

### Market Commentary

- The SGD swap curve traded higher yesterday, with most tenors traded 1bps higher.
- The Bloomberg Barclays Asia USD IG Bond Index average OAS was unchanged at 126bps, and the Bloomberg Barclays Asia USD HY Bond Index average OAS widened 1bps to 497bps. The HY-IG Index spread widened 2bps to 371bps.
- Flows in SGD corporates were heavy, with large ticket flows in CAPLSP 3.65%-PERPs and SIASP 3.13%'27s. We also saw flows in CELSP 3.9%-PERPs, UBS 4.85%-PERPs and HSBC 4.7%-PERPs.
- 10Y UST Yields fell by 1bps to 1.93%, after US President Donald Trump threatened to raise tariffs on Chinese imports if a deal is not reached, though offset by Trump's comments that the two countries are close to signing a trade deal.

### Credit Research

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### Credit Summary:

- [National Australia Bank Ltd](#) | **Positive (2)**: It has been reported that NAB had admitted to 255 out of 297 alleged breaches of the National Credit Act under proceedings in Australia's Federal Courts by the Australian Securities and Investments Commission ("ASIC"). According to ASIC, the maximum penalty for each breach is AUD1.7-1.8mn meaning that a potential maximum fine would be around AUD500-550mn. It is likely however that the ultimate fine will be lower than this amount.
- [Metro Holdings Ltd](#) | **Neutral (4)**: METRO announced second quarter results for financial year ending 30 June 2020. Revenue jumped 57.1% y/y to SGD72.8mn from SGD46.3mn, while overall profit before tax was down by 9.4% y/y to SGD13.4mn from SGD14.8mn. Credit health of METRO remains healthy with net gearing (excluding pledged fixed deposits of SGD15.0mn) unchanged q/q at 0.08x.
- [Mapletree North Asia Commercial Trust](#) | **Neutral (4)**: MNACT reported extensive damage to Festival Walk due to various incidents on the night of 12 Nov 2019. Festival Walk is MNACT's largest asset and in 1HFY2020 accounted for 62% of total portfolio revenue and net property income.
- [Oxley Holdings Ltd](#) | **Neutral (5)**: OHL reported 1QFY2020 results for the quarter ended 30 Sep. Revenue rose 66% y/y to SGD282.8mn, while profitability remains somewhat weak with profit before tax at SGD17.8mn. Net gearing rose to 2.25x. We retain OHL at a Neutral (5) Issuer Profile for now.
- [Sembcorp Marine Ltd](#) | **Unrated**: SMM reported 3Q2019 results. Revenue fell 38.6% y/y to SGD17.2mn while the company reported a gross loss of SGD46.2mn. Unadjusted net gearing was 1.6x. SMM continues to be a drag onto the issuer profile of SCI.
- [BreadTalk Group Ltd](#) | **Neutral (5)**: BGL reported 3Q2019 results. Revenue rose 10.1% y/y to SGD173.6mn, while profit before tax fell 38.1% y/y to SGD4.6mn. Meanwhile, credit metrics deteriorated somewhat q/q with net gearing rising to 77%.
- [City Developments Ltd](#) | **Neutral (3)**: CDL reported 3Q2019 results. 3Q2019 revenue fell 12.9% y/y to SGD885.3mn, while reported EBITDA fell 13.9% y/y to SGD136mn. Overall, credit metrics look stable q/q with net gearing at 44%, but we expect this to deteriorate.

