

Market Commentary

- The SGD swap curve bear-steepened yesterday, with the shorter tenors traded 0-3bps higher, while the belly and longer tenors traded 3-4bps higher.
- The Bloomberg Barclays Asia USD IG Bond Index average OAS widened 1bps to 132bps and the Bloomberg Barclays Asia USD HY Bond Index average OAS widened 5bps to 528bps.
- Flows in SGD corporates were heavy, with large ticket flows in HPLSP 4.4%-PERPs, CAPLSP 3.65%-PERPs and STANLN 5.375%-PERPs. We also saw flows in SPHRSP 4.1%-PERPs, SOCGEN 6.125%-PERPs, F 4.125%'24s, UBS 4.85%-PERPs, HSBC 4.7%-PERPs and CS 5.625%-PERPs.
- 10Y USTs yields fell 3bps after US September retail sales data showed that retail sales fell for the first time in seven months, offsetting earlier gains on improved sentiment for a Brexit deal between the UK and EU.

Credit Summary:

- **[Keppel Real Estate Investment Trust](#) | Neutral (4)** : KREIT reported a 15.6% y/y increase in revenue to SGD42.4mn from SGD36.7mn and a 17.6% y/y gain in net property income to SGD33.2mn from SGD28.2mn in 3Q2019, before adjusting out NPI attributable to minority investors. KREIT's associates also saw a 21.6% y/y increase in contributions to SGD21.3mn from SGD17.5mn. Overall portfolio committed occupancy was 98.9% (3Q2018: 98.0%). Reported aggregate leverage inched higher to 38.9% from 38.4% in the preceding quarter, though lower relative to a year ago (3Q2018: 39.1%). All-in interest rate was 2.82% (2Q2019: 2.86% / 3Q2018: 2.80%) while reported EBITDA/Interest was 3.80x (2Q2019: 3.7x / 3Q2018: 4.0x). Over 3Q2019, KREIT has continued its unit buy-back programme and has purchased and cancelled 13.6mn units for SGD16.8mn. KREIT does not have any borrowings coming due in 2019. For 2020, KREIT has SGD637mn of bank loans maturing. We are maintaining KREIT at Neutral (4) Issuer Profile.
- **[Mapletree Commercial Trust](#) | Neutral (3)**: MCT has raised SGD458mn from private placement (at SGD2.28 per unit) and fixed the issue price for each new unit under the preferential offering at SGD2.24 per unit. MCT estimated that it will raise SGD460.5mn from the preferential offering, and this will bring the total gross proceeds to SGD918.5mn. All of which will go towards funding the acquisition Mapletree Business City (Phase 2) ("MBC II"). With the balance of the total acquisition cost (i.e. SGD657.3mn) to be funded by loan facilities. As such, we estimated the pro-forma aggregate leverage to be at ~33.5%. We are maintaining MCT at Neutral (3) Issuer Profile. (Company, OCBC)

Credit Research

Andrew Wong

+65 6530 4736

WongVKAM@ocbc.com

Ezien Hoo, CFA

+65 6722 2215

EzienHoo@ocbc.com

Wong Hong Wei, CFA

+65 6722 2533

WongHongWei@ocbc.com

Seow Zhi Qi

+65 6530 7348

zhiqiseow@ocbc.com

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Credit Headlines

Keppel Real Estate Investment Trust (“KREIT”) | Issuer Profile: Neutral (4)

