

Market Commentary

- The SGD swap curve bear-steepened last Friday, with the shorter tenors traded 1-3bps higher, while the longer tenors (>5yr) traded 3-4bps higher.
- The Bloomberg Barclays Asia USD IG Bond Index average OAS tightened 2bps to 127bps while the Bloomberg Barclays Asia USD HY Bond Index average OAS tightened 12bps to 514bps.
- Flows in SGD corporates were heavy, with large ticket flows in F 4.125%'24. We also saw flows in UBS 4.85%-PERPs, UOBSP 3.58%-PERPs, FPLSP 4.98%-PERPs and MAPLSP 3.15%'31s.
- 10Y USTs yields gained 13bps to close at 1.898%, after the US released better than expected retail sales data, dampening demand for safe haven treasuries. Spread between 3-month treasury bills and 10-year treasury notes remains inverted, with the spread narrowing to -6bps.

Credit Research

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Credit Summary:

- **Ascott Residence Trust and Ascendas Hospitality Trust | Neutral (4) and Unrated:** ASCHTS announced that it has terminated the acquisition of the serviced apartments component of a mixed-use development at 224-252 La Trobe Street, Melbourne, Australia ("Aurora"). In December 2015, ASCHTS had entered into a forward contract with UEM Sunrise (La Trobe Street) Pty Ltd ("Vendor", a wholly-owned subsidiary of UEM Sunrise Bhd) to purchase Aurora for AUD120mn (~SGD113mn), where a deposit of AUD5mn had also been paid to the Vendor. The remainder was originally intended to be paid in the second half of 2019 when the building completes. However, per ASCHTS, due to certain specification issues and conditions of the property which were unresolved, ASCHTS and the Vendor have mutually agreed to terminate the acquisition contract and a deed of terminated had been entered into. The deposit shall be returned to ASCHTS. We maintain that the merger deal will likely get the greenlight from both ART and ASCHTS unitholders, with ART growing its asset base to SGD7.4bn. We maintain ART's issuer profile at Neutral (4), which we are monitoring for an upgrade.
- **Keppel Corp Ltd, Keppel Infrastructure Trust and Keppel DC REIT | Neutral (4), Neutral (4) and Unrated:** KEP is selling the Keppel DC Singapore 4 data centre ("KDC 4"), located at 20 Tampines Street 92, Singapore to KDC REIT while KIT is selling its 51%-stake in 1-Net North DC, also to KDC REIT. KIT is 18%-owned by KEP while the vendor of the 49%-stake, namely WDC Development Pte Ltd is a third party, owned by Shimuzu Corporation. To partly fund the transactions, KDC REIT is intending to raise equity via (1) Private placement and (2) Non-renounceable preferential offering to existing unitholders. We view these asset monetisation transactions as credit positive for both KEP and KIT though insufficient to move their issuer profile from Neutral (4).

Asian Credit Daily

Credit Headlines

Ascott Residence Trust ("ART") | Issuer Profile: Neutral (4) and Ascendas Hospitality REIT ("ASCHTS") | Issuer Profile: Unrated

- ASCHTS announced that it has terminated the acquisition of the serviced apartments component of a mixed-use development at 224-252 La Trobe Street, Melbourne, Australia ("Aurora"). In December 2015, ASCHTS had entered into a forward contract with UEM Sunrise (La Trobe Street) Pty Ltd ("Vendor", a wholly-owned subsidiary of UEM Sunrise Bhd) to purchase Aurora for AUD120mn (~SGD113mn), where a deposit of AUD5mn had also been paid to the Vendor. The remainder was originally intended to be paid in the second half of 2019 when the building completes.
- However, per ASCHTS, due to certain specification issues and conditions of the property which were unresolved, ASCHTS and the Vendor have mutually agreed to terminate the acquisition contract and a deed of terminated had been entered into. The deposit shall be returned to ASCHTS.
- Given that the strategically located building has topped-out and a forward price pre-agreed, it does come as a surprise to us that ASCHTS is terminating the acquisition.
- That being said, as ART is proposing to merge with ASCHTS, we see the termination as a small credit positive for ART, given that it does not have to stump up the cash for Aurora amidst a more challenging market for the Australian hospitality segment from oversupply risk. Net property income for ASCHTS is concentrated to Australia, comprising 41% of net property income for the quarter ended 30 June 2019 and the transaction should it go ahead would have increased the concentration risk to Australia further.
- We maintain that the merger deal will likely get the greenlight from both ART and ASCHTS unitholders, with ART growing its asset base to SGD7.4bn. We maintain ART's issuer profile at Neutral (4), which we are monitoring for an upgrade. (Company, OCBC)

Asian Credit Daily

Credit Headlines

Keppel Corp Ltd ("KEP") | Issuer Profile: Neutral (4), Keppel Infrastructure Trust ("KIT") | Issuer Profile: Neutral (4) and Keppel DC REIT("KDC REIT") | Issuer Profile: Unrated

