

August 2, 2016

Credit Headlines (Page 2 onwards): Ascendas REIT, OUE Limited

Market Commentary: The SGD dollar swap curve traded downwards yesterday with swap rates traded 3-6bps lower across all tenors. Flows in the SGD corporates were heavy with better selling seen in NOLSP 4.25%'17s, UOBSP 4%'49s while mixed interests were seen in TATAIN 4.95%'23s, GENSSP 5.13%'49s, FHREIT 4.45%'49s and STANLN 4.4%'26s. In the broader dollar space, the spread on JACI IG corporates was level at 213bps while the yield on JACI HY corporates decreased by 3bps to 6.44%. 10y UST yield increased by 7bps to 1.52%.

New Issues: CSI Properties Ltd. has priced a USD250mn 5-year bond at 4.88%, tightening from its initial guidance at 5.13%. Hong Kong Airlines has priced a USD250mn 3-year bond at 5.65%, tightening from its initial guidance at 6%.

Rating Changes: S&P lowered its issuer credit rating on PT Gajah Tunggal Tbk. To "B-" from "B" with a negative CreditWatch. At the same time, S&P also downgraded Gajah Tunggal's senior secured notes to "B-" from "B" and also with a negative CreditWatch. The downgrade reflects rising refinancing risk relating to Gajah Tunggal's senior notes maturing in February 2018. Moody's assigned a "Baa2" credit rating to Frasers Commercial Trust's SGD1bn MTN program that is established through FCOT Treasury Pte Ltd. The assignment reflects FCOT's strengthened financial profile driven by its prudent financial management and healthy operating performance.

Table 1: Key Financial Indicators

	2-Aug	1W chg (bps)	1M chg (bps)		2-Aug	1W chg	1M chg
iTraxx Asiax IG	121	-1	-16	Brent Crude Spot (\$/bbl)	42.34	-5.64%	-15.91%
iTraxx SovX APAC	48	-1	-5	Gold Spot (\$/oz)	1,352.57	2.45%	0.13%
iTraxx Japan	56	-3	-9	CRB	178.21	-1.71%	-8.26%
iTraxx Australia	110	-2	-13	GSCI	332.43	-3.69%	-11.69%
CDX NA IG	75	1	-2	VIX	12.44	-3.34%	-15.78%
CDX NA HY	104	0	0	CT10 (bp)	1.511%	-5.00	6.70
iTraxx Eur Main	68	-1	-13	USD Swap Spread 10Y (bp)	-11	-1	-1
iTraxx Eur XO	322	2	-25	USD Swap Spread 30Y (bp)	-45	-2	0
iTraxx Eur Snr Fin	92	-6	-19	TED Spread (bp)	51	10	12
iTraxx Sovx WE	25	0	-6	US Libor-OIS Spread (bp)	35	3	8
iTraxx Sovx CEEMEA	122	-9	-4	Euro Libor-OIS Spread (bp)	6	0	-1
					2-Aug	1W chg	1M chg
				AUD/USD	0.754	0.45%	-0.03%
				USD/CHF	0.968	2.57%	0.35%
				EUR/USD	1.117	1.71%	0.18%
				USD/SGD	1.341	1.28%	0.31%
Korea 5Y CDS	50	-1	-4	DJIA	18,405	-0.48%	2.54%
China 5Y CDS	111	-1	-9	SPX	2,171	0.11%	3.23%
Malaysia 5Y CDS	142	1	-8	MSCI Asiax	535	1.19%	5.58%
Philippines 5Y CDS	102	-1	-8	HSI	22,129	0.62%	6.42%
Indonesia 5Y CDS	163	-3	-16	STI	2,893	-1.27%	1.62%
Thailand 5Y CDS	94	2	-16	KLCI	1,665	-0.18%	1.15%
				JCI	5,362	2.70%	7.84%

Source: OCBC, Bloomberg

Table 2: Recent Asian New Issues

Date	Issuer	Ratings	Size	Tenor	Pricing
1-August-16	Hong Kong Airlines	"NR/NR/NR"	USD250mn	3-year	5.65%
1-August-16	CSI Properties Ltd.	"NR/NR/NR"	USD250mn	5-year	4.88%
28-July-16	Adani Transmission	"BBB-/Baa3/BBB-"	USD500mn	10-year	CT10+260bps
28-July-16	Export-Import Bank of India	"BBB-/Baa3/NR"	USD1bn	10-year	3.38%
28-July-16	Glenmark Pharmaceuticals	"NR/NR/BB"	USD200mn	5NC3	4.5%
27-July-16	CDB Capital	"AA-/NR/A+"	USD500mn	5-year	CT5+115bps
27-July-16	China Minsheng Investment	"NR/NR/NR"	USD500mn	3-year	3.8%
26-July-16	Bank of America Corp.	"NR/Baa1/A"	AUD550mn	5-year	3mBBSW+155bps

Source: OCBC, Bloomberg

Credit Headlines:

Ascendas REIT ("AREIT"): AREIT closed an overnight equity placement raising ~SGD155mn. The offer price of SGD2.417 per share represented a 3.3% discount to the volume weighted average price ("VWAP") of SGD2.4997 on the day of signing of the placement agreement. The deal was more than 6 times covered and closed at the tight-end of the range at launch. SGD112.1mn or ~72% of the gross proceeds will go towards partially funding a business park property in Sydney and a logistics property in Melbourne. SGD40mn will be applied towards converting a multi-tenanted building to single-tenanted and the rest will be used for fees and expenses incurred on the private placement. We see it as a credit positive that AREIT has used the market window to raise equity to deepen its presence in the Australian market. (Company, OCBC)

OUE Limited ("OUE"): It was reported that OUE has completed the divestment of the Crowne Plaza Changi Airport extension ("CPEX"). CPEX was completed in June 2016, and has since received its temporary occupation permit. The CPEX was injected into OUE Hospitality Trust (OUEHT) for a consideration of SGD205mn. Note that OUEHT is held as an associate of OUE, and is not consolidated into OUE's financial statements. As such, OUE would recognize a gain on the divestment of the asset, as well as receive the proceeds during 3Q2016. We believe as well that the strong sales of the Twin Peaks development would have a positive impact on 2Q2016 results. For now, we will retain our Neutral Issuer Profile and will update according when 2Q2016 results are out. (Company, OCBC)

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