**Asian Credit Daily****Credit Headlines****National Australia Bank Ltd (“NAB”) | Issuer Profile: Positive (2)**

- It has been reported that NAB had admitted to 255 out of 297 alleged breaches of the National Credit Act under proceedings in Australia’s Federal Courts by the Australian Securities and Investments Commission (“ASIC”) that was [first reported in August 2019](#). The breaches relate to a limited number of NAB bankers and unlicensed introducers that referred 297 loans.
- The breaches are as a result of NAB’s Introducer Program which used third party referrals to NAB bankers for consumer loan applications. The breaches occurred between September 2013 and July 2016 and were due to NAB receiving consumer loan applications from introducers that were not licensed to engage in credit activity as opposed to financially experienced professionals (accountants or financial advisors). The other contention was the lack of due diligence on the submitted loan applications, some of which contained fictitious information that was driven by introducer incentives to get loans approved potentially exposing consumers to loans they may not eventually be able to service. According to various reports, the introducer program produced AUD24bn in loans for NAB.
- According to ASIC, the maximum penalty for each breach is AUD1.7-1.8mn meaning that a potential maximum fine would be around AUD500-550mn if ASIC contends that NAB breached the National Credit Act in all identified loans and the maximum fine is imposed in each case. It is likely however that the ultimate fine will be lower than this amount. NAB ended this program in March and has set up a remediation program to compensate affected customers.
- NAB announced its [FY2019 results on November 7th](#) with weaker y/y performance due to customer related remediation charges that were previously flagged. Cash earnings after tax and distributions were down 10.6% y/y to AUD5.1bn as customer-related remediation charges of AUD1.6bn were recognized in FY2019 (AUD360mn in FY2018). This offset the absence of restructuring related charges (AUD755mn in FY2018). NAB disclosed that customer-related remediation charges were recognized mostly in other operating income (AUD1.1bn) as well as operating expenses (AUD364mn) and net interest income (AUD72mn) and made up of:
  - Customer refunds and compensation for Wealth related issues including financial planning, wealth advice and consumer credit insurance sales (since discontinued);
  - Banking-related fees incorrectly charged; and
  - Costs for implementing remediation processes.
- We anticipate ongoing pressure on earnings for NAB and its domestic peers from potential continued remediation costs and APRA’s desire to strengthen the minimum loss-absorbing and recapitalisation capacity of Australian Banks. Therefore, this announcement is within our current expectations for NAB’s credit profile. (Company, OCBC)

**Asian Credit Daily****Credit Headlines****Metro Holdings Ltd (“METRO”) | Issuer Profile: Neutral (4)**

- METRO announced second quarter results for financial year ending 30 June 2020 (“2QFY2020”). Revenue jumped 57.1% y/y to SGD72.8mn from SGD46.3mn, on the back of SGD36.4mn sale of property rights of the residential development properties in Bekasi and Bintaro, Jakarta. The retail division saw revenue increase by 12.9% y/y to SGD34.7mn, due to promotional events over the quarter from the closure of Metro Centrepont upon lease expiry.
- Share of associates’ results (net of tax) though was down by 93.5% y/y to SGD0.3mn from SGD4.9mn, mainly due to the absence of contributions from Middlewood Locks Phase 2 development in the UK. Share of joint ventures’ results (net of tax) was also down by 13.5% y/y to SGD8.9mn as profits recognised from the residential units sold at The Crest, Singapore was lower.
- Overall profit before tax (including interest in associates and joint ventures) was down by 9.4% y/y to SGD13.4mn from SGD14.8mn, partly due to higher finance costs of SGD4.6mn (+540.8% y/y, SGD3.8mn of which is related to coupon payment for its bonds) on top of the above mentioned reasons.
- Credit health of METRO remains healthy with net gearing (excluding pledged fixed deposits of SGD15.0mn) unchanged q/q at 0.08x. METRO had [earlier on 11 Nov 2019 announced that it is acquiring a 20% stake in a portfolio of 14 freehold office and retail properties in Australia](#) for ~SGD89.7mn. As at 30 Sep 2019, METRO has SGD236.9mn cash on hand which is sufficient to repay its short term debt of SGD55.0mn as well as the acquisition transaction. We are maintaining METRO at Neutral (4) Issuer Profile. (Company, OCBC)

