

Nov 29, 2018

Credit Headlines: Ascendas Hospitality Trust

Market Commentary

- The SGD swap curve traded little changed yesterday, with swap rates trading within 1bp across most tenors.
- Flows in SGD corporates were heavy yesterday, with better buying seen in UBS 5.875%-PERPs and PILLSP 8.5%'20s.
- Both the Bloomberg Barclays Asia USD IG Bond Index average OAS and the Bloomberg Barclays Asia USD HY Bond Index average OAS were unchanged at 157bps and 620bps respectively.
- 10Y UST yields rose 2bps to 3.07% in the earlier part of the trading session ahead of the speech by Federal Reserve Chair Jerome Powell before falling 1bps to close at 3.06%.

Credit Headlines:

Ascendas Hospitality Trust (“ASCHT”) | Issuer Profile: Neutral (4)

- ASCHT announced that it would be acquiring Ibis Ambassador Seoul Insadong for KRW77.5bn (SGD94.5mn) from The Korean Teachers’ Credit Union and KT&G Corp. This follows closely after ASCHT’s maiden entry into Seoul with the acquisition of The Splaisir Seoul Dongdaemun which was completed on 21 May 2018. An independent property valuer has valued the hotel at KRW80.0bn (~SGD97.6mn) as at 27 June 2018. ASCHT’s business trust (“A-HBT”) would hold 98.8% of the purchasing entity while Sponsor would hold 1.2%. A-HBT proportion of the purchase consideration is KRW76.5bn (~SGD93.3mn), with total acquisition cost at KRW78.1bn (~SGD95.2mn), including fees and transaction costs. The acquisition is expected to complete by end of December 2018.
- Upon completion, the hotel’s master lease agreement with Ambasstel Inc (20 years lease term commencing in December 2013) will continue to be in effect. Lessee is part of Ambassador Hotel Group which currently operates over 20 hotels across South Korea. Rent structure is based on a pre-determined percentage of the total revenue of the hotel, with an undisclosed minimum rent payable by the lessee.
- Ibis Ambassador Seoul Insadong is a 363-room freehold asset built in 2013 and located near Jung-gu, a major business district in Seoul with close proximity to prominent tourist destinations including the Insadong retail precinct.
- ASCHT intends to fully fund the acquisition cost by external debt. As at 31 October 2018, aggregate leverage was 30.8%. With the South Korean acquisition, pro forma aggregate leverage is expected to inch higher to ~34.1%. (OCBC, Company)

Table 1: Key Financial Indicators

	29-Nov	1W chg (bps)	1M chg (bps)
iTraxx Asiax IG	95	-2	3
iTraxx SovX APAC	10	0	0
iTraxx Japan	66	1	5
iTraxx Australia	87	-1	5
CDX NA IG	74	-4	3
CDX NA HY	105	1	0
iTraxx Eur Main	80	1	5
iTraxx Eur XO	342	12	41
iTraxx Eur Snr Fin	103	-1	10
iTraxx Sovx WE	27	-1	0
AUD/USD	0.731	0.70%	3.54%
EUR/USD	1.137	-0.32%	-0.06%
USD/SGD	1.373	0.01%	0.78%
China 5Y CDS	70	-3	-2
Malaysia 5Y CDS	115	-4	2
Indonesia 5Y CDS	147	-6	-12
Thailand 5Y CDS	46	0	2

	29-Nov	1W chg	1M chg
Brent Crude Spot (\$/bbl)	58.76	-7.44%	-24.30%
Gold Spot (\$/oz)	1,221.19	-0.61%	-0.67%
CRB	181.22	-1.39%	-6.31%
GSCI	404.38	-4.21%	120.47%
VIX	18.49	-17.75%	-25.14%
CT10 (bp)	3.048%	-1.47	-3.69
USD Swap Spread 10Y (bp)	4	-3	-3
USD Swap Spread 30Y (bp)	-16	-5	-4
TED Spread (bp)	32	4	12
US Libor-OIS Spread (bp)	34	0	9
Euro Libor-OIS Spread (bp)	3	-1	-1
DJIA	25,366	3.68%	3.78%
SPX	2,744	3.86%	3.88%
MSCI Asiax	613	2.24%	6.87%
HSI	26,683	2.74%	7.54%
STI	3,094	1.84%	3.79%
KLCI	1,687	-0.52%	0.17%
JCI	5,991	0.73%	4.11%

New issues

- New World China Land Ltd has priced a USD310mn 5-year green bond (guaranteed by New Word Development Company Ltd) at CT5+200bps, tightening from its initial price guidance of CT5+210bps area.
- Wuhan Metro Group Co Ltd has priced a USD400mn Green Perp NC3 at 6.08%, tightening from its initial price guidance of 6.45%.
- Shandong Iron & Steel Xinheng International Co Ltd has priced a USD450mn 3-year bond (guaranteed by Shandong Iron & Steel Group Co Ltd) at 8.5%, in line with the final price guidance.
- Excellence Commercial Properties Co Ltd has priced a USD150mn 3-year at 7.6%, in line with the final price guidance.
- Sunshine 100 China Holdings Ltd has priced a USD170mn 3NC2 bond (subsidiary guarantors: certain non-PRC subsidiaries of the Issuer) at 10.5%, in line with the final price guidance.
- Hangzhou Fuyang Chengtou Group (HK) Ltd has priced a USD230mn 3-year bond (guaranteed by Hangzhou Fuyang City Construction Investment Group Co Ltd) at 6.8%, in line with the final price guidance.
- Power Finance Corp has priced a USD500mn 10-year bond at CT10+310bps, tightening from its initial price guidance of CT10+325bps area.