- KREIT reported a 15.6% y/y increase in revenue to SGD42.4mn from SGD36.7mn and a 17.6% y/y gain in net property income (“NPI”) to SGD33.2mn from SGD28.2mn in 3Q2019, before adjusting out NPI attributable to minority investors. This was largely on the back of higher contributions from Ocean Financial Centre (+10.9% y/y) and 275 George Street (+0.6% y/y), and newly acquired T Tower in Seoul, Korea (May 2019), though partially offset by Bugis Junction Towers (-10.0% y/y) and the weaker AUD.
- Excluding the 20.1% stake in Ocean Financial Centre (divested in late 2018) which was KREIT consolidates into its financial statements, we find NPI higher by 2.9% y/y to SGD29.0mn instead. This was largely driven by T Tower where full quarter results were consolidated in 3Q2019.
- KREIT’s associates also saw a 21.6% y/y increase in contributions to SGD21.3mn from SGD17.5mn, which is largely attributable to its one-third interest Marina Bay Financial Centre Towers and Marina Bay Link Mall (+27.3% y/y increase in dividend and distribution income). Though all-in, total y/y increase in income from the property was 7.5% as KREIT no longer receives rental support unlike 3Q2018.
- Overall portfolio committed occupancy was 98.9% (3Q2018: 98.0%). Expiring leases in the remaining of 2019 is minimal at 0.8% of total Net Lettable Area.
- Reported aggregate leverage inched higher to 38.9% from 38.4% in the preceding quarter, though lower relative to a year ago (3Q2018: 39.1%). All-in interest rate was 2.82% (2Q2019: 2.86% / 3Q2018: 2.80%) while reported EBITDA/Interest was 3.80x (2Q2019: 3.7x / 3Q2018: 4.0x). KREIT does not have any borrowings coming due in 2019. For 2020, KREIT has SGD637mn of bank loans maturing. We think this is manageable for KREIT as it has SGD100.5mn of cash on hand and is looking to complete the [divestment of Bugis Junction Towers](#) for SGD547.5mn in the next quarter. Should the funds received from the divestment be used to pay down its debt, we see the resultant aggregate leverage at 34.6%. Separately, we note that KREIT’s assets are 73% unencumbered.
- Over 3Q2019, KREIT has continued its unit buy-back programme and has purchased and cancelled 13.6mn units for SGD16.8mn.
- Lastly, 311 Spencer Street has topped out, with development completion expected in 2Q2020. We are maintaining KREIT at Neutral (4) Issuer Profile (Company, OCBC)

Mapletree Commercial Trust (“MCT”) | Issuer Profile: Neutral (3)

- MCT has raised SGD458mn from private placement (at SGD2.28 per unit) and fixed the issue price for each new unit under the preferential offering at SGD2.24 per unit. MCT estimated that it will raise SGD460.5mn from the preferential offering, and this will bring the total gross proceeds to SGD918.5mn.
- All of which will go towards funding the [acquisition Mapletree Business City \(Phase 2\) \(“MBC II”\)](#). With the balance of the total acquisition cost (i.e. SGD657.3mn) to be funded by loan facilities. As such, we estimated the pro-forma aggregate leverage to be at ~33.5%. We are maintaining MCT at Neutral (3) Issuer Profile. (Company, OCBC)

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Key Market Movements

| | 17-Oct | 1W chg (bps) | 1M chg (bps) | | 17-Oct | 1W chg | 1M chg |
|-----------------------|--------|-----------------|-----------------|---------------------------|----------|---------|--------|
| iTraxx Asiax IG | 72 | -5 | 17 | Brent Crude Spot (\$/bbl) | 59.10 | 0.00% | -8.44% |
| iTraxx SovX APAC | 34 | -2 | -1 | Gold Spot (\$/oz) | 1,488.71 | -0.35% | -0.84% |
| iTraxx Japan | 59 | -4 | 5 | CRB | 174.98 | 0.95% | -2.14% |
| iTraxx Australia | 63 | -5 | 6 | GSCI | 405.32 | 1.28% | -3.65% |
| CDX NA IG | 56 | -4 | 5 | VIX | 13.68 | -32.54% | -5.26% |
| CDX NA HY | 107 | 1 | -1 | CT10 (%) | 1.734% | 6.62 | -6.70 |
| iTraxx Eur Main | 53 | -4 | 4 | | | | |
| | | | | | | | |
| iTraxx Eur XO | 233 | -15 | -16 | AUD/USD | 0.679 | 0.38% | -1.15% |
| iTraxx Eur Snr Fin | 59 | -7 | 0 | EUR/USD | 1.108 | 0.67% | 0.05% |
| iTraxx Eur Sub Fin | 119 | -17 | -6 | USD/SGD | 1.370 | 0.44% | 0.31% |
| iTraxx Sovx WE | 12 | -1 | -2 | AUD/SGD | 0.930 | 0.05% | 1.44% |
| | | | | | | | |
| USD Swap Spread 10Y | -8 | 1 | 4 | ASX 200 | 6,710 | 2.48% | 0.22% |
| USD Swap Spread 30Y | -38 | 2 | 4 | DJIA | 27,002 | 2.49% | -0.40% |
| US Libor-OIS Spread | 38 | 2 | 6 | SPX | 2,990 | 2.41% | -0.53% |
| Euro Libor-OIS Spread | 3 | -1 | -2 | MSCI Asiax | 634 | 3.25% | 0.90% |
| | | | | HSI | 26,841 | 4.41% | 0.19% |
| China 5Y CDS | 43 | -4 | 5 | STI | 3,131 | 1.35% | -1.63% |
| Malaysia 5Y CDS | 48 | -3 | 5 | KLCI | 1,577 | 1.62% | -1.70% |
| Indonesia 5Y CDS | 86 | -6 | 8 | JCI | 6,170 | 2.43% | -1.07% |
| Thailand 5Y CDS | 29 | -1 | 1 | EU Stoxx 50 | 3,599 | 3.96% | 2.21% |
| Australia 5Y CDS | 18 | -2 | 1 | | | | |

