

Aug 17, 2017

Credit Headlines (Page 2 onwards): Oxley Holdings Ltd, Ascott Residence Trust, Keppel Corp Ltd

Market Commentary: The SGD swap curve traded upwards yesterday, with swap rates trading 1-3bps higher across all tenors. Flows in SGD corporates were heavy, with better buying seen in WINGTA 4.35%-PERPs, SIASP 3.13%'27s, WINGTA 4.08%-PERPs, and mixed interest seen in ASPSP 5.05%'19s, HSBC 4.7%-PERPs. In the broader dollar space, the spread on JACI IG Corporates fell 1bps to 187bps while the yield on JACI HY Corp traded little changed at 7.01%. 10y UST yields fell 5bps to 2.22%, after Trump dissolved two advisory councils and the FOMC's acknowledgement of low inflation added scepticism over policy makers ability to raise rates again this year.

New Issues: Mapletree Commercial Trust Treasury Company Pte Ltd has priced a SGD100mn 10-year bond (guaranteed by DBS Trustee Limited, in its capacity as trustee of Mapletree Commercial Trust) at 3.045%. Phoenix Lead Ltd has priced a USD500mn Perp NC5 (guaranteed by CK Infrastructure Holdings Ltd) at 4.85% , tightening from initial guidance of 5%. The expected issue ratings are 'BBB/NR/NR'. Medco Strait Services Pte Ltd has priced a USD100mn re-tap of its MEDCIJ 8.5%'22s at 99.005 (guaranteed by PT Medco Energi Internasional Tbk). The issue was rated 'B/B2/B'. Singtel Optus Pty Ltd has priced an AUD400mn 3.25% 5-year bond at ASW+97bps, for a yield to maturity of 3.2825%.

Rating Changes: S&P has assigned CSL Ltd (CSL) a corporate credit rating of 'A-'. The rating action reflects CSL's market leading position, substantial market barriers to entry, and its established track record of operating within conservative leverage targets. Similarly, Moody's has also assigned CSL an issuer rating of 'A3'. Moody's has affirmed Origin Energy Limited's (Origin) 'Baa3' issuer and senior unsecured rating. In the meantime, Moody's has affirmed Origin's guaranteed financing vehicle, Origin Energy Finance Limited's 'Baa3' senior unsecured rating. The outlook was revised to stable from negative. The rating action reflects the reduction in risk following Origin's successful production ramp-up in the Australia Pacific LNG project.

Table 1: Key Financial Indicators

	17-Aug	1W chg (bps)	1M chg (bps)		17-Aug	1W chg	1M chg
iTraxx Asiax IG	82	-3	-3	Brent Crude Spot (\$/bbl)	50.47	-2.76%	4.23%
iTraxx SovX APAC	21	0	0	Gold Spot (\$/oz)	1,287.33	0.06%	4.31%
iTraxx Japan	43	0	3	CRB	175.36	-3.41%	-0.30%
iTraxx Australia	76	-1	-4	GSCI	374.29	-2.00%	0.64%
CDX NA IG	59	-2	2	VIX	11.74	5.67%	19.55%
CDX NA HY	107	0	-1	CT10 (bp)	2.234%	3.67	-7.99
iTraxx Eur Main	55	-3	2	USD Swap Spread 10Y (bp)	-5	-1	1
iTraxx Eur XO	240	-8	2	USD Swap Spread 30Y (bp)	-33	-1	2
iTraxx Eur Snr Fin	53	-3	2	TED Spread (bp)	31	4	4
iTraxx Sovx WE	6	0	0	US Libor-OIS Spread (bp)	15	1	1
iTraxx Sovx CEEMEA	43	-4	-12	Euro Libor-OIS Spread (bp)	3	0	0
					17-Aug	1W chg	1M chg
				AUD/USD	0.793	0.74%	1.69%
				USD/CHF	0.965	-0.24%	-0.24%
				EUR/USD	1.178	0.06%	2.62%
				USD/SGD	1.363	0.04%	0.46%
Korea 5Y CDS	64	-2	7	DJIA	22,025	-0.11%	1.83%
China 5Y CDS	64	-3	-2	SPX	2,468	-0.24%	0.36%
Malaysia 5Y CDS	79	-2	-4	MSCI Asiax	649	-0.01%	0.71%
Philippines 5Y CDS	68	-4	-4	HSI	27,405	-0.14%	3.53%
Indonesia 5Y CDS	109	-4	-7	STI	3,261	-1.88%	-1.14%
Thailand 5Y CDS	60	-2	-2	KLCI	1,774	-0.23%	1.05%
				JCI	5,892	1.17%	0.87%

