

Market Commentary

- The SGD swap curve traded lower yesterday. Shorter tenors moved marginally apart from the 4Y which traded ~1bps lower. Belly tenors traded 1bps lower while longer tenors traded 2bps lower.
- The Bloomberg Barclays Asia USD IG Bond Index average OAS tightened 1bps to 144bps, and the Bloomberg Barclays Asia USD HY Bond Index average OAS widened 1bps to 631bps. The HY-IG Index Spread widened 2bps to 487bps.
- There were heavy flows in SGD corporates yesterday including flows in OLAMSP 5.375%-PERPs, STSP 3.3%-PERPs, OLAMSP 4%'26s and CMZB 4.2%'28s.
- 10Y UST Yields remained mostly unchanged at 1.56% as investors showed little trouble absorbing a large auction for government paper.

Credit Research

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Credit Summary:

- [China Huarong Asset Management Co., Ltd \(“Huarong”\)](#) | **Issuer profile: Unrated:** Bloomberg reported that a unit of the People’s Bank of China (“PBOC”) would assume assets from some of Huarong’s unprofitable operations under a proposal that is still being finalised and could change.
- [Credit Agricole Group SA \(“CAG”\)](#) | **Issuer Profile: Neutral (3):** CAG has received enough support to gain control of Credito Valtellinese SpA (“CV”) through its [unsolicited take-over offer](#) after further raising its offer. Its offer price was raised to EUR12.50 per share from EUR12.20 per share through eliminating the condition that this price would be offered if 90% of shareholders accept. We think the acquisition remains within its fundamentals at Neutral (3) given its solid capital buffers.
- [Keppel Real Estate Investment Trust \(“KREIT”\)](#) | **Issuer Profile: Neutral (4):** KREIT has announced business updates for 1Q2021. Revenue rose 32%y/y to SGD51.1 from SGD38.7mn a year ago. NPI to unitholders was up 40.5% y/y to SGD36.4mn. This is in part due to maiden contribution from Pinnacle Office Park in Sydney which commenced on 1 Jan 2021. While aggregate leverage was 35.2%, down from 37.3% at end 2020, we note that it would be higher at 39.4% upon the completion of the acquisition of Keppel Bay Tower in 2Q2021. All-in interest rate was lower year-on-year at 2.01% per annum. We will continue to hold KREIT at Neutral (4) Issuer Profile.
- [Mapletree Logistics Trust \(“MLT”\)](#) | **Issuer profile: Neutral (3):** MLT announced its fourth quarter results for the financial year ended 31 March 2021 (“4QFY2021”) and full year FY2021. Gross revenue was SGD157.0mn for 4QFY2021, representing a y/y increase of 22.6% and a q/q increase of 12.3%. As at 31 March 2021, MLT’s reported aggregate leverage was 38.4% (31 December 2020: 36.8%) mainly driven by additional debt taken to help fund the recent acquisitions. Taking 50% of the perpetuals as debt, we estimate that adjusted aggregate leverage was ~40%. We continue to expect MLT to keep its reported aggregate leverage at the 39-40% level. We maintain MLT’s issuer profile at Neutral (3).

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Credit Headlines

China Huarong Asset Management Co., Ltd (“Huarong”) | Issuer profile: Unrated

- Bloomberg reported that a unit of the People’s Bank of China (“PBOC”) would assume assets from some of Huarong’s unprofitable operations under a proposal that is still being finalised and could change.
- China Huarong International Holdings Ltd (“Huarong International”), Huarong’s subsidiary and guarantor of the bulk of the USD and SGD bonds, is in the process of transferring distressed assets into a separate offshore entity with the move aimed at improving the financial health of Huarong International.
- Since this news emerged, various commentators have pointed out that the possible plan shares some similarities with a 2020 plan in relation to Bank of Jinzhou Co, a regional bank. (Bloomberg)

Credit Agricole Group SA (“CAG”) | Issuer Profile: Neutral (3)

- CAG has received enough support to gain control of Credito Valtellinese SpA (“CV”) through its [unsolicited take-over offer](#) after further raising its offer. Its offer price was raised to EUR12.50 per share from EUR12.20 per share through eliminating the condition that this price would be offered if 90% of shareholders accept.
- Shareholders accepting the revised offer have resulted in CAG exceeding the 50% plus 1 threshold needed to win control. CAG’s unsolicited take-over offer is conditional on at least 66.7% of the shares being tendered by 23 April.
- We think the acquisition remains within its fundamentals at Neutral (3) given its solid capital buffers. (Company, Bloomberg, OCBC)

