

June 18, 2018

Credit Headlines: Ascendas Hospitality Trust, Keppel Corporation Limited

Market Commentary

- The SGD swap curve flattened last Thursday, with swap rates for the shorter tenors trading 1-2bps lower while the longer tenors traded 2-3bps lower.
- Flows in SGD corporates were light last Thursday, with better buying seen in HSBC 4.7%-PERPs.
- Both the Bloomberg Barclays Asia USD IG Bond Index average OAS and the Bloomberg Barclays Asia USD HY Bond Index average OAS traded little changed at 139bps and 451bps respectively.
- 10Y UST yields fell 5bps in the earlier part of the trading session to 2.88%, after the US imposed trade sanctions on China, raising fears that the trade wars could weigh on economic growth. 10Y UST however subsequently recovered 4bps to close at 2.92%.

Credit Headlines:

Ascendas Hospitality Trust (“ASCHT”) | Issuer Profile: Neutral (4)

- ASCHT announced that it had entered into three conditional sale and purchase agreements with ES-CON Japan Ltd (a Tokyo-listed real estate company) to acquire the trust beneficiary interest in three hotels located in Osaka, Japan. The three hotels are (1) Hotel WBF Kitasemba West (2) Hotel WBF Kitasemba East and (3) Hotel WBF Honmachi (collectively, the “hotels”).
- The purchase consideration for the hotels is JPY10.3bn (~SGD126.1mn) and an 8% deposit has been paid to the vendor. The acquisition of (1) and (2) is expected to be completed by end-September 2018 and Hotel WBF Honmachi is expected to be completed by end-January 2019. The total cost of the acquisition (including transaction costs) is approximately JPY11.2bn (~SGD137.8mn) and intended to be fully debt-funded.
- The hotels are 3-star freehold properties situated within the Honmachi district in Osaka within walking distance to the Honmachi subway station. All three are new hotels, commencing operations in May/June 2018 and collectively comprise 518 rooms.
- The hotels will be managed by Kabushiki Kaisha White Bear Family (the “Master Lessee”) who currently operates ~30 hotels across 5 cities in Japan. Each Master lease agreement will run for 20 years.
- Post-acquisition, Japan will make up 32% of ASCHT’s net property income (from 26% in FYE March 2018) and master lease properties would comprise 49% of total net property income (from 40% in FYE March 2018).
- As at 31 March 2018, aggregate leverage of ASCHT was 30.8% and the company had shared that on a pro forma basis ASCHT’s aggregate leverage may rise slightly to 31.8%. This includes the effects from the completion of (1) sale of ASCHT’s China portfolio (18 May 2018), (2) the acquisition of the South Korean hotel (21 May 2018) and (3) SGD160mn of cash is used to repay debt. As at 31 March 2018, ASCHT faced short term debt of SGD155.7mn (comprise mainly of AUD-denominated secured bank loan due in December 2018).
- We are maintaining our issuer profile of ASCHT at Neutral (4).

Credit Headlines (cont'd):

Keppel Corporation Limited (“KEPSP”) | Issuer Profile: Neutral (3)

- KEPSP announced that its indirect wholly-owned subsidiary Keppel China Township Development Pte Ltd has entered into an agreement to divest its 100% interest in Keppel Township Development (Shenyang) Co. Ltd (“Shenyang Township”) to Shenyang SUNAC Xinxing Enterprise Management Limited (“SUNAC”). Shenyang Township is currently developing a residential township project in Shenbei New District, Shenyang City, China and the total consideration for the divestment is ~RMB980mn (~SGD205mn), subject to completion adjustments.
- The consideration was arrived taking into account of the unaudited net asset value of Shenyang Township and the market value of undeveloped land and unsold inventories. We note that this is the second [project sale](#) in Shenyang by KEPSP in the past six months. KEPSP expects to recognise a gain of SGD43.0mn from the divestment. We expect minimal credit profile impact to KEPSP.

