

Mar 15, 2016

**Market Commentary:** The SGD swap curve bear-steepened yesterday, with the short-end rates trading 1bp higher while the middle-to-long-end rates traded 4bps-6bps higher. In the broader dollar space, JACI IG corporates spread tightened by 3bps to 230bps, while the yield on the JACI HY corporates decreased by 4bps to 7.9%. 10y UST decreased by 2bps to 1.96%.

**New Issues:** AMTD Group Co Ltd has scheduled investor meetings in Hong Kong and Singapore for a potential USD500mn issue. ICICI Bank priced a USD700mn 10-year bond at CT10+210bps, tightening from an initial guidance of CT10+215bps. The expected rating for the issue is “NR/Baa3/NR”.

**Rating Changes:** Moody's changed the rating outlooks on MTR Corporation Ltd (“MTRC”, with a current rating of “Aa1”), MTR Corporation (C.I.) Ltd, and Kowloon-Canton Railway Corporation (“KCRC”, with a current rating of “Aa1”) to negative from stable. The rating action follows Moody's change in the outlook on Hong Kong's “Aa1” sovereign ratings to negative on 12 Mar 2016. At the same time, Moody's affirmed all of the above issuer's ratings and senior unsecured ratings. The principal driver of the negative outlook on Hong Kong's rating is the tight linkage between the credit profiles of the Special Administrative Region and China (“Aa3”, negative outlook). The linkage manifests itself in the economy, given the very strong trade links between the two; in the financial system and ultimately in the political and institutional arena, given the tensions inherent in the “One Country, Two Systems” policy. Moody's also placed SOHO China Limited's “Ba2” rating on review for downgrade as the company's coverage ratios are weak for the current ratings and liquidity is expected to weaken due to capex for the completion of three projects. Korea Resources Corporation's (“KORES”) “aa2” rating is also on review for downgrade by Moody's as the rating agency views the strategic importance of KORES to the government will weaken in the current low commodity price environment compared to other Korean government related issuers given KORES' weaker asset quality and the reduction in its mining investments.

Table 1: Key Financial Indicators

	15-Mar	1W chg (bps)	1M chg (bps)		15-Mar	1W chg	1M chg
iTraxx Asiax IG	134	-17	-33	Brent Crude Spot (\$/bbl)	39.60	-0.13%	18.60%
iTraxx Sovx APAC	65	-7	-14	Gold Spot (\$/oz)	1,229.75	-3.47%	1.64%
iTraxx Japan	76	-10	-32	CRB	172.38	0.40%	7.50%
iTraxx Australia	129	-18	-33	GSCI	327.13	0.90%	10.90%
CDX NA IG	85	-13	-36	VIX	16.92	-2.48%	-33.39%
CDX NA HY	102	2	5	CT10 (bp)	1.966%	13.75	21.81
iTraxx Eur Main	72	-20	-42	USD Swap Spread 10Y (bp)	-16	0	-1
iTraxx Eur XO	316	-64	-134	USD Swap Spread 30Y (bp)	-50	1	2
iTraxx Eur Snr Fin	77	-25	-44	TED Spread (bp)	32	-4	-1
iTraxx Sovx WE	28	-4	-5	US Libor-OIS Spread (bp)	22	-1	-2
iTraxx Sovx CEEMEA	166	-13	-29	Euro Libor-OIS Spread (bp)	12	-2	-3
					15-Mar	1W chg	1M chg
				AUD/USD	0.749	0.85%	4.71%
				USD/CHF	0.987	0.69%	-0.33%
				EUR/USD	1.111	0.81%	-0.83%
				USD/SGD	1.379	0.49%	1.40%
Korea 5Y CDS	60	-4	-11	DJIA	17,229	0.91%	7.86%
China 5Y CDS	116	-16	-23	SPX	2,020	0.89%	8.30%
Malaysia 5Y CDS	153	-20	-31	MSCI Asiax	492	2.30%	8.97%
Philippines 5Y CDS	102	-13	-27	HSI	20,435	2.12%	8.02%
Indonesia 5Y CDS	191	-27	-51	STI	2,844	2.33%	9.04%
Thailand 5Y CDS	131	-16	-32	KLCI	1,695	0.43%	2.74%
				JCI	4,878	0.55%	2.89%

Source: OCBC, Bloomberg

Table 2: Recent Asian New Issues

Date	Issuer	Ratings	Size	Tenor	Pricing
14-Mar-16	ICICI Bank	NR/Baa3/NR	USD700mn	10-year	CT10+210bps
11-Mar-16	Perennial Real Estate Holdings Ltd	NR/NR/NR	SGD125mn	3-year	4.9%
11-Mar-16	AusNet Services	BBB/Baa2/NR	USD375mn	60NC5.5	5.75%
10-Mar-16	National Australian Bank	NR/Aaa/AAA	USD1.4bn	5-year	MS+97bps
10-Mar-16	UOB Ltd	NR/A2/A+	USD500mn	10.5NC5.5	CT10+220bps
08-Mar-16	Commonwealth Bank of Australia	AA-/Aa2/AA-	USD750mn	3-year	Ct3+108bps
08-Mar-16	Commonwealth Bank of Australia	AA-/Aa2/AA-	USD750mn	3-year	3mL+106bps
08-Mar-16	Commonwealth Bank of Australia	AA-/Aa2/AA-	USD1bn	5-year	CT5+125bps

Source: OCBC, Bloomberg

## Credit Headlines:

Ascott Residence Trust ("ART"): ART announced the acquisition of Sheraton Tribeca New York for USD158mn (~SGD218mn) from a third party. This marks the REIT's second acquisition in New York, having acquired the Element New York in July 2015. Sheraton Tribeca has 369 rooms, with occupancy rate exceeding 90%. ART is targeting to increase its exposure of US properties to 20% of total asset size by 2017 (currently 10% of asset size including the Sheraton Tribeca). The acquisition is DPU accretive and will be funded by a combination of debt and equity. SGD100m in equity was raised in an accelerated bookbuild private placement launched and closed overnight (issue price of SGD1.055 per unit, representing a 6.8% discount to the one-day VWAP prior to launch). As at 31 December 2015, D/A ratio of ART was 39%, the new debt raised will increase D/A slightly to 40%. On a pro-forma basis, EBITDA may increase by ~SGD11m (based on guidance yield of 6.8%). While we see ART's increased exposure to the strengthening US market to be a positive development, the acquisition marks a deepening tilt of the portfolio towards the short-stay hospitality segment (ie: less than one week average length of stay). (Company, Business Times, OCBC)

Wheelock & Co Ltd ("WHEELLOCK") and Wharf Holdings ("WHARF"): WHEELLOCK currently owns ~59% of WHARF. In related-party transactions, WHARF intends to acquire from WHEELLOCK most of a 25 floor office building known as Wheelock House (built in 1984). WHARF will be paying HKD3,904mn (as well as assume HKD1,116mn in debt) for the use of the ownership of floors 3 to 24 of the building. In addition, WHARF will be paying a further HKD904mn (and assuming HKD237mn in debt) to acquire a shop unit on the ground floor of Wheelock House. The reason WHEELLOCK gave for the transaction is that WHEELLOCK already holds most of its investment properties via WHARF, and that this transaction would resolve the exception that Wheelock House was. We believe that the transaction would increase WHARF's leverage slightly, from a net gearing of 14.9% to 16.8% (pro-forma end-2015). We currently have WHARF's Issuer Profile at Neutral (Company, OCBC)

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