

July 25, 2016

Credit Headlines (Page 2 onwards): Cambridge Industrial Trust

Market Commentary: The SGD dollar swap curve was range-bounded last Friday, with the short-end rates traded 1-2bps higher while the belly-to-long-end rates traded 1-2bps lower. Notably, the shorter-end rate (1-day) traded 9bps lower. Flows in the SGD corporates were heavy with better buying seen in GENSSP 5.13%'49s and SOCGEN 4.3%'26s while mixed interests were seen in BPCEGP 4.5%'26s and NAB 4.15%'28s. In the broader dollar space, the spread on JACI IG corporates remained relatively unchanged at 217bps while the yield on JACI HY corporates remained levelled at 6.45%. 10y UST increased by 1bps to 1.57%.

New Issues: Bank of America Corp. has launched a AUD 5-year bond with initial price guidance set at 3-month BBSW+155bps. The bond is expected to be priced on Tuesday.

Rating Changes: Fitch has downgraded Thailand's local currency issuer default rating (LTLC IDR) to "BBB+" from "A-" and at the same time, affirmed its foreign currency issuer default rating (LTFC IDR) at "BBB+". The downgrade reflects that Thailand's credit profile no longer supports a notching up of the LTLC IDR above the LTFC IDR, mainly due to the absence of two key criteria factors (1) strong public finance fundamentals relative to external finance fundamentals and (2) previous preferential treatment of LC creditors relative to FC creditors. The outlook is stable for both ratings. Fitch affirmed Parkway Life REIT's (PREIT) "BBB" foreign-currency issuer default rating with stable outlook and subsequently withdrew the ratings for commercial reasons. Prior the withdrawal, the rating reflected PREIT's strong demand for its hospitals and elderly care homes and robust asset quality. PREIT benefits from stable and long term revenue visibility with weighted average lease maturity of over nine years and down side protection on 93% of its revenue at end-2015. Likewise, Fitch affirmed Far East Hospitality Trust's (FEHT) "BBB-" issuer default ratings with stable outlook and subsequently withdrew these ratings. The affirmation of its ratings is supported by the company's healthy financial profile.

Table 1: Key Financial Indicators

| | 25-Jul | 1W chg (bps) | 1M chg (bps) | | 25-Jul | 1W chg | 1M chg |
|--------------------|--------|--------------|--------------|----------------------------|----------|--------|---------|
| iTraxx Asiax IG | 118 | -1 | -34 | Brent Crude Spot (\$/bbl) | 45.73 | -2.62% | -5.54% |
| iTraxx SovX APAC | 47 | 0 | -8 | Gold Spot (\$/oz) | 1,322.28 | -0.49% | -0.18% |
| iTraxx Japan | 58 | 5 | -19 | CRB | 182.90 | -3.15% | -3.07% |
| iTraxx Australia | 110 | -- | -34 | GSCI | 349.03 | -3.35% | -5.47% |
| CDX NA IG | 70 | 0 | -21 | VIX | 12.02 | -5.13% | -53.34% |
| CDX NA HY | 105 | 0 | 4 | CT10 (bp) | 1.577% | -0.52 | 1.67 |
| iTraxx Eur Main | 68 | -3 | -30 | USD Swap Spread 10Y (bp) | -9 | 6 | 4 |
| iTraxx Eur XO | 319 | -8 | -99 | USD Swap Spread 30Y (bp) | -43 | 3 | 5 |
| iTraxx Eur Snr Fin | 92 | -4 | -45 | TED Spread (bp) | 41 | 2 | 3 |
| iTraxx Sovx WE | 26 | 0 | -11 | US Libor-OIS Spread (bp) | 31 | 1 | 4 |
| iTraxx Sovx CEEMEA | 129 | 6 | -8 | Euro Libor-OIS Spread (bp) | 6 | -1 | -5 |
| | | | | | | | |
| | | | | | 25-Jul | 1W chg | 1M chg |
| | | | | AUD/USD | 0.748 | -1.46% | 2.05% |
| | | | | USD/CHF | 0.988 | -0.57% | -0.96% |
| | | | | EUR/USD | 1.097 | -0.93% | -0.48% |
| | | | | USD/SGD | 1.359 | -0.83% | 0.32% |
| | | | | | | | |
| Korea 5Y CDS | 48 | 0 | -14 | DJIA | 18,571 | 0.29% | 6.72% |
| China 5Y CDS | 109 | -1 | -24 | SPX | 2,175 | 0.61% | 6.75% |
| Malaysia 5Y CDS | 135 | 7 | -34 | MSCI Asiax | 526 | 0.14% | 7.83% |
| Philippines 5Y CDS | 100 | 2 | -23 | HSI | 21,964 | 1.41% | 8.42% |
| Indonesia 5Y CDS | 163 | 3 | -38 | STI | 2,945 | 0.68% | 7.68% |
| Thailand 5Y CDS | 89 | -4 | -36 | KLCI | 1,657 | -0.66% | 1.43% |
| | | | | JCI | 5,197 | 1.70% | 7.50% |

