

Corporate Bond Ideas

Relative value search



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SINGAPORE | CORPORATE BONDS

20 April 2020

- We scan the local corporate bond universe on a relative value basis to discover bonds trading relatively cheap.

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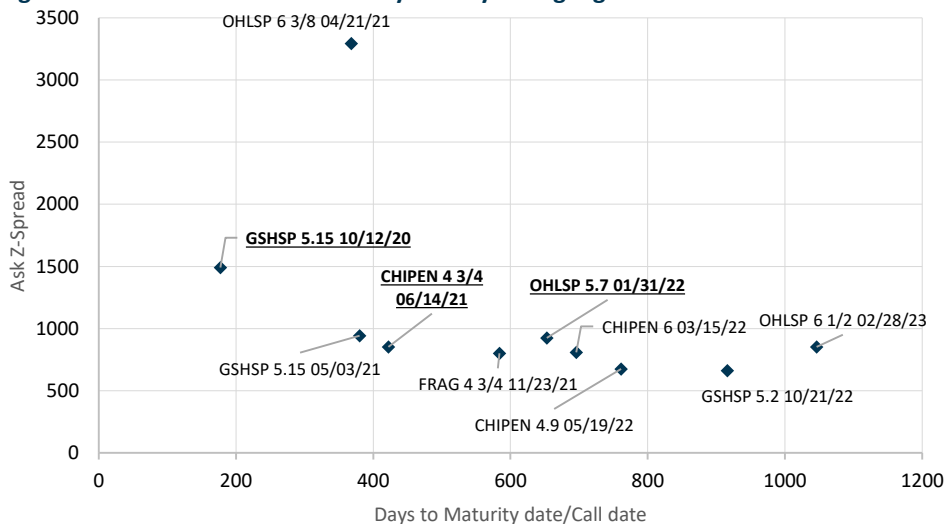
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Property Developers: Value in shorter-term bonds

In the high yield property developer space, we see an inversion of the curve where bonds with earlier maturity trading cheaper than bonds that mature later. This may be attributed to weaker price discovery within the space due to low liquidity as issue sizes are small (the prominent bonds listed in figure 2 have issue sizes averaging around S\$100mn). As such, price transparency is low and yields are relatively mispriced, making recommendations difficult, however, we see value in the shorter term bonds such as **GSHSP 5.15% '21s** (with a yield to maturity of 10.0%), **OHLSP 5.7% '22s** (with a yield to maturity of 9.87%) and **CHIPEN 4.75% '21s** (with a yield to maturity of 9.11%). We note that the CHIPEN 4.75% '21s does not have a Cessation Put clause unlike comparables CHIPEN 4.9% '22s and CHIPEN 6% '22s.

We view the bonds below with spreads over 1000bps as outliers that we're unable to give proper consideration due to weak price discovery.

Figure 1: Bonds with earlier maturity dates yielding higher than bonds with later maturity dates



Indicative pricing as at 17 Apr 2020, Source: Bloomberg

Figure 2: List of high yield property developer bonds

Issuer	Bond	Currency	Maturity date/ Call date	Size (SGDmn)	Gearing (D/A)	Ask YTM/ YTC	Ask Z-Spread
FRAGRANCE GROUP LTD	FRAG 4.75% '21s	SGD	23/11/2021	100	53.7	8.64%	802
GSH CORP LTD	GSHSP 5.2% '22s	SGD	21/10/2022	50	44.2	7.28%	662
GSH CORP LTD	GSHSP 5.15% '20s	SGD	12/10/2020	70	44.2	15.54%	1491
GSH CORP LTD	GSHSP 5.15% '21s	SGD	03/05/2021	50	44.2	10.00%	942
OXLEY MTN PTE LTD	OHLSP 6.375% '21s	USD	21/04/2021	355	54.4	28.02%	3295
OXLEY MTN PTE LTD	OHLSP 5.7% '22s	SGD	31/01/2022	150	54.4	9.87%	924
OXLEY MTN PTE LTD	OHLSP 6.5% '23s	SGD	28/02/2023	75	54.4	9.20%	852
CES TREASURY PTE LTD	CHIPEN 6% '22s	SGD	15/03/2022	100	54.9	8.72%	809
CHIP ENG SENG CORP LTD	CHIPEN 4.9% '22s	SGD	19/05/2022	125	54.9	7.37%	673
CHIP ENG SENG CORP LTD	CHIPEN 4.75% '21s	SGD	14/06/2021	120	54.9	9.11%	851

