

September 13, 2016

Credit Headlines (Page 2 onwards): Ascendas REIT

**Market Commentary:** The SGD dollar swap curve traded upwards last Friday with swap rates trading 5-10bps higher across all tenors. Swap rates were range-bounded yesterday, trading +/- 1bps across all tenors (with the exception of 30Y swap rate, 2bps higher) as Singapore's market was closed due to Hari Raya Haji. Flows in the SGD corporates space were moderate last Friday with better buying seen in ABNAV 4.75%'26s while mixed interests were seen in PILLSP 5.9%'17s and OCBCSP 3.8%'49s. In the broader dollar space, the spread on JACI IG corporates increased 2bps to 197bps yesterday, erasing last Friday's gain while the yield on JACI HY corporates increased 12bps to 6.48% over the long weekend. 10y UST yield increased 6bps to 1.66% following hawkish comments from Boston Federal Reserve President Eric Rosengren that indicated that the US economy could overheat if policy makers wait too long to raise rates.

**New Issues:** Housing and Development Board priced a SGD600mn 10-year bond at 2.035% with expected issue ratings of "NR/Aaa/NR". Powerlong Real Estate Holdings priced a USD200mn 5NC3 bond at 4.875%, tightening from its initial guidance at low-5%. The expected issue ratings are "NA/B3/NR". Emperor International Holdings priced a USD200mn 5-year bond at 4%, tightening from its initial guidance at 4.25%.

**Rating Changes:** S&P downgraded Zoomlion Heavy Industry Science and Technology Co. Ltd.'s corporate credit rating to "B" from "B+" with negative outlook. The downgrade reflects S&P's expectation that the company's interest-servicing capacity will deteriorate in the coming 12 months. Additionally, Zoomlion's business profitability will likely weaken due to declining revenue from sluggish demand in the construction machinery sector and the company's high fixed-cost structure.

Table 1: Key Financial Indicators

	13-Sep	1W chg (bps)	1M chg (bps)		13-Sep	1W chg	1M chg
iTraxx Asiax IG	110	1	-4	Brent Crude Spot (\$/bbl)	48.11	1.80%	2.43%
iTraxx SovX APAC	38	1	-5	Gold Spot (\$/oz)	1,329.52	-1.52%	-0.74%
iTraxx Japan	54	3	1	CRB	182.94	1.63%	0.14%
iTraxx Australia	100	4	-2	GSCI	356.81	2.77%	1.05%
CDX NA IG	73	2	3	VIX	15.16	26.54%	31.26%
CDX NA HY	104	-1	-1	CT10 (bp)	1.653%	11.85	13.90
iTraxx Eur Main	70	4	4	USD Swap Spread 10Y (bp)	-16	-1	-3
iTraxx Eur XO	326	18	21	USD Swap Spread 30Y (bp)	-55	-2	-5
iTraxx Eur Snr Fin	90	6	3	TED Spread (bp)	52	0	-2
iTraxx Sovx WE	25	0	2	US Libor-OIS Spread (bp)	42	1	1
iTraxx Sovx CEEMEA	106	2	-7	Euro Libor-OIS Spread (bp)	4	0	-1
					13-Sep	1W chg	1M chg
				AUD/USD	0.755	-1.73%	-1.56%
				USD/CHF	0.972	-0.25%	0.08%
				EUR/USD	1.123	-0.20%	0.43%
				USD/SGD	1.356	-0.71%	-0.96%
Korea 5Y CDS	43	3	-1	DJIA	18,325	-0.90%	-1.35%
China 5Y CDS	99	4	-4	SPX	2,159	-0.96%	-1.15%
Malaysia 5Y CDS	119	4	-5	MSCI Asiax	542	-3.07%	-0.75%
Philippines 5Y CDS	89	3	--	HSI	23,291	-1.52%	2.30%
Indonesia 5Y CDS	142	3	-1	STI	2,873	2.48%	0.21%
Thailand 5Y CDS	84	4	-4	KLCI	1,686	0.88%	0.14%
				JCI	5,282	-1.34%	-1.77%

Source: OCBC, Bloomberg

Table 2: Recent Asian New Issues

Date	Issuer	Ratings	Size	Tenor	Pricing
12-Sep-16	Emperor International Holdings	"NR/NRNR"	USD200mn	5-year	4%
9-Sep-16	Housing and Development Board	"NR/Aaa/NR"	SGD600mn	10-year	2.04%
9-Sep-16	Powerlong Real Estate Holdings	"NA/B3/NR"	USD200mn	5NC3	4.88%
8-Sep-16	Olam International Ltd.	"NR/NR/NR"	USD150mn	5-year	4.1%
8-Sep-16	BOC Aviation Ltd.	"BBB+/NR/A-"	USD500mn	5-year	CT5+135bps
8-Sep-16	Toronto-Dominion Bank	"A-/A2/NR"	USD1.5bn	15NC10	CT15+205bps
8-Sep-16	Yestar International Holdings Co. Ltd.	"NR/Ba3/BB-"	USD200mn	5NC3	6.9%
8-Sep-16	China Huarong Asset Management Co.	"NR/Baa1/A-"	USD500mn	Perp.	2.88%

Source: OCBC, Bloomberg

**Rating Changes (cont):** Moody's has placed Beijing Automotive Group Co. Ltd.'s (BAIC Group) "A3" issuer rating on review for downgrade. Additionally, BAIC Inalfa HK Investment Co. Ltd.'s "A3" bond ratings were also placed on review. The decision reflects expectation that BAIC Group's financial leverage will remain elevated over the next 12-18 months, given the slower-than-expected deleveraging despite its robust sales performance.

**Credit Headlines:**

**Ascendas REIT ("AREIT"):** AREIT announced that it has entered into separate agreements with respective vendors for 2 acquisitions in Australia: (i) a business park in Sydney from Frasers Property Australia for AUD143.4mn (~SGD146mn) and (ii) the forward purchase of a logistics property in Melbourne for AUD24.8mn (~SGD25mn) from Goodman Dandenong Trust. In addition, AREIT expects to incur transaction costs of AUD10.8mn (~SGD11mn), inclusive of stamp duty, acquisition and advisory fees. These two acquisitions were flagged during AREIT's equity private placement in early-August, though limited details were provided then as due diligence was on-going. 72.4% (SGD112.1mn) of the gross proceeds has been used to partially fund the acquisition of the properties. We expect AREIT's leverage ratio (as measured by Total Debt-to-Total Assets) to stay relatively constant post-acquisition as 62% of the total transaction cost has been funded via straight equity. Both acquisitions is expected to generate net property income yields of ~6.5% in the first year (after taking into account transaction costs). Construction on the Melbourne property is expected to complete in early-2017, with rental support provided by the vendor on the remaining 32% of the space. 68% has been pre-committed. (Company, OCBC)

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