Source: OCBC, Bloomberg

Table 2: Recent Asian New Issues

Date	Issuer	Ratings	Size	Tenor	Pricing
16-Aug-17	Mapletree Commercial Trust Treasury Company Pte Ltd	Not Rated	SGD100mn	10-year	3.045%
16-Aug-17	Phoenix Lead Ltd	'BBB/NR/NR'	USD500mn	Perp NC5	4.85%
16-Aug-17	Medco Strait Services Pte Ltd (re-tap)	'B/B2/B'	USD100mn	MEDCIJ 8.5%'22s	99.005
16-Aug-17	Singtel Optus Pty Ltd	Not Rated	AUD400mn	5-year	3.2825%
15-Aug-17	Wing Tai Properties (Finance) Ltd	Not Rated	SGD160mn	Perp NC3	4.35%
15-Aug-17	CIFI Holdings (Group) Co Ltd	'NR/B1/NR'	USD300mn	Perp NC5	5.375%
14-Aug-17	FNN Treasury Pte Ltd	Not Rated	SGD200mn	5-year	2.80%
14-Aug-17	Singapore Airlines Ltd	Not Rated	SGD700mn	10-year	3.13%

Source: OCBC, Bloomberg

Rating Changes (Cont'd): Moody's has assigned Hankook Tire Co Ltd (HKT) an issuer rating of 'Baa2'. The rating action reflects HKT's high operating efficiency, low financial leverage and limited exposure to volatile raw material prices as it has the ability to pass such prices through to end-customers.

Credit Headlines:

Oxley Holdings Ltd ("OHL"): OHL announced that it boosted its holdings of United Engineers Ltd ("UE") and holds 10.43% stake as of 16 Aug 2017. The market value of the stake is around SGD178mn. This is an increase from our estimate of 9% stake that OHL held on 10 Aug 2017 (refer to [OCBC Asian Credit Daily – 10 Aug 2017](#)). (Company, OCBC)

Ascott Residence Trust ("ART"): ART has completed the acquisition of DoubleTree by Hilton Hotel New York – Times Square, ART's third acquisition in New York. The 224-room hotel was purchased for USD106mn (~SGD148.4mn) and this was partly funded via bank debt. The acquisition is in line with ART's strategy to increase portfolio contribution in the USA to 20% by 2017. (Company, OCBC)

Keppel Corp Ltd ("KEP"): Keppel Land China Limited ("KEP China"), a wholly owned subsidiary of KEP, has via its subsidiary entered into an agreement to divest its entire stake in Keppel Lakefront (Nantong) Property Development Co Ltd ("KLNPd") to a subsidiary of China Vanke Co., Ltd ("VnKRLE") for RMB1.4bn (~SGD292mn). The total consideration is subject to completion adjustments. The transaction is expected to complete by end-September 2017 and may result in a net divestment gain of RMB368.5mn (~SGD75mn) for KEP China. KLNPd is the developer of Waterfront Residences, a residential project in the Nantong Economic and Technological Development Area in Nantong, (Jiangsu Province, China). According to the company, the divestment is in line with KEP's strategy to continually recycle assets to seek higher returns and rebalance portfolio to focus on high-growth cities. As at 30 June 2017, KEP's net assets was SGD12.2bn and this transaction represents 2.4% of net assets. Assuming KEP will be receiving all-cash as consideration and factoring in the gain, we expect net gearing to improve slightly to 0.55x post-transaction from the 0.58x as at 30 June 2017. (Company, OCBC)

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