

### Market Commentary

- The SGD swap curve flattened yesterday, with the shorter tenors traded 0-2bps higher, while the belly and longer tenors traded 0-1bps lower.
- 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 132bps and 530bps respectively.
- Bond flows data is unavailable today.
- 10Y USTs cash market was closed for Columbus Day yesterday.

### Credit Research

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### Credit Summary:

- **OUE Ltd | Neutral (5):** Mr Thio Gim Hock, the current Chief Executive Officer/ Group Managing Director of OUE will be retiring and stepping down from the position on 31 December 2019. Dr Stephen Riady, who is Executive Chairman of OUE will expand his role to become Group Chief Executive Officer with effect from 1 January 2020 to replace Mr Thio Gim Hock. Mr Brian Riady, son of Dr Riady will be promoted to Deputy Chief Executive Officer with effect from 1 January 2020. The company has appointed Mr Issac Chen (with effect from 15 October 2019) as Chief Operating Officer ("COO") of OUE. Mr Christopher James Williams, currently non-executive Deputy Chairman of the company will be appointed as non-executive General Counsel of OUE with effect from 15 October 2019. The position of Chief Financial Officer ("CFO") of the company remains unfilled since the cessation of the previous CFO with effect from 30 June 2019. In our view, over the immediate-to-short term period, we see these developments as credit neutral to the shorter dated bonds, but indicate a stronger concentration of management control in the hands of the Chairman/deemed controlling shareholder of the company.
- **Keppel Infrastructure Trust | Neutral (5):** KIT reported their 3Q2019 financial results. Reported FFO was SGD53.4mn in 3Q2019 (down 2.0% q/q), while consolidated unadjusted gross gearing was at 1.24x, slightly higher than the 1.20x as at 30 June 2019 and much lower than the 1.86x as at 31 March 2019. Adjusting finance leases as debt and taking 50% of perpetual as debt (and 50% of perpetual as equity), we find adjusted gross gearing at 1.49x as at 30 June 2019 (31 March 2019: 1.44x). As at 30 September 2019, KIT faces large refinancing risk with SGD1.4bn of short term debt due. This is made up of SGD700mn of debt maturing at KMC (proportionate KIT debt of SGD357mn) and ~SGD646mn of debt at the problematic Basslink. Our base case expects that loans at KMC would need to be amortised and/or cash needs to be accumulated for an eventual repayment to match the tolling agreement until June 2030. We are maintaining KIT's issuer profile at Neutral (4).

**Asian Credit Daily****Credit Headlines****OUE Ltd (“OUE”) | Issuer Profile: Neutral (5)**

- OUE has announced management changes and appointments at the company:
  - Mr Thio Gim Hock, the current Chief Executive Officer/ Group Managing Director of OUE will be retiring and stepping down from the position on 31 December 2019. Mr Thio has been Chief Executive Officer / Group Managing Director since November 2007.
  - Dr Stephen Riady, who is Executive Chairman of OUE will expand his role to become Group Chief Executive Officer with effect from 1 January 2020 to replace Mr Thio Gim Hock. Dr Riady has served as an Executive Director of OUE since 30 November 2006. In 2006, Lippo-controlled entities acquired a joint controlling stake in OUE.
  - Mr Brian Riady, son of Dr Riady will be promoted to Deputy Chief Executive Officer with effect from 1 January 2020. Currently, Mr Brian Riady is the Chief Executive Officer of the Hospitality Division of the company and will relinquish this role with the new appointment.
  - The company has appointed Mr Issac Chen (with effect from 15 October 2019) as Chief Operating Officer (“COO”) of OUE. Mr Chen will be responsible for overseeing the implementation of OUE’s operations in property development, leasing, retail, residential and hospitality. Mr Chen joined OUE in 2008 and was most recently the acting Chief Executive Officer of OUE Hospitality REIT Management Pte Ltd (the REIT Manager of OUE Hospitality Trust which has since merged with OUE Commercial Trust).
  - Mr Christopher James Williams, currently non-executive Deputy Chairman of the company will be appointed as non-executive General Counsel of OUE with effect from 15 October 2019.
  - The position of Chief Financial Officer (“CFO”) of the company remains unfilled since the cessation of the previous CFO with effect from 30 June 2019. We understand that the financial functions at OUE is currently being overseen by an internal staff who is experienced with finance functions while OUE is in the process of identifying suitable candidates for the position of CFO.
- In our view, over the immediate-to-short term period, we see these developments as credit neutral to the shorter dated bonds (namely the OUESP 3.8% ‘20s) given the short maturity in April 2020. For holders of longer term securities, these developments indicate stronger concentration of management control in the hands of the Chairman/deemed controlling shareholder of the company. As at 19 March 2019, Dr Riady has a 68.65% deemed interest in OUE.
- Since 2018, we have seen OUE diversifying from its developed market profile and expanding its exposure to China and Indonesia. Most recently in a small interested party transaction, OUE had entered into a SGD10mn 6 month loan agreement with PT Maxx Coffee Prima (“PT Maxx”, an Indonesian-based coffee company). (Company, OCBC)