Source: Bloomberg

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New Issues

- Industrial Bank of Korea priced a USD600mn deal in two tranches: a USD300mn 5-year bond at T+60bps (tightening from IPT of T+85bps area), and a USD300mn 3-year FRN at 3m-US LIBOR+45bps, tightening from IPT of 3m-US LIBOR+65bps area).
- Sunny Express Enterprises Corp (Guarantor: China National Travel Service Group Co., Ltd) priced a USD300mn NC3-Perpetual bond at 3.35% (tightening from IPT of 3.7% area), and a USD300mn 10-year bond at T+135bps (tightening from IPT of T+170bps area).
- CITIC Securities Co., Ltd scheduled investor calls commencing 16 Oct for its potential USD bond issuance.
- Nanjing Pukou Economic Development Co., Ltd scheduled investor calls commencing 17 Oct for its proposed USD bond issuance.

| Date | Issuer | Size | Tenor | Pricing |
|-----------|---|----------------------|--------------------------|---------------------------------|
| 16-Oct-19 | Industrial Bank of Korea | USD300mn USD300mn | 5-year 3-year FRN | T+60bps 3m-US LIBOR+45bps |
| 16-Oct-19 | Sunny Express Enterprises Corp | USD300mn USD300mn | NC3-Perpetual 10-year | 3.35% T+135bps |
| 15-Oct-19 | Hotel Properties Ltd | SGD135mn | NC5-Perpetual | 4.4% |
| 15-Oct-19 | China Construction Bank Corporation Hong Kong Branch | USD1.0bn | 3-year FRN | 3m-US LIBOR+66bps |
| 15-Oct-19 | HPCL-Mittal Energy Ltd | USD300mn | 7NC4 | 5.45% |
| 15-Oct-19 | Kaisa Group Holdings Ltd | USD400mn | 3NC2 | 12.25% |
| 15-Oct-19 | China Development Bank Corporation of Hong Kong | USD100mn | 2-year 4-month FRN | 3m-US LIBOR+45bps |
| 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% |

Source: OCBC, Bloomberg

Treasury Research & Strategy

Macro Research

Selena Ling*Head of Strategy & Research*LingSSSelena@ocbc.com**Emmanuel Ng***Senior FX Strategist*NgCYEmmanuel@ocbc.com**Tommy Xie Dongming***Head of Greater China Research*XieD@ocbc.com**Terence Wu***FX Strategist*TerenceWu@ocbc.com**Howie Lee***Thailand, Korea &**Commodities*HowieLee@ocbc.com**Carie Li***Hong Kong & Macau*carierli@ocbcwh.com**Dick Yu***Hong Kong & Macau*dicksnyu@ocbcwh.com

Credit Research

Andrew Wong*Credit Research Analyst*WongVKAM@ocbc.com**Ezien Hoo, CFA***Credit Research Analyst*EzienHoo@ocbc.com**Wong Hong Wei, CFA***Credit Research Analyst*WongHongWei@ocbc.com**Seow Zhi Qi***Credit Research Analyst*ZhiQiSeow@ocbc.com

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