- KEP is selling the Keppel DC Singapore 4 data centre ("KDC 4"), located at 20 Tampines Street 92, Singapore to KDC REIT while KIT is selling its 51%-stake in 1-Net North DC, also to KDC REIT.
- KEP announced that its indirect subsidiary, Thorium DC Pte. Ltd ("Vendor"), has entered into agreements to sell its 99%-interest in KDC 4 to KDC REIT.
 - The purchase consideration is SGD382.7mn (including agreed value of KDC 4, adjusted for net liabilities and existing shareholder's loan). KEP holds a 75.7% effective interest in KDC 4 immediately prior to the announcement.
 - This is a related party transaction given that KDC REIT is a 25.4%-indirectly owned associate company of KEP. Keppel Telecommunications & Transportation Limited ("KPTT, a subsidiary of KEP), is the Sponsor of KDC REIT and the REIT Manager of KDC REIT is also indirectly wholly-owned by KEP.
 - The transaction is subjected to approval of unitholders of KDC REIT though KEP shareholder approval is not required. We think this is due to the small asset size from the perspective of KEP (net assets of SGD11.6bn as at 30 June 2019).
- KIT, a sister trust to KDC REIT, is also proposing to sell its 51%-stake in 1-Net North DC from to KDC REIT. KIT is 18%-owned by KEP while the vendor of the 49%-stake, namely WDC Development Pte Ltd is a third party, owned by Shimuzu Corporation.
 - The purchase consideration is SGD201.8mn (including agreed value of 1-Net North DC, adjustments for adjusted net liabilities and existing shareholder loans). KIT will generate SGD102.9mn from the sale, a portion which will be used to repay shareholders loans, repayment of asset-level external loans and termination of interest rate swaps. Estimated net proceeds to KIT is SGD51.3mn, subject to adjustments.
 - The sale is subject to approval of KIT unitholders, KDC REIT unitholders and JTC Corporation, with long stop date on or before 21 November 2019.
- To partly fund the transactions, KDC REIT is intending to raise equity via (1) Private placement and (2) Non-renounceable preferential offering to existing unitholders.
 - Wholly-owned subsidiaries of KEP (who hold the stakes in KDC REIT) has undertaken to accept, subscribe and pay in full for its provisional allotment of new units into the preferential offering. The preferential units will be issued at SGD1.67 – SGD1.71 per unit, representing a discount of 3.4% - 5.7% to adjusted volume weighted average price of all trades in the units for the full market day on 13 September.
 - In our view, this means that KEP is on the hook for ~SGD61mn - SGD62mn of equity injection into KDC REIT. On a consolidated basis, this implies a net investment inflow of ~SGD320mn (being purchase consideration minus the outlay on the preferential offering).
- We view these asset monetisation transactions as credit positive for both KEP and KIT though insufficient to move their issuer profile from Neutral (4). (Company, OCBC).

Key Market Movements

	16-Sep	1W chg (bps)	1M chg (bps)
iTraxx Asiax IG	55	-3	-13
iTraxx SovX APAC	34	-1	-9
iTraxx Japan	54	-1	-11
iTraxx Australia	57	-2	-12
CDX NA IG	50	-2	-8
CDX NA HY	108	0	2
iTraxx Eur Main	45	-2	-7
iTraxx Eur XO	239	-1	-41
iTraxx Eur Snr Fin	55	-2	-13
iTraxx Sovx WE	14	-1	-5
USD Swap Spread 10Y	-11	0	0
USD Swap Spread 30Y	-41	0	-2
US Libor-OIS Spread	29	-2	2
Euro Libor-OIS Spread	5	-2	0
China 5Y CDS	38	-2	-14
Malaysia 5Y CDS	43	-2	-13
Indonesia 5Y CDS	75	-2	-20
Thailand 5Y CDS	27	0	-4

	16-Sep	1W chg	1M chg
Brent Crude Spot (\$/bbl)	67.16	7.30%	14.53%
Gold Spot (\$/oz)	1,508.26	0.61%	-0.35%
CRB	174.79	1.26%	2.57%
GSCI	403.83	-0.16%	2.01%
VIX	13.74	-8.40%	-25.61%
CT10 (%)	1.896%	33.56	19.23
AUD/USD	0.687	0.12%	1.34%
EUR/USD	1.108	0.26%	-0.12%
USD/SGD	1.375	0.36%	0.71%
DJIA	27,220	1.57%	5.15%
SPX	3,007	0.96%	4.11%
MSCI Asiax	636	1.64%	5.65%
HSI	27,353	2.52%	6.29%
STI	3,206	1.89%	2.91%
KLCI	1,601	0.09%	0.13%
JCI	6,335	0.41%	0.77%

Source: Bloomberg

New Issues

- Qingdao City Construction Investment (Group) Ltd has scheduled investor meetings commencing on 16 Sep for its potential USD bond issuance.

Date	Issuer	Size	Tenor	Pricing
12-Sep-19	The Bank of East Asia, Ltd	USD650mn	NC5-Perpetual	5.875%
12-Sep-19	Huai'an Traffic Holding Co., Ltd	USD300mn	3-year	6.0%
11-Sep-19	Zhaobing Investment (BVI) Ltd	USD300mn	3-year	6.0%
10-Sep-19	Guangxi Communications Investment Group Corporation Ltd	USD300mn	3-year	3.7%
10-Sep-19	FWD Group Ltd	USD600mn	NC5-Perpetual	6.375%
10-Sep-19	Shuifa International Holdings (BVI) Co., Ltd	USD400mn	3-year	4.15%
10-Sep-19	SK Hynix Inc.	USD500mn	5-year	T+162.5bps
10-Sep-19	Country Garden Holdings Co., Ltd	USD500mn	6NC4	6.15%
10-Sep-19	Korea Development Bank	USD100mn	2-year	3m-US LIBOR+30bps
10-Sep-19	Housing and Development Board	SGD500mn	15-year	2.315%
09-Sep-19	Industrial and Commercial Bank of China Limited, Hong Kong Branch	USD1.0bn	3-year	3m-US LIBOR+67bps
		USD500mn	3-year	T+80bps
		USD1.0bn	5-year	3m-US LIBOR+78bps
09-Sep-19	Longfor Group Holdings Ltd	USD850mn	10-year	T+247.5bps
09-Sep-19	Wuhan Financial Holdings (Group) Co., Ltd	USD300mn	WUECDE 5.8%'21s	4.1%

Source: OCBC, Bloomberg

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