## Asian Credit Daily

### Credit Headlines

#### Keppel Infrastructure Trust (“KIT”) | Issuer Profile: Neutral (4)

- KIT reported their 3Q2019 financial results. KIT provides a breakdown of Funds from Operations (“FFO”) for its main assets with FFO defined as income/(loss) before tax, adding back non-cash items and after deducting FFO that is attributable to minority interests. FFO can be used for debt repayment at the asset level, with the excess (what KIT termed as “Distributable Cash Flow”) upstreamed for KIT-standalone’s debt repayment and distribution to the trust unitholders.
- KIT reported their 3Q2019 financial results. KIT provides a breakdown of Funds from Operations (“FFO”) for its main assets with FFO defined as income/(loss) before tax, adding back non-cash items and after deducting FFO that is attributable to minority interests. FFO can be used for debt repayment at the asset level, with the excess (what KIT termed as “Distributable Cash Flow”) upstreamed for KIT-standalone’s debt repayment and distribution to the trust unitholders.
- Reported FFO was SGD53.4mn in 3Q2019 (down 2.0% q/q), driven mainly by negative FFO at Basslink (faced outage for a month from August to September 2019). Basslink though does not contribute to distributable cash flows to the holding company and if we exclude Basslink, we find Adjusted FFO 18.8% higher q/q at SGD57.7mn. This was mainly due to higher reported FFO at IXOM and City Gas which more than offset the 3.8% q/q lower contribution from Keppel Merlimau Cogen (“KMC”, of which KIT owns a 51%-stake). KMC faced an unplanned maintenance though the affected unit is expected to resume service next month. IXOM’s FFO jumped to SGD21.7mn in 3Q2019 (versus SGD10.2mn in 2Q2019, when KIT consolidated IXOM for the full quarter). Per company though, IXOM’s business profile is seasonal and the performance in 3Q2019 is typical of the business. Concessions (the most stable part of KIT’s cash flow) grew 2.5% q/q.
- As at 30 September 2019, KIT’s consolidated unadjusted gross gearing was 1.24x, slightly higher than the 1.20x as at 30 June 2019 and much lower than the 1.86x as at 31 March 2019 (prior to refinancing debt taken to buy IXOM). Adjusting finance leases as debt and taking 50% of perpetual as debt (and 50% of perpetual as equity), we find adjusted gross gearing at 1.49x as at 30 June 2019 (31 March 2019: 1.44x). KIT has ~SGD300mn of perpetuals outstanding.
- As at 30 September 2019, KIT faces large refinancing risk with SGD1.4bn of short term debt due. This is made up of SGD700mn of debt maturing at KMC (proportionate KIT debt of SGD357mn) and ~SGD646mn of debt at the problematic Basslink. Negotiations with asset level lenders for both are ongoing and both these loans are non-recourse. We are less concerned over Basslink as this had historically been a non-distributable cash flow generating asset though our base case expects that loans at KMC would need to be amortised and/or cash needs to be accumulated for an eventual repayment to match the tolling agreement until June 2030. We are maintaining KIT’s issuer profile at Neutral (4) (Company, OCBC)