**Mapletree North Asia Commercial Trust (“MNACT”) | Issuer Profile: Neutral (4)**

- MNACT reported extensive damage to Festival Walk due to various incidents on the night of 12 Nov 2019. The damages include smashed glass panels, fire at the Christmas tree within the mall and the office lobby. There was no report of injuries. The mall has been closed for operations since 2pm on 12 Nov 2019 and will be closed today as well. MNACT is assessing the damage and will provide an update in due course.
- Festival Walk is MNACT’s largest asset (65.3% of total portfolio valuation as at 31 Mar 2019) and in 1HFY2020, Festival Walk accounted for 62% of total portfolio revenue and net property income. (Company, OCBC)

## Asian Credit Daily

### Credit Headlines

#### Oxley Holdings Ltd (“OHL”) | Issuer Profile: Neutral (5)

- OHL reported 1QFY2020 results for the quarter ended 30 Sep. Revenue rose 66% y/y to SGD282.8mn, mainly due to increased settlements from overseas projects (including Royal Wharf in the UK) as well as progressive revenue recognition from Singapore projects.
- In particular for Singapore, Oxley has sold a total of SGD2.851bn in units, which represents 66% of its total Singapore landbank. Another ~SGD2.0bn remains to be sold/launched, which OHL targets to sell out by end-2020.
- However, profitability remains somewhat weak with profit before tax at SGD17.8mn, which is buffered by SGD15mn net fair value gains (gains in investment property and derivatives less foreign exchange loss). However, this is expected to improve when OHL pares down debt.
- Net gearing rose to 2.25x (4Q2019 restated: 2.20x) mainly due to working capital used in operations of SGD56.3mn. According to OHL, the SGD525mn debt due to the Novotel and Mercure hotel maturing in 2019 has been refinanced while the SGD300mn retail bond maturing in Nov 2019 has been repaid.
- Maturities of SGD782mn in 2020 look much more manageable with the upcoming settlement of units in Dublin Landings (SGD252.9mn future progress billings), The Peak (SGD281.4mn future progress billings), Royal Wharf (SGD359.1mn) and remaining consideration from sales at Chevron House (estimated: SGD295mn).
- Recently, Yanlord announced a general offer of SGD2.70 per share for United Engineers Ltd (“UEL”). We understand from OHL that they are considering options, including (1) accepting the offer, (2) staying put or (3) raising a counter offer. We detail the considerations below:
  - (1) We think the path of least resistance is to accept the offer, which will fetch over SGD300mn in proceeds for OHL and will be credit positive for OHL. However, this means that OHL loses an opportunity to unlock the value in UEL – we think this is the reason for OHL to be invested in the first place.
  - (2) Staying put is not likely as an option, in our view, as it may be difficult to realise value as a minority stakeholder in UEL. Meanwhile, we believe that capital invested in UEL can be better deployed.
  - (3) Raising a counter offer is not possible yet as OHL may not have sufficient financial resources to do so – at the minimum, OHL will need to set aside SGD1.3bn in cash to privatise UEL. However, if OHL can secure the necessary capital (e.g. through new bank lines or divestments), a counter offer will be an option that OHL may undertake. Raising more debt will be credit negative for OHL while divesting assets (e.g. hotels) for funding the acquisition can be credit neutral, depending on the structure of the transaction.
- While we are 50-50 if OHL will accept the offer or raise a counter offer for UEL, we retain OHL at a Neutral (5) Issuer Profile for now. (Company, OCBC)