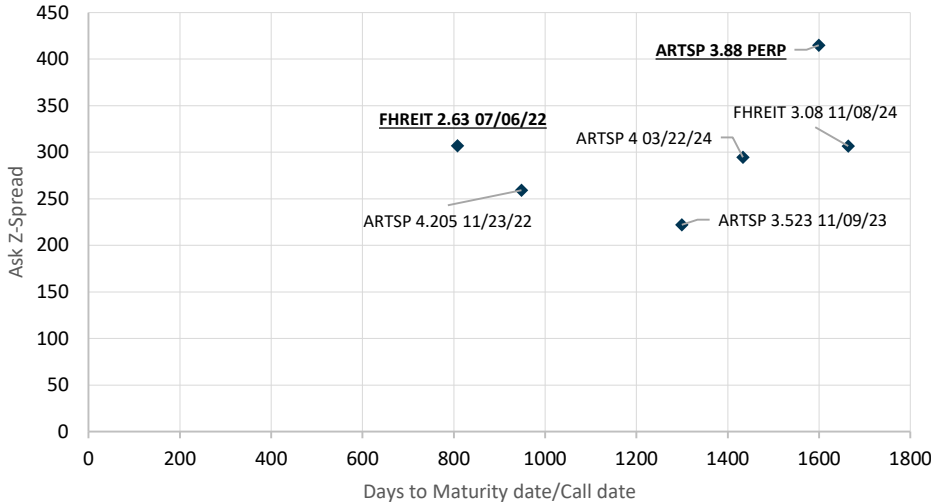
Indicative pricing as at 17 Apr 2020, Source: Bloomberg

Hospitality REIT: FHREIT 2.63% 06July2022 Corp (SGD) & ARTSP 3.88% PERP NC 04September2024 (SGD)

In the hospitality REIT curve, we find the **FHREIT 2.63% '22s** vanilla bond (with a yield to maturity of 3.72%) attractive compared to its peer ARTSP bonds. The bond (307bps spread) offers a 48bps spread pick up over the ARTSP 4.205% '22s (259bps spread) maturing 140 days later, and a 12bps spread pick up over the ARTSP 4% '24s (294bps spread) with a much longer tenor of 491 days later.

On the ART curve, the **ARTSP 3.88% PERP** (with an attractive yield to call of 4.96%) looks interesting with a large senior-sub spread of 121bps over its comparable senior ARTSP 4% '24s (with a yield to maturity of 3.72%) that matures 166 days earlier.

Figure 3: We see value in FHREIT 2.63% '22s over its ARTSP comparables and the ARTSP 3.88% PERP over its comparable senior



Indicative pricing as at 17 Apr 2020, Source: Bloomberg

Figure 4: List of hospitality REIT bonds

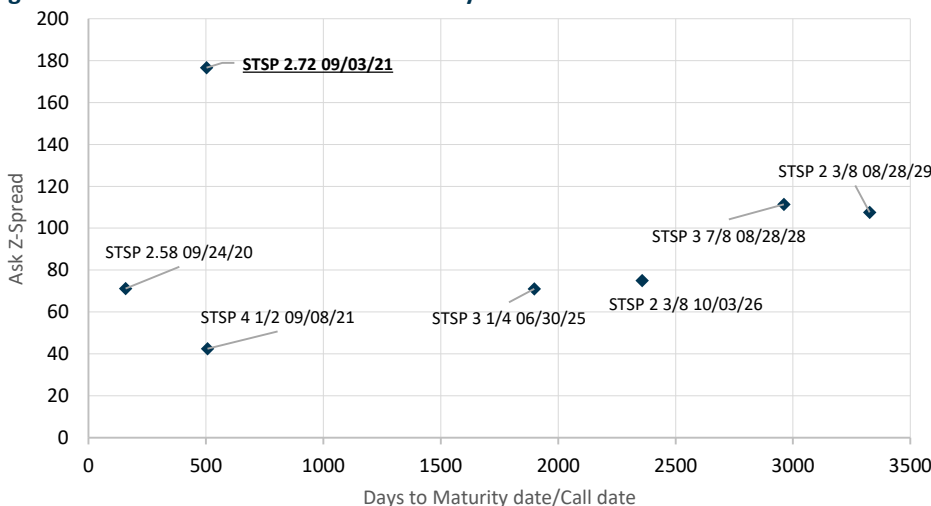
Issuer	Bond	Currency	Maturity date/ Call date	Size (SGDmn)	Gearing (D/A)	Ask YTM/ YTC	Ask Z-Spread
FH REIT TREASURY PTE LTD	FHREIT 3.08% '24s	SGD	08/11/2024	120	35.3	3.89%	307
FH REIT TREASURY PTE LTD	FHREIT 2.63% '22s	SGD	06/07/2022	120	35.3	3.72%	307
ASCOTT REIT MTN PTE LTD	ARTSP 4.205% '22s	SGD	23/11/2022	200	35.8	3.27%	259
ASCOTT REIT MTN PTE LTD	ARTSP 4% '24s	SGD	22/03/2024	120	35.8	3.72%	294
ASCOTT REIT MTN PTE LTD	ARTSP 3.523% '23s	SGD	09/11/2023	100	35.8	2.97%	222
ASCOTT RESIDENCE TRUST	ARTSP 3.88% PERP	SGD	04/09/2024	150	35.8	4.96%	415