### Key Market Movements

	15-Oct	1W chg (bps)	1M chg (bps)		15-Oct	1W chg	1M chg
iTraxx Asiax IG	74	-5	18	Brent Crude Spot (\$/bbl)	59.15	1.56%	-1.78%
iTraxx SovX APAC	35	-2	0	Gold Spot (\$/oz)	1,492.90	-0.84%	-0.37%
iTraxx Japan	61	-2	6	CRB	174.99	1.09%	0.11%
iTraxx Australia	65	-3	7	GSCI	405.25	1.51%	0.35%
CDX NA IG	57	-6	5	VIX	14.57	-18.42%	6.04%
CDX NA HY	107	1	-1	CT10 (%)	1.703%	17.40	-19.29
iTraxx Eur Main	55	-4	9				
iTraxx Eur XO	245	-14	1	AUD/USD	0.678	0.73%	-1.28%
iTraxx Eur Snr Fin	63	-7	6	EUR/USD	1.103	0.62%	0.22%
iTraxx Eur Sub Fin	131	-15	12	USD/SGD	1.369	1.02%	0.50%
iTraxx Sovx WE	13	0	-2	AUD/SGD	0.928	0.29%	1.81%
USD Swap Spread 10Y	-8	1	4	ASX 200	6,652	0.89%	-0.26%
USD Swap Spread 30Y	-37	3	5	DJIA	26,787	1.17%	-1.59%
US Libor-OIS Spread	35	-2	6	SPX	2,966	0.93%	-1.37%
Euro Libor-OIS Spread	4	-1	-1	MSCI Asiax	629	2.29%	-1.03%
				HSI	26,522	2.71%	-3.04%
China 5Y CDS	44	-6	6	STI	3,124	0.44%	-2.71%
Malaysia 5Y CDS	50	-3	7	KLCI	1,568	0.56%	-2.10%
Indonesia 5Y CDS	88	-6	11	JCI	6,127	2.10%	-3.28%
Thailand 5Y CDS	29	-2	2	EU Stoxx 50	3,556	2.45%	0.17%
Australia 5Y CDS	19	0	2				

Source: Bloomberg

## Asian Credit Daily

### New Issues

- Kunming Municipal Urban Construction Investment & Development Co., Ltd priced a USD300mn 3-year bond at 6.0%, tightening from IPT of 6.25% area.
- GSH Corporation Ltd priced a SGD50mn 3-year bond at 5.2%.
- Indian Railway Finance Corp Ltd mandated banks for its potential USD bond issuance.
- China Construction Bank Corporation Hong Kong Branch mandated banks for its proposed 3-year USD green bond issuance.
- China National Travel Service Group Corp Ltd scheduled investor meetings commencing 14 Oct for its proposed USD bond issuance.
- China Huarong Financial Leasing Co., Ltd scheduled investor meetings for its potential USD 363-day bond issuance.

Date	Issuer	Size	Tenor	Pricing
14-Oct-19	Kunming Municipal Urban Construction Investment & Development Co., Ltd	USD300mn	3-year	6.0%
14-Oct-19	GSH Corporation Ltd	SGD50mn	3-year	5.2%
11-Oct-19	Jiayuan International Group Ltd	USD200mn	3-year 4-month NP2	13.763%
10-Oct-19	Industrial & Commercial Bank of China Ltd, Dubai (DIFC) Branch	USD500mn	3-year FRN	3m-US LIBOR+66bps
10-Oct-19	E-House (China) Enterprise Holdings Ltd	USD200m	2.5-year	8.375%
10-Oct-19	SDSC International Development Ltd	USD200mn	3-year	6.0%
10-Oct-19	Oriental Capital Co., Ltd	USD360mn	3-year	7.0%
10-Oct-19	CapitaLand Treasury Ltd	SGD500mn	NC5-Perpetual	3.65%
09-Oct-19	Bank of China Ltd., Macau Branch	USD350mn	3-year	SOFR+95bps
09-Oct-19	Three Gorges Finance I	USD500mn USD350mn	5-year 30-year	T+95bps 3.2%
09-Oct-19	Ronshine China Holdings Ltd	USD265mn	RONXIN 8.75% '22s	8.75%
09-Oct-19	Central Japan Railway Co	USD750mn	5-year	2.2%
09-Oct-19	PT Sri Rejeki Isman Tbk	USD225mn	5.25YNC3	7.25%
09-Oct-19	Thaioil Treasury Centre Co Ltd	USD565mn	30-year	T+145bps
08-Oct-19	Network i2i Ltd	USD750mn	NC5.5-Perpetual	5.65%

Source: OCBC, Bloomberg

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