

Jan 10, 2019

Credit Headlines: Ascott Residence Trust

Market Commentary

- The SGD swap curve steepened yesterday, with swap rates trading 1bps higher across most tenors (with the exception of the 4-year and 5-year swap rates trading 2bps higher).
- The Bloomberg Barclays Asia USD IG Bond Index average OAS tightened 2bps to 161bps and the Bloomberg Barclays Asia USD HY Bond Index average OAS tightened 12bps to 600bps.
- Flows in SGD corporates were heavy yesterday, with flows seen in DBSSP 3.98%-PERPs, UBS 5.875%-PERPs, NTUCSP 3.65%'27s, LLCAU 3.9%'27s, SIASP 3.13%'27s, MAPLSP 4.5%-PERPs and HSBC 5%-PERPs.
- 10Y UST yields rose 2bps earlier in the day as optimism from the potential trade deal between the United States and China continued to reduce safe haven demand. In the later part of the day, yields fell 4bps to close at 2.71%, after minutes from the Fed's December meeting indicated a dovish stance adopted by the Fed, and also due to the strong demand for the USD24bn supply in 10-year notes yesterday. Later today, the US Treasury Department will be selling USD16bn in 30-year bonds and Fed Chairman Jerome Powell will be due to speak regarding the interest rate hikes.

Credit Headlines:

Ascott Residence Trust ("ART") | Issuer Profile: Neutral (4)

- ART announced that it is proposing to sell Ascott Raffles Place (opposite to the Marina Bay Financial Centre), reportedly to Mr Cheong Sim Lam for SGD353.3mn (ie: SGD2.4mn per key). Ascott Raffles Place is a 146-room property marketed as a serviced apartment for extended stays though operates under a hotel license. The buyer has paid a 15% deposit and will pay the remainder on completion of sale targeted for May 2019. The scale of the transaction is rare in the Singapore hospitality space.
- The sale price is 64% above the property's valuation as at 31 December 2018 and the property was originally acquired from CapitaLand for SGD220mn in 2012. While the building is gazetted as a conservation building, in our view, we think the building could be repurposed into higher commercial use given the location.
- As at 30 September 2018, ART's aggregate leverage was 36.4% and including 50% of perpetuals as debt, we find ART's adjusted aggregate leverage at 40%, on the high-side versus REIT peers. Assuming that SGD349mn is used to pare down debt pending deployment for other purposes, aggregate leverage may fall to ~32% in the interim before rising again to ~33% when debt is deployed to fund the development of lyf, a new co-living space in one-north. Remaining proceeds would likely go towards acquiring new properties in our view. We see the sale of Ascott Residence Trust as a credit positive for ART though we are maintaining ART's issuer profile at Neutral (4) for now. (Business Times, Company, OCBC)

Table 1: Key Financial Indicators

	10-Jan	1W chg (bps)	1M chg (bps)
iTraxx Asiax IG	89	-11	-9
iTraxx SovX APAC	66	-7	-5
iTraxx Japan	77	-11	-6
iTraxx Australia	89	-10	-5
CDX NA IG	79	-11	-3
CDX NA HY	104	2	1
iTraxx Eur Main	83	-10	-5
iTraxx Eur XO	335	-38	-22
iTraxx Eur Snr Fin	106	-12	-5
iTraxx Sovx WE	26	0	0
AUD/USD	0.715	2.06%	-0.56%
EUR/USD	1.155	1.33%	1.67%
USD/SGD	1.354	0.72%	1.43%
China 5Y CDS	61	-9	-10
Malaysia 5Y CDS	99	-14	-14
Indonesia 5Y CDS	126	-17	-18
Thailand 5Y CDS	44	-2	-1

	10-Jan	1W chg	1M chg
Brent Crude Spot (\$/bbl)	60.81	8.69%	1.40%
Gold Spot (\$/oz)	1,291.78	-0.19%	3.80%
CRB	179.04	5.08%	-1.43%
GSCI	405.36	7.26%	-0.73%
VIX	19.98	-13.95%	-11.75%
CT10 (bp)	2,680%	12.63	-17.77
USD Swap Spread 10Y (bp)	2	0	-1
USD Swap Spread 30Y (bp)	-17	1	-1
TED Spread (bp)	34	-11	-4
US Libor-OIS Spread (bp)	37	-3	-3
Euro Libor-OIS Spread (bp)	5	0	1
DJIA	23,879	2.28%	-2.23%
SPX	2,585	2.99%	-2.00%
MSCI Asiax	607	4.84%	1.87%
HSI	26,462	5.58%	2.76%
STI	3,154	4.67%	2.64%
KLCI	1,677	0.09%	0.84%
JCI	6,272	1.47%	2.63%

New issues

- RKPF Overseas 2019 (B) Ltd has priced a USD400mn 2-year, 3-month bond (parent guarantor: Road King Infrastructure Ltd) at 7.75%, tightening from IPT of 8.25%.
- ENN Clean Energy International Investment Ltd (parent guarantor: ENN Ecological Holdings Co Ltd) has scheduled for investor meetings from 10 Jan for its potential USD bond issuance.
- Shanghai Commercial Bank Ltd has mandated banks for its potential USD Tier 2 subordinated bond issuance.

<u>Date</u>	<u>Issuer</u>	<u>Size</u>	<u>Tenor</u>	<u>Pricing</u>
9-Jan-19	RKPF Overseas 2019 (B) Ltd (Road King Infrastructure Ltd)	USD400mn	2-year, 3-month	7.75%
8-Jan-19	Dah Sing Bank Ltd	USD225mn	10NC5 Tier 2	T+255bps
8-Jan-19	Coastal Emerald Ltd (China Shandong Hi-Speed Financial Group Ltd)	USD550mn	363-day	5.95%
8-Jan-19	Zhenro Properties Group Ltd	USD200mn	363-day	10.75%
8-Jan-19	China SCE Group Holdings Ltd	USD500mn	2-year	8.75%
7-Jan-19	Westpac Banking Corp	USD2bn	5-year	MS+58bps
7-Jan-19	Republic of Philippines	USD1.5bn	10-year	T+110bps
7-Jan-19	Powerlong Real Estate Holdings Ltd	USD200mn	2-year	9.5%
7-Jan-19	Guotai Junan International Holdings Ltd	USD200mn	3-year	T+185bps
7-Jan-19	New Metro Global Ltd (Seazen Holdings Co Ltd)	USD300mn	363-day	6.93%
3-Jan-19	China Aoyuan Property Group Ltd	USD275mn	CAPG 7.95%'21s	7.939%
28-Dec-18	Macrolink Global Development Ltd	USD168mn	2-year	9.5%
25-Dec-18	Redco Properties Group	USD110.4mn	REDPRO 11.0%'20s	11.0%
17-Dec-18	Wuhan Financial Holdings (Group) Co Ltd	USD142mn	3-year	5.8%
17-Dec-18	CIFI Holdings (Group) Co Ltd	USD400mn	2-year and 2-month	7.625%

Source: OCBC, Bloomberg

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