Indicative pricing as at 17 Apr 2020, Source: Bloomberg

Telecommunications: STSP 2.72% 09March2021 Corp (SGD)

We think the ST curve is largely trading tight and prefer the **STSP 2.72% '21s** which is paying 2.40% YTC with a short maturity date in Sep 2021. It trades attractively to the ST curve, offering a 109bps spread pickup to the comparable STSP 4.5% '21s USD (1.09% YTM and 42bps spread).

Figure 5: STSP 2.72% '21s trades attractively in the ST curve



Indicative pricing as at 17 Apr 2020, Source: Bloomberg

Figure 6: List of Singtel Group bonds

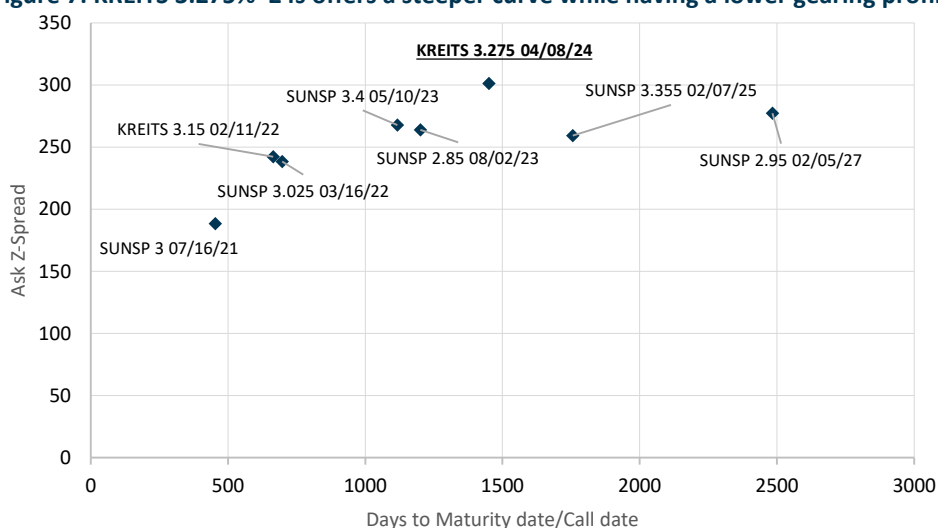
Issuer	Bond	Currency	Maturity date/ Call date	Size (SGDmn)	Gearing (D/A)	Ask YTM/ YTC	Ask Z-Spread
SINGTEL GROUP TREASURY	STSP 2.375% '29s	USD	28/05/2029	750	26.7	2.11%	108
SINGTEL GROUP TREASURY P	STSP 3.25% '25s	USD	30/06/2025	500	26.7	1.64%	71
SINGTEL GROUP TREASURY P	STSP 4.5% '21s	USD	08/09/2021	600	26.7	1.09%	42
SINGTEL GROUP TREASURY	STSP 3.875% '28s	USD	28/05/2028	500	26.7	2.21%	111
SINGTEL GROUP TREASURY	STSP 2.875% '26s	USD	03/10/2026	500	26.7	1.69%	75
SINGTEL GROUP TREASURY P	STSP 2.72% '21s	SGD	03/09/2021	150	26.7	2.40%	177
SINGTEL GROUP TREASURY P	STSP 2.58% '20s	SGD	24/09/2020	150	26.7	1.60%	71

Indicative pricing as at 17 Apr 2020, Source: Bloomberg

Commercial REIT: KREITS 3.275% 04August2024 Corp (SGD)

We like **KREITS 3.275% '24s** (with 3.79% YTM) to comparable bonds in the SUN curve. The KREIT curve shows more steepness compared to the SUN curve despite having a lower gearing profile of 28.5% (vs 36.2% for SUNTEC REIT). The KREITS 3.275% '24s offers a 42bps spread pick up to the SUNSP 3.355% '25s and 24bps spread pick up to the SUNSP 2.95% '27s despite the latter two having maturity dates 305 and 1033 days later.