Keppel Real Estate Investment Trust (“KREIT”) | Issuer Profile: Neutral (4)

- KREIT has announced business updates for 1Q2021. Revenue rose 32%y/y to SGD51.1 from SGD38.7mn a year ago. NPI to unitholders was up 40.5% y/y to SGD36.4mn. This is in part due to maiden contribution from Pinnacle Office Park in Sydney which commenced on 1 Jan 2021.
- Portfolio committed occupancy was 96.5% vs 97.9% at end last year. Weighted average lease expiry as at 31 March 2021 was 6.7 years. Retention rate was 44% with average signing rent for Singapore office leases at SGD10.64 psf pm against average expiring rents of SGD9.98 psf pm in 2021. The average core CBD Grade A office rents was stable at SGD10.40 psf pm in 1Q2021 with occupancy rate at 93.9%
- Over 1Q2021, rental collection (excluding rent deferrals) was 99% with outstanding rent deferrals at SGD1.2mn. Tenant relief measures granted was ~SGD0.1mn.
- While aggregate leverage was 35.2%, down from 37.3% at end 2020, we note that it would be higher at 39.4% upon the completion of the acquisition of Keppel Bay Tower in 2Q2021. All-in interest rate was lower year-on-year at 2.01% per annum. KREIT has also obtained loan facilities to refinance all outstanding loans that are maturing this year. Reported interest coverage improved to 3.7x vs 3.4x at the preceding quarter.
- We will continue to hold KREIT at Neutral (4) Issuer Profile.

Asian Credit Daily**Credit Headlines****Mapletree Logistics Trust (“MLT”) | Issuer profile: Neutral (3)**

- MLT announced its fourth quarter results for the financial year ended 31 March 2021 (“4QFY2021”) and full year FY2021. Gross revenue was SGD157.0mn for 4QFY2021, representing a y/y increase of 22.6% and a q/q increase of 12.3%. We do not think that either y/y or q/q comparison is meaningful for 4QFY2021 given that MLT completed a number of acquisitions during the financial year (amounting to SGD1.3bn of cash outflow) including the remaining 50%-interest in 15 properties in China which it did not already own. In FY2020, the cash outflow on acquisitions was SGD515.8bn.
- Previous contribution from these 15 properties in China were accounted for under the equity method as share of income from joint ventures though now has been consolidated into MLT’s financials since December 2020 upon transaction completion.
- For 4QFY2021, EBITDA/Interest (based on our calculation which does not include other income and other expenses) was very manageable at 5.3x. As at 31 March 2021, MLT has SGD430mn of perpetuals outstanding. Assuming that MLT pays out SGD4.3mn per quarter and we take 50% of this as interest, we find EBITDA/(Interest plus 50% perpetual distribution) at 4.8x, still manageable.
- The MLTSP 4.18%-PERP faces first call in November 2021. Based on today’s forward rates, the distribution rate of the perpetual may reset into ~3.4% if not called at first call. We see a 50% probability of the perpetual to be called from an economics perspective.
- As at 31 March 2021, MLT’s reported aggregate leverage was 38.4% (31 December 2020: 36.8%) mainly driven by additional debt taken to help fund the recent acquisitions. Taking 50% of the perpetuals as debt, we estimate that adjusted aggregate leverage was ~40%. As at 31 March 2021, MLT faces minimal debt coming due at only SGD161mn, representing 4% of total debt, sufficiently covered by MLT’s available committed credit facilities of SGD668mn.
- Portfolio occupancy at MLT has been resilient through COVID-19 at 97.5% as at 31 March 2021. 26.4% of leases by net lettable area comes due in FY2022, where 45% of these come from its China assets. CWT Pte Ltd continues to be the single largest tenant of MLT though we are less concerned over this concentration given the decline over time. As at 31 March 2021, this was 7.2% of gross revenue versus 8.7% as at 31 March 2020 and above 9% earlier.
- MLT did not win a bid for a large portfolio of logistics assets in Australia although the REIT remains acquisitive and is eyeing some SGD600mn to SGD1.0bn of acquisitions in FY2021 vis-à-vis only SGD200mn of possible divestments. The Asia-Pacific region will continue to be a key focal area, including expanding in India (MLT entered into the India market in March 2021). We continue to expect MLT to keep its reported aggregate leverage at the 39-40% level. We maintain MLT’s issuer profile at Neutral (3). (Company, OCBC)