Source: OCBC, Bloomberg

Table 2: Recent Asian New Issues

| Date | Issuer | Ratings | Size | Tenor | Pricing |
|------------|-------------------------------|----------------|----------|---------|-------------|
| 22-July-16 | ANZ Ltd. | "AA-/Aa3/AA-" | USD750mn | 5-year | CT5+105bps |
| 22-July-16 | ANZ Ltd. | "AA-/Aa3/AA-" | USD250mn | 5-year | 3mL+101bps |
| 22-July-16 | China Railway Xunjie Co. Ltd. | "NR/A3/A-" | USD500mn | 10-year | CT10+170bps |
| 22-July-16 | Greenland HK | "B+/Ba3/BB+" | USD450mn | 3-year | 3.88% |
| 20-July-16 | China Minmetals Corp. | "NR/Baa1/BBB+" | USD300mn | 5-year | CT5+205bps |
| 20-July-16 | China Minmetals Corp. | "NR/Baa1/BBB+" | USD700mn | 10-year | CT10+265bps |
| 19-July-16 | SGSP Assets Pty. Ltd. | "BBB+/A3/NR" | USD500mn | 10-year | CT10+175bps |
| 19-July-16 | ONGC Videsh | "BBB-/Baa2/NR" | USD400mn | 5-year | CT5+175bps |

Source: OCBC, Bloomberg

Credit Headlines:

Cambridge Industrial Trust ("CREIT"): CREIT reported a 2.5% increase in gross revenue in 1H2016 to SGD56.7mn from SGD55.3mn in 1H2015 mainly due to acquisitions and asset enhancement initiatives which occurred in the prior quarter (gross revenue was flat q/q). Net property income ("NPI") however was marginally lower at SGD42.7mn, driven by higher property operating expenses as well as the ongoing conversion of assets from single-tenancy to multi-tenancy. In terms of asset management, CREIT's portfolio occupancy and WALE as at 30 June 2016 was stable at 93.4% and 3.6 yrs respectively with a 71.4% tenant retention rate. 10.3% of leases by total rental revenue remain due for renewal in 2016 although ~60% of these leases (5 properties) relate to single tenanted properties to be divested (87 Defu Lane and 55 Ubi Avenue 3), subject to improvements (1 property) or conversion into multi-tenanted buildings (1 property). Contribution from multi-tenanted properties to rental income continues to grow, contributing 55.9% to total rental income in 1H2016 (up from 51.7% in 1Q2016) and management expects that the ongoing conversion of assets from single-tenancy to multi-tenancy will have a negative impact on portfolio occupancy and net property income for the remainder of 2016. CIT completed the divestment of 23 Tuas Avenue 10 for SGD16.5mn although CREIT's net gearing rose slightly to 60.6% as at 30 June 2016 from 59.9% as at 31 Dec 2015. CREIT's debt profile is broadly in line (albeit marginally weaker) with peers under our coverage with debt duration of 3.1 years and an all-in debt cost of 3.68%. CREIT's liquidity position remains sound with SGD50mn in available committed maturities and no debt maturities until FY2017. (Company, OCBC)

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