**Asian Credit Daily****Credit Headlines****Sembcorp Marine Ltd (“SMM”) | Issuer Profile: Unrated**

- SMM reported 3Q2019 results. Revenue fell 38.6% y/y to SGD717.2mn while the company reported a gross loss of SGD46.2mn (3Q2018 gross loss: SGD12.8mn) mainly due to lower revenue recognition from the Rigs and Floaters segment while the additional costs for rigs and floaters impacted absorption of costs. Wider losses at SMM was in part also driven by accelerated depreciation at Tanjong Kling Yard (operations have been moved out as part of SMM’s consolidation strategy for the yards). The company reported loss for the period to owners of SGD52.6mn (3Q2018 loss for the period to owners of SGD29.8mn).
- During the quarter, SMM’s net cash used in operating activities (before interest, after tax) (“CFO”) was -SGD276.7mn (3Q2018: -SGD67.3mn), driven by large working capital needs and CFO was insufficient to cover interest expense of SGD29.8mn. The cash gap was funded mainly by drawing down existing cash balance with ending cash balance at SGD467.6mn versus SGD781.9mn at the beginning of 3Q2019.
- As at 30 September 2019, unadjusted net gearing (including the subordinated loan from its parent company Sembcorp Industries Ltd (“SCI”, issuer profile: Neutral (5)) was 1.6x (30 June 2019: 1.4x). On October 23, 2019, via a [consent solicitation exercise \(“CSE”\)](#), SMM had obtained the consent of its bondholders to revise the definition of its leverage financial covenant to exclude the SGD2bn subordinated loan from SCI. Excluding this, we find SMM’s net gearing at 1.0x. In 3Q2019, SGD1.5bn of this subordinated loan had been used for refinancing of existing debt (largely bank debt) while another SGD500mn was targeted for working capital purposes that remains to be drawn down.
- Excluding the Sete Brasil drillships (reached settlement agreement in October 2019), SMM’s net orderbook was SGD2.4bn, dwindling from SGD3.1bn in end-2018 implying that SMM had not been winning contracts fast enough to replenish those consumed. SMM continues to be a drag onto the issuer profile of SCI. (Company. OCBC)

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

- BGL reported 3Q2019 results. Revenue rose 10.1% y/y to SGD173.6mn, with increase in all segments including Bakery (+4.2% y/y to SGD76.1mn), Food Atrium (+1.1% y/y to SGD41.3mn), Restaurant (+16.4% y/y to SGD45.1mn) and 4orth (+154.8% y/y to SGD10.1mn). However, the growth in revenue has not helped the bottomline with profit before tax falling 38.1% y/y to SGD4.6mn. This is due to divergence in the underlying segments:
- Bakery: Profit before tax turned to a negative SGD1.9mn in 3Q2019 (3Q2018: positive profit before tax of SGD2.4mn). We think this is mainly due to BGL’s acquisition of the remaining 50%-interest in BTM (Thailand) Ltd from Minor Food Group in Feb 2019, which we believe is not contributing to profits, as well as lower revenue from direct operated stores in China. In addition, this segment is somewhat impacted by the social unrest in Hong Kong. We note that the profitability of the segment has yet to improve q/q (2Q2019 pre-tax loss: SGD1.9mn).
- Food Atrium: Profit before tax fell 16.5% y/y to SGD3.9mn, which we think is impacted by the social unrest in Hong Kong (which contributes 15% of the segment’s revenue) as well as 3 new stores opened in 3Q2019 (1 in China, 1 in Hong Kong and 1 in other country) which likely incurred start-up expenses.
- Restaurant: Profit before tax rose 52.8% y/y to SGD8.0mn, mainly due to the addition of 5 more outlets (4 in Singapore, 1 in Thailand).
- 4orth division: Loss before tax increased y/y to SGD2.6mn (3Q2018: loss before tax of SGD0.8mn) though we note that the loss before tax has narrowed q/q from 2Q2019’s SGD3.2mn. This is due to start-up costs for the new outlets and performance below expectations for certain outlets.
- As such, we think BGL is no longer as diversified. We note that Bakery is no longer contributing positively to profits for two consecutive quarters while Food Atrium and Restaurant remains cash generative – with the contribution now much skewed towards the latter with Din Tai Fung now as the main anchor of the whole BGL portfolio.
- Meanwhile, credit metrics deteriorated somewhat q/q with net gearing rising to 77% (2Q2019: 65%). We expect further deterioration in credit metrics as the acquisition of Food Junction for SGD80mn was completed on 31 Oct 2019, which could push net tangible gearing beyond 2x. Food Junction’s net profit is a mere SGD3.2k – which we think may take BGL some time to improve it.
- For now, we continue to hold BGL at a Neutral (5) Issuer Profile, albeit precariously given the weak profitability and expectation of credit metrics deterioration. (Company, OCBC)