<u>Date</u>	<u>Issuer</u>	<u>Size</u>	<u>Tenor</u>	<u>Pricing</u>
29-Nov-18	New World China Land Ltd	USD310mn	5-year	CT5+200bps
29-Nov-18	Wuhan Metro Group Co Ltd	USD400mn	Perp NC3	6.08%
29-Nov-18	Shandong Iron & Steel Xinheng International Co Ltd	USD450mn	3-year	8.5%
29-Nov-18	Excellence Commercial Properties Co Ltd	USD150mn	3-year	7.6%
29-Nov-18	Sunshine 100 China Holdings Ltd	USD170mn	3NC2	10.5%
29-Nov-18	Hangzhou Fuyang Chengtou Group (HK) Ltd	USD230mn	3-year	6.8%
29-Nov-18	Power Finance Corp	USD500mn	10-year	CT10+310bps
28-Nov-18	Redsun Properties Group Ltd	USD180mn	2NP1	13.5%
28-Nov-18	Eastern Creation II Investment Holdings Ltd	USD400mn	3-year	CT3+133bps
28-Nov-18	Minor International Pcl	USD300mn	PerpNC3	CT3+180bps
28-Nov-18	Hainan Airlines Holding Co Ltd	CNY1.4bn	Perp	7.3%
28-Nov-18	Export-Import Bank of Korea	USD250mn	2-year	3mL+26bps
26-Nov-18	Korea Development Bank	USD250mn	2-year	3mL+28bps
26-Nov-18	Korea Development Bank of Singapore	USD100mn	2-year	3mL+39.5bps

Andrew Wong

Treasury Research & Strategy
Global Treasury, OCBC Bank
(65) 6530 4736
wongVKAM@ocbc.com

Ezien Hoo, CFA

Treasury Research & Strategy
Global Treasury, OCBC Bank
(65) 6722 2215
EzienHoo@ocbc.com

Wong Hong Wei, CFA

Treasury Research & Strategy
Global Treasury, OCBC Bank
(65) 6722 2533
WongHongWei@ocbc.com

Seow Zhi Qi

Treasury Research & Strategy
Global Treasury, OCBC Bank
(65) 6530 7348
zhiqiseow@ocbc.com

This publication is solely for information purposes only and may not be published, circulated, reproduced or distributed in whole or in part to any other person without our prior written consent. This publication should not be construed as an offer or solicitation for the subscription, purchase or sale of the securities/instruments mentioned herein. Any forecast on the economy, stock market, bond market and economic trends of the markets provided is not necessarily indicative of the future or likely performance of the securities/instruments. Whilst the information contained herein has been compiled from sources believed to be reliable and we have taken all reasonable care to ensure that the information contained in this publication is not untrue or misleading at the time of publication, we cannot guarantee and we make no representation as to its accuracy or completeness, and you should not act on it without first independently verifying its contents. The securities/instruments mentioned in this publication may not be suitable for investment by all investors. Any opinion or estimate contained in this report is subject to change without notice. We have not given any consideration to and we have not made any investigation of the investment objectives, financial situation or particular needs of the recipient or any class of persons, and accordingly, no warranty whatsoever is given and no liability whatsoever is accepted for any loss arising whether directly or indirectly as a result of the recipient or any class of persons acting on such information or opinion or estimate. This publication may cover a wide range of topics and is not intended to be a comprehensive study or to provide any recommendation or advice on personal investing or financial planning. Accordingly, they should not be relied on or treated as a substitute for specific advice concerning individual situations. Please seek advice from a financial adviser regarding the suitability of any investment product taking into account your specific investment objectives, financial situation or particular needs before you make a commitment to purchase the investment product. OCBC Bank, its related companies, their respective directors and/or employees (collectively "Related Persons") may or might have in the future interests in the investment products or the issuers mentioned herein. Such interests include effecting transactions in such investment products, and providing broking, investment banking and other financial services to such issuers. OCBC Bank and its Related Persons may also be related to, and receive fees from, providers of such investment products.

This report is intended for your sole use and information. By accepting this report, you agree that you shall not share, communicate, distribute, deliver a copy of or otherwise disclose in any way all or any part of this report or any information contained herein (such report, part thereof and information, "**Relevant Materials**") to any person or entity (including, without limitation, any overseas office, affiliate, parent entity, subsidiary entity or related entity) (any such person or entity, a "**Relevant Entity**") in breach of any law, rule, regulation, guidance or similar. In particular, you agree not to share, communicate, distribute, deliver or otherwise disclose any Relevant Materials to any Relevant Entity that is subject to the Markets in Financial Instruments Directive (2014/65/EU) ("**MiFID**") and the EU's Markets in Financial Instruments Regulation (600/2014) ("**MiFIR**") (together referred to as "**MiFID II**"), or any part thereof, as implemented in any jurisdiction. No member of the OCBC Group shall be liable or responsible for the compliance by you or any Relevant Entity with any law, rule, regulation, guidance or similar (including, without limitation, MiFID II, as implemented in any jurisdiction).