Table 1: Key Financial Indicators

	18-Jun	1W chg (bps)	1M chg (bps)
iTraxx Asiax IG	78	0	3
iTraxx SovX APAC	13	0	0
iTraxx Japan	51	0	4
iTraxx Australia	70	-1	4
CDX NA IG	60	-4	-1
CDX NA HY	107	0	0
iTraxx Eur Main	66	-5	8
iTraxx Eur XO	294	-6	18
iTraxx Eur Snr Fin	77	-7	11
iTraxx Sovx WE	23	-2	3
AUD/USD	0.743	-2.37%	-1.09%
EUR/USD	1.159	-1.69%	-1.59%
USD/SGD	1.353	-1.35%	-0.72%
China 5Y CDS	57	1	0
Malaysia 5Y CDS	99	2	14
Indonesia 5Y CDS	130	2	5
Thailand 5Y CDS	44	0	0

	18-Jun	1W chg	1M chg
Brent Crude Spot (\$/bbl)	73.10	-4.39%	-6.89%
Gold Spot (\$/oz)	1,281.73	-1.44%	-0.87%
CRB	196.24	-1.90%	-3.66%
GSCI	463.62	-2.64%	-5.22%
VIX	11.98	-1.64%	-10.73%
CT10 (bp)	2.910%	-4.21	-14.64
USD Swap Spread 10Y (bp)	6	0	3
USD Swap Spread 30Y (bp)	-6	0	2
TED Spread (bp)	41	-1	-1
US Libor-OIS Spread (bp)	41	0	-3
Euro Libor-OIS Spread (bp)	4	0	0
DJIA	25,090	-0.89%	1.52%
SPX	2,780	0.02%	2.46%
MSCI Asiax	709	-2.07%	-0.78%
HSI	30,309	-2.10%	-2.38%
STI	3,357	-3.35%	-5.18%
KLCI	1,762	-1.35%	-4.68%
JCI	5,994	0.17%	0.62%

New issues

- CFLD Cayman Investment Ltd has priced a USD200mn 3-year bond (guaranteed by China Fortune Land Development Co Ltd) at 9%.
- Greenland Global Investment Ltd has priced a USD250mn 3.25-year FRN (guaranteed by Greenland Holding Group Co Ltd) at 3mL+485bps, tightening from its initial price guidance of 3mL+500bps area.
- Korea Electric Power Corp has scheduled for investor meetings from 22-29 Jun for its potential USD green bond issuance.
- The Republic of Indonesia has scheduled for investor meetings from 19 Jun for its potential bond issuance.

<u>Date</u>	<u>Issuer</u>	<u>Size</u>	<u>Tenor</u>	<u>Pricing</u>
15-Jun-18	Greenland Global Investment Ltd	USD250mn	3.25-year	3mL+485bps
14-Jun-18	CFLD Cayman Investment Ltd	USD200mn	3-year	9%
13-June-18	Industrial & Commercial Bank of China Asia Ltd	HKD2.6bn	2-year	3.0%
13-June-18	Industrial & Commercial Bank of China Asia Ltd	USD200mn	5-year	3mL+85bps
13-June-18	Industrial & Commercial Bank of China Asia Ltd	USD200mn	3-year	3mL+75bps
12-June-18	Mapletree Treasury Services Ltd	SGD200mn	3-year	2.888%
12-June-18	New Metro Global Ltd	USD200mn	3.75-year	8%
11-June-18	National Australia Bank Ltd/New York	USD500mn	3.25-year	CT3+80bps
11-June-18	National Australia Bank Ltd/New York	USD750mn	5-year	CT5+90bps
11-June-18	National Australia Bank Ltd/New York	USD350mn	3.25-year	3mL+58bps
11-June-18	Qingdao Jiaozhou Bay Development Co Ltd	USD120mn	3-year	6.9%
11-June-18	China Aoyuan Property Group Ltd (re-tap)	USD225mn	CAPG 7.5%'21	8.25%
7-June-18	Asian Development Bank (re-tap)	GBP100mn	ASIA 1.375%'23	99.985+accrued interest
7-June-18	Export-Import Bank of Korea	CNH1.5bn	3-year	4.65%
7-June-18	ASB Bank Ltd	USD500mn	5-year	3mL+97bps

Source: OCBC, Bloomberg

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