Figure 7: KREITS 3.275% '24s offers a steeper curve while having a lower gearing profile



Indicative pricing as at 17 Apr 2020, Source: Bloomberg

Figure 8: List of office REIT bonds

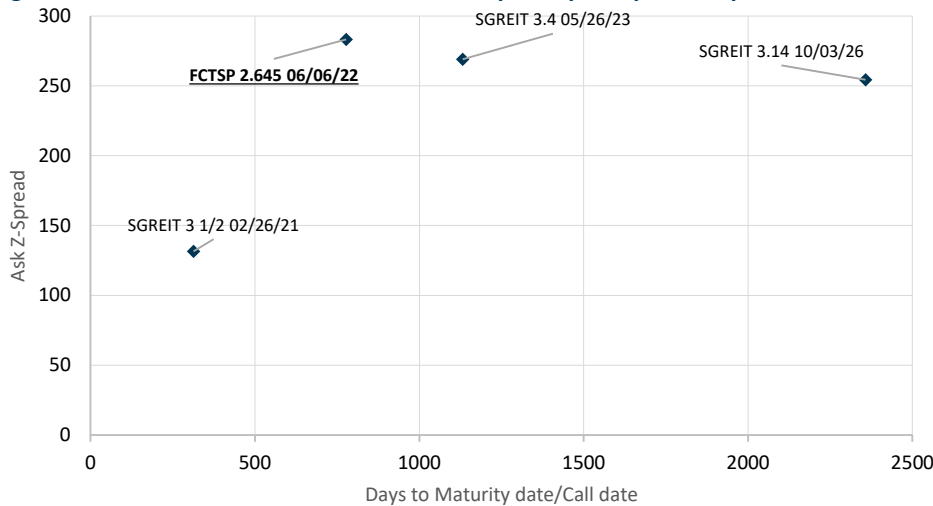
Issuer	Bond	Currency	Maturity date/ Call date	Size (SGDmn)	Gearing (D/A)	Ask YTM/ YTC	Ask Z-Spread
KEPPEL REIT MTN PTE LTD	KREITS 3.15% '22s	SGD	11/02/2022	50	28.5	3.06%	242
KEPPEL REIT MTN PTE LTD	KREITS 3.275% '24s	SGD	08/04/2024	75	28.5	3.79%	301
SUNTEC REIT MTN PTE LTD	SUNSP 3.355% '25s	SGD	07/02/2025	100	36.2	3.55%	259
SUNTEC REIT MTN PTE LTD	SUNSP 2.95% '27s	SGD	05/02/2027	200	36.2	4.38%	277
SUNTEC REIT MTN PTE LTD	SUNSP 2.85% '23s	SGD	02/08/2023	100	36.2	3.58%	264
SUNTEC REIT MTN PTE LTD	SUNSP 3.4% '23s	SGD	10/05/2023	180	36.2	3.54%	268
SUNTEC REIT MTN PTE LTD	SUNSP 3% '21s	SGD	16/07/2021	150	36.2	2.24%	188
SUNTEC REIT MTN PTE LTD	SUNSP 3.025% '22s	SGD	16/03/2022	100	36.2	3.11%	238

Indicative pricing as at 17 Apr 2020, Source: Bloomberg

Retail REIT: FCTSP 2.645% 06June2022 Corp (SGD)

We like the FCTSP 2.645% '22s (with a 3.48% YTM) to comparable SGREIT bonds. The bond provides a steep spread pick up of 152bps from the SGREIT 3.5% '21s (132bps spread) which matures 465 days earlier, and a 14bps spread pick up to SGREIT 3.4% '23s (269bps spread) which matures 354 days later. Also, FCT bond's guarantor Frasers Centrepoint Trust boasts a larger market cap of S\$2.4bn, twice larger than SGREIT bond guarantor Starhill Global REIT of S\$1.1bn, and a lower gearing profile of 29% compared to SGREIT's of 36.2%.

