton Singapore Orchard Revenue Per Available Room (“RevPAR”) fell by 21% y/y to SGD230 while RevPAR of Crowne Plaza Changi Airport increased by 4.8% to SGD239. The management also indicated that the high prices in Singapore are also affecting the demands of visitors for higher end hotels.
- **Largely stable credit metrics:** Reported aggregate leverage fell by 0.3ppts q/q to 40.3% as of 30 June 2025. On the basis that the net proceeds from the divestment of LPS are fully utilised for debt repayment, reported aggregate leverage is expected to decline further to 37.2%. On a q/q basis, the cost of debt and interest coverage ratio remains stable at 4.2% and 2.2x respectively. Weighted average term of debt remains manageable at 2.7 years with only SGD32mn of debt (1.3% of total debt) due for the year. Additionally, the early refinancing of existing facilities under OUE Allianz Bayfront LLP (in documentation stage) will allow the debt maturity to be spread over six years, with no more than 23% of total debt due in any single year.
- **Seeking opportunity outside of Singapore primarily via net proceeds from LPS:** OUEREIT is seeking yield-accretive investment opportunities in key gateway cities to drive value creation. The potential investments include (1) prime office buildings in Sydney’s Core CBD and (2) hotels in prime locations within Tokyo. The potential acquisition is likely to be financed via net proceeds from LPS (~SGD300mn). (Company, OCBC)

New Issues:

Date	Issuer	Description	Currency	Size (mn)	Tenor	Final Pricing
23 Jul	Guotai Junan International Holdings Ltd	FRN	USD	300	3Y	SOFR+60bps
23 Jul	Jiaozuo State-Owned Capital Operation Holding Group Co. Ltd.	Fixed	USD	150	3Y	6.50%

Mandates:

- Li & Fund Ltd. may issue a USD-denominated 3.5Y Fixed Bond.

Key Market Movements

	24-Jul	1W chg (bps)	1M chg (bps)		24-Jul	1W chg	1M chg
iTraxx Asiax IG	69	-4	-6	Brent Crude Spot (\$/bbl)	68.9	-0.9%	2.7%
				Gold Spot (\$/oz)	3,376	1.1%	1.6%
iTraxx Japan	58	-2	-5	CRB Commodity Index	304	0.2%	2.3%
iTraxx Australia	69	-3	-6	S&P Commodity Index - GSCI	548	-0.3%	1.1%
CDX NA IG	50	-1	-3	VIX	15.4	-10.4%	-12.1%
CDX NA HY	108	0	1	US10Y Yield	4.40%	-6bp	10bp
iTraxx Eur Main	53	-1	-3				
iTraxx Eur XO	273	-5	-18	AUD/USD	0.662	2.0%	1.9%
iTraxx Eur Snr Fin	57	-1	-4	EUR/USD	1.177	1.5%	1.4%
iTraxx Eur Sub Fin	97	-2	-7	USD/SGD	1.276	0.8%	0.3%
				AUD/SGD	0.844	-1.1%	-1.6%
USD Swap Spread 10Y	-54	1	1	ASX200	8,709	0.8%	1.8%
USD Swap Spread 30Y	-84	2	6	DJIA	45,010	1.7%	4.5%
				SPX	6,359	1.5%	4.4%
China 5Y CDS	41	-4	-9	MSCI Asiax	829	2.1%	4.8%
Malaysia 5Y CDS	40	-3	-6	HSI	25,625	4.6%	6.0%
Indonesia 5Y CDS	71	-3	-7	STI	4,264	2.5%	9.2%
Thailand 5Y CDS	41	-2	-6	KLCI	1,533	0.8%	1.2%
Australia 5Y CDS	10	-0	0	JCI	7,560	3.8%	10.1%
				EU Stoxx 50	5,344	0.9%	0.9%

Source: Bloomberg

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