

Jul 5, 2017

**Credit Headlines (Page 2 onwards):** CapitaLand Ltd, Ascott Residence Trust

**Market Commentary:** The SGD swap curve traded mixed yesterday, with swap rates trading 1-2bps higher across shorter tenors while longer tenors were relatively flat. Flows in SGD corporates were heavy, with better buying seen in HSBC 4.7%-PERPs, STHSP 3.95%-PERPs, LMRTSP 6.6%-PERPs, and mixed interest seen in WINGTA 4.08%-PERPs, OLAMSP 4.75%-19s, OLAMSP 6%'22s. US markets were closed on Tuesday for the Independence Day public holiday.

**New Issues:** Qinghai Provincial Investment Group Co Ltd has priced a USD300mn 4-year bond at 6.4%, tightening from initial guidance in the 6.75% area. The expected issue ratings are 'BB-/NR/NR'. Olam International Limited has priced a SGD300mn Perp NC5 at 5.5%, tightening from initial guidance of 5.75%. MCC Holding (Hong Kong) Corporation Ltd has scheduled investor meetings for a potential re-tap on its existing CHMETL 2.95%'20s (guaranteed by Metallurgical Corporation of China Ltd) from 5 Jul. The expected issue ratings are 'NR/Baa2/NR'. CNAC (HK) Finbridge Company Ltd has scheduled investor meetings for a potential USD bond issuance (guaranteed by China National Chemical Corporation) from 5 Jul. The expected issue ratings are 'BBB/NR/A-'.

**Rating Changes:** Fitch has affirmed Tianjin Binhai New Area Construction and Investment Group Co Ltd's (BHCIG) issuer default rating at 'A-' with a stable outlook. The rating action reflects BHCIG's high likelihood of receiving extraordinary support from the Tianjin municipality as it is 100% municipality-owned, and its public-sector business is of strategic importance to the city.

**Table 1: Key Financial Indicators**

	5-Jul	1W chg (bps)	1M chg (bps)		5-Jul	1W chg	1M chg
iTraxx Asiax IG	88	2	1	Brent Crude Spot (\$/bbl)	49.55	4.73%	0.16%
iTraxx SovX APAC	22	2	3	Gold Spot (\$/oz)	1,227.99	-1.70%	-4.05%
iTraxx Japan	40	1	0	CRB	176.16	4.50%	-1.02%
iTraxx Australia	84	0	-2	GSCI	377.72	5.03%	0.90%
CDX NA IG	60	0	0	VIX	11.22	13.33%	15.08%
CDX NA HY	107	0	-1	CT10 (bp)	2.321%	9.35	13.97
iTraxx Eur Main	55	1	-7	USD Swap Spread 10Y (bp)	-3	0	2
iTraxx Eur XO	245	8	-3	USD Swap Spread 30Y (bp)	-29	2	14
iTraxx Eur Snr Fin	53	0	-18	TED Spread (bp)	26	-3	2
iTraxx Sovx WE	6	0	-2	US Libor-OIS Spread (bp)	13	0	3
iTraxx Sovx CEEMEA	55	1	12	Euro Libor-OIS Spread (bp)	3	0	0
					5-Jul	1W chg	1M chg
				AUD/USD	0.762	-0.22%	1.82%
				USD/CHF	0.964	-0.47%	0.09%
				EUR/USD	1.137	-0.11%	1.00%
				USD/SGD	1.380	0.16%	0.12%
Korea 5Y CDS	57	5	3	DJIA	21,479	0.33%	1.29%
China 5Y CDS	70	1	-4	SPX	2,429	-0.41%	-0.41%
Malaysia 5Y CDS	87	2	-8	MSCI Asiax	620	-0.91%	-0.98%
Philippines 5Y CDS	78	1	0	HSI	25,354	-1.28%	-1.97%
Indonesia 5Y CDS	118	2	-2	STI	3,211	-0.14%	-0.84%
Thailand 5Y CDS	63	1	6	KLCI	1,763	-0.48%	-1.41%
				JCI	5,871	1.36%	2.13%

Source: OCBC, Bloomberg

**Table 2: Recent Asian New Issues**

Date	Issuer	Ratings	Size	Tenor	Pricing
4-Jul-17	Qinghai Provincial Investment Group Co Ltd	'BB-/NR/NR'	USD300mn	4-year	6.4%
3-Jul-17	Olam International Limited	Not Rated	SGD300mn	Perp NC5	5.5%
3-Jul-17	Hengjian International Investment Limited	'NR/A3/A+'	USD500mn	3-year	CT3+130bps
3-Jul-17	Bank of China Ltd, Hong Kong Branch	'A/A1/A'	USD550mn	2-year	3mL+73bps
3-Jul-17	Bank of China Ltd, Hong Kong Branch	'A/A1/A'	USD500mn	5-year	3mL+88bps
29-Jun-17	SGSP (Australia) Assets Pty Limited	'A-/A3/NR'	USD500mn	10-year	CT10+132bps
29-Jun-17	Modern Land (China) Co., Ltd	Not Rated	USD130mn	1-year	6.5%
28-Jun-17	Baidu, Inc.	'NR/A3/A'	USD900mn	5-year	CT5+118bps

Source: OCBC, Bloomberg

## Credit Headlines:

**CapitaLand Ltd (“CAPL”):** CAPL has announced that its wholly-owned serviced apartment subsidiary, The Ascott Limited (“Ascott”), will be acquiring a further 60% in Quest Apartment Hotels (“Quest”) for AUD180mn (~SGD191mn), bringing Ascott’s total stake to 80%. As Quest has 180 properties representing over 11,000 units across Australia, New Zealand and Fiji, the acquisition would boost Ascott’s total units to more than 67,000 units across 507 properties and 124 cities globally. Furthermore, Ascott has the option to acquire the remaining 20% of Quest. Ascott had indicated that since its initial investment into Quest in 2014, Quest’s network revenue had seen healthy annual growth of ~6%, which Ascott will be able to capture via the acquisition. In addition, Ascott acquired its 1<sup>st</sup> serviced apartment in Brisbane, paying AUD24mn to an unrelated local developer, with the intent to operate the asset under the Quest franchise when the property opens in 2018. This would be similar to the mid-2016 AUD71mn acquisition of a 221 unit asset under development in Melbourne. The impact of the acquisition on CAPL is credit neutral, given CAPL’s SGD45bn in total assets and SGD4.4bn in cash (as of end-1Q2017) and would not affect CAPL’s Positive Issuer Profile (Company, OCBC)

**Ascott Residence Trust (“ART”):** ART has entered into two conditional sale and purchase agreements with an unrelated third party to divest the property holding companies for two serviced residence properties in China, namely Citadines Biyun Shanghai and Citadines Gaoxin Xi’an. The aggregate consideration for the sale is RMB980mn (~SGD198mn). Additional capital expenditure would be required in the near future for the properties and given that growth prospects of both properties are limited, ART has decided that this is a good time to unlock value and re-deploy proceeds to other higher yielding assets. China has been a challenging operating environment for the hospitality industry. In 1Q2017, Revenue Per Available Unit for China was down 3%. Excluding Ascott Orchard Singapore (“AOS”), which will only be injected later in the year, we expect the asset movements announced in 7M2017 to drive aggregate leverage to ~36% (31 December 2016: 40.2%), before falling slightly post injection of AOS, which a deposit of SGD20.3mn had been paid in 2013. (Company, OCBC)

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