Figure 9: FCTSP 2.645% '22s offers attractive spread pick up to comparable SGREIT bonds for a better gearing profile



Indicative pricing as at 17 Apr 2020, Source: Bloomberg

Figure 10: List of retail REIT bonds

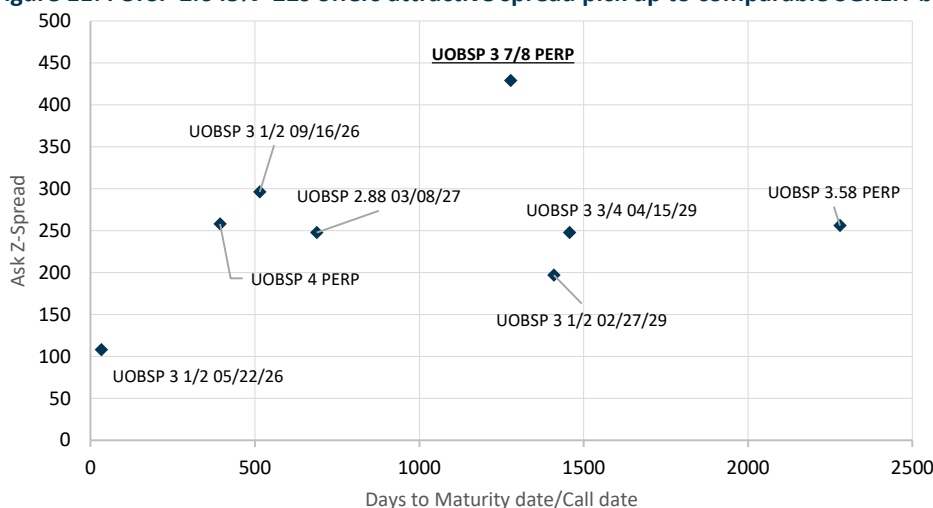
Issuer	Bond	Currency	Maturity date/ Call date	Size (SGDmn)	Gearing (D/A)	Ask YTM/ YTC	Ask Z-Spread
FCT MTN PTE LTD	FCTSP 2.645% '22s	SGD	06/06/2022	30	29.0	3.48%	283
STARHILL GLOBAL REIT MTN	SGREIT 3.14% '26s	SGD	03/10/2026	70	36.2	3.55%	254
STARHILL GLOBAL REIT MTN	SGREIT 3.5% '21s	SGD	26/02/2021	100	36.2	1.96%	132
STARHILL GLOBAL REIT MTN	SGREIT 3.4% '23s	SGD	26/05/2023	125	36.2	3.30%	269

Indicative pricing as at 17 Apr 2020, Source: Bloomberg

Banks: UOBSP 3.875% PERP NC 19October2023 (USD)

In the UOB curve, we like the UOBSP 3.875% PERP (USD), offering an attractive 4.93% YTC on an SGD swap basis. It provides a significant spread pick up of 181bps to the UOBSP 3.58% PERP (256bps spread) callable 1002 days later, and a large subordinated-junior spread of 150bps over its comparable subordinated UOBSP 3.75% '29s (248bps spread) callable 179 days later.

Figure 11: FCTSP 2.645% '22s offers attractive spread pick up to comparable SGREIT bonds for a better gearing profile



Indicative pricing as at 17 Apr 2020, Source: Bloomberg

Figure 12: List of UOB bank bonds

Issuer	Bond	Currency	Maturity date/ Call date	Size (SGDmn)	Gearing (D/A)	Ask YTM/ YTC	Ask Z-Spread
UNITED OVERSEAS BANK LTD	UOBSP 3.58% PERP	SGD	17/07/2026	750	10.2	3.41%	256
UNITED OVERSEAS BANK LTD	UOBSP 3.875% PERP	USD	19/10/2023	650	10.2	4.93%	429
UNITED OVERSEAS BANK LTD	UOBSP 3.5% '26s	USD	16/09/2021	700	10.2	3.54%	296
UNITED OVERSEAS BANK LTD	UOBSP 4% PERP	SGD	18/05/2021	750	10.2	2.54%	258
UNITED OVERSEAS BANK LTD	UOBSP 3.5% '29s	SGD	27/02/2024	750	10.2	2.60%	197
UNITED OVERSEAS BANK LTD	UOBSP 3.75% '29s	USD	15/04/2024	600	10.2	3.28%	248
UNITED OVERSEAS BANK LTD	UOBSP 2.88% '27s	USD	08/03/2022	600	10.2	3.11%	248
UNITED OVERSEAS BANK LTD	UOBSP 3.5% '26s	SGD	22/05/2020	500	10.2	0.41%	108

Indicative pricing as at 17 Apr 2020, Source: Bloomberg

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