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Key Market Movements

	22-Apr	1W chg (bps)	1M chg (bps)		22-Apr	1W chg	1M chg
iTraxx Asiax IG	77	-11	10	Brent Crude Spot (\$/bbl)	65.12	-2.72%	0.77%
iTraxx SovX APAC	27	-1	-2	Gold Spot (\$/oz)	1,793.86	1.70%	3.15%
iTraxx Japan	49	1	-2	CRB	193.66	0.63%	2.43%
iTraxx Australia	63	0	-2	GSCI	487.19	-0.07%	2.43%
CDX NA IG	52	1	-6	VIX	17.5	3.00%	-7.31%
CDX NA HY	110	0	1	CT10 (%)	1.534%	-4.15	-16.02
iTraxx Eur Main	51	1	-4				
iTraxx Eur XO	252	8	-20	AUD/USD	0.776	0.04%	0.12%
iTraxx Eur Snr Fin	59	2	-4	EUR/USD	1.204	0.59%	0.88%
iTraxx Eur Sub Fin	118	6	0	USD/SGD	1.328	0.49%	1.00%
iTraxx Sovx WE	6	0	0	AUD/SGD	1.030	0.45%	0.83%
USD Swap Spread 10Y	-1	1	-2	ASX 200	7,002	-0.80%	3.70%
USD Swap Spread 30Y	-27	0	-1	DJIA	34,137	1.20%	4.30%
US Libor-OIS Spread	10	-1	-3	SPX	4,173	1.18%	5.91%
Euro Libor-OIS Spread	-5	0	0	MSCI Asiax	875	-0.29%	-0.51%
				HSI	28,622	-0.59%	-0.91%
China 5Y CDS	37	-3	4	STI	3,184	-0.03%	1.78%
Malaysia 5Y CDS	46	-1	2	KLCI	1,599	-0.57%	-1.09%
Indonesia 5Y CDS	79	-3	-7	JCI	5,993	-0.94%	-4.89%
Thailand 5Y CDS	41	-1	0	EU Stoxx 50	3,976	0.00%	3.72%
Australia 5Y CDS	15	1	-12				

Source: Bloomberg

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New Issues

- Malaysia Wakala Sukuk Berhad priced a USD800mn 10-year sustainability bond at T+50bps, tightening from IPT of T+90bps area, and a USD500mn 30-year senior unsecured bond at T+80bps, tightening from IPT of T+115bps area.
- Harvest Operations Corp (Guarantor: Korea National Oil Corp) priced a USD500mn 3NC1 bond at T+73bps, tightening from IPT of T+100bps area.
- Chang Development International Ltd (Guarantor: Changchun Urban Development & Investment Holdings Group Co Ltd) priced a USD200mn 3-year senior unsecured bond at 4.3%, tightening from IPT of 4.5% area.
- Sino-Ocean Land Treasure IV Ltd (Guarantor: Sino-Ocean Group Holding Limited) priced a USD400mn 5-year green bond at T+265bps, tightening from IPT of T+305bps area.
- Bank of China Ltd/Singapore priced a USD500mn 3-year green bond at T+53bps, tightening from IPT of T+93bps area.
- CTBC Bank Co., Ltd. priced a USD140mn 40-year ZCN.
- Jingrui Holdings Limited priced a USD157mn 2.5-year bond at 12.5%.
- Incheon International Airport Corporation has arranged investor calls commencing 22 April for its proposed USD green bond offering.

Date	Issuer	Size	Tenor	Pricing
21-Apr-21	Malaysia Wakala Sukuk Berhad	USD800mn USD500mn	10-year 30-year	T+50bps T+80bps
21-Apr-21	Harvest Operations Corp (Guarantor: Korea National Oil Corp)	USD500mn	3NC1	T+73bps
21-Apr-21	Chang Development International Ltd (Guarantor: Changchun Urban Development & Investment Holdings Group Co Ltd)	USD200mn	3-year	4.3%
21-Apr-21	Sino-Ocean Land Treasure IV Ltd (Guarantor: Sino-Ocean Group Holding Limited)	USD400mn	5-year	T+265bps
21-Apr-21	Bank of China Ltd/Singapore	USD500mn	3-year	T+53bps
21-Apr-21	CTBC Bank Co., Ltd.	USD140mn	40-year	ZCN
21-Apr-21	Jingrui Holdings Limited	USD157mn	2.5-year	12.5%

Source: OCBC, Bloomberg

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