## Asian Credit Daily

### Credit Headlines

#### City Developments Ltd (“CDL”) | Issuer Profile: Neutral (3)

- CDL reported 3Q2019 results. 3Q2019 revenue fell 12.9% y/y to SGD885.3mn, mainly due to decline in property development revenue (-37.8% y/y to SGD290.2mn) while the rest of the segments partly mitigated the impact with hotel operations revenue rising 4.2% y/y to SGD445.9mn and investment properties revenue rising 28.3% y/y to SGD111.2mn. On a reported EBITDA basis though, the decline is bigger (-23.8% y/y to SGD243mn) with broad declines in the key segments:
  - Property Development: Reported EBITDA fell 13.9% y/y to SGD136mn, with lower contribution from development projects this year due to lower revenue.
  - Hotel Operations: Reported EBITDA fell 72.7% y/y to SGD21mn, mainly due to SGD36.9mn impairment losses recorded for hotels (Millennium Hilton New York One UN Plaza and Millennium Hilton Seoul) and costs of SGD24.0mn to undertake the privatisation of Millennium & Copthorne (“M&C”). Without these one-offs, we estimate that reported EBITDA would have risen 6.4% y/y instead to SGD81.9mn.
  - Rental properties: Recorded 6.0% y/y rise, mainly due to increased contributions from overseas rental properties as we note several properties (Aldgate House in London, 125 Old Broad Street in London and Central Mall Office Tower) were acquired in 2H2018 while Le Grove Serviced Residences was reopened in Jul 2018 and HLCC retail mall opened in June 2018.
- Thus far, CDL’s Singapore development projects are selling well, with SGD2.56bn in residential units sold in 9M2019 (9M2018: SGD1.56bn), with several projects fully sold or with high sales rate (as a percentage of launched units) including (1) New Futura, (2) The Tapestry, (3) Whistler Grand, (4) South Beach Residences, (5) Boulevard 88, (6) Amber Park (7) Haus on Handy, (8) Nouvel 18, (9) Piermont Grand EC and (10) Sengkang Grand Residences.
- Meanwhile, the investment portfolio segment occupancy statistics is somewhat weaker though still healthy with office at 91.3% occupancy (though declined from 2Q2019’s 92.1%) and retail at 94.2% occupancy (declined from 2Q2019’s 95.1%). Meanwhile, the overall portfolio continues to record positive rental reversion.
- Overall, credit metrics look stable q/q with net gearing at 44%. However, this is expected to deteriorate and we expect net gearing to exceed 60% due to (1) takeover of M&C for SGD1.34bn, which was privatised on 4 Nov 2019 while there will be compulsory acquisition of the remaining shares on 19 Nov 2019 and (2) acquisition of Shanghai’s Hongqiao Sincere Centre (Phase 2) for ~SGD344mn, targeted to be completed in 4Q2019. Going forward, we can expect more capital outlay as (1) CDL may undertake asset enhancements in the M&C portfolio, (2) develop unutilised land, (3) redevelop its existing portfolio following the CBD Incentive Scheme which increased the gross plot ratio for select areas within Singapore’s CBD, (4) make acquisitions to fuel the growth of the company’s recurring income. Pending the exact acquisition and the funding mix, we continue to hold CDL at a Neutral (3) Issuer Profile, for now. (Company, OCBC)



### Key Market Movements

	13-Nov	1W chg (bps)	1M chg (bps)		13-Nov	1W chg	1M chg
iTraxx Asiax IG	63	-1	-11	Brent Crude Spot (\$/bbl)	61.96	0.36%	2.40%
iTraxx SovX APAC	29	0	-5	Gold Spot (\$/oz)	1,458.32	-2.16%	-2.34%
iTraxx Japan	55	-2	-6	CRB	179.80	-0.71%	2.14%
iTraxx Australia	57	0	-8	GSCI	417.32	-1.09%	1.93%
CDX NA IG	52	0	-5	VIX	12.68	-1.17%	-18.61%
CDX NA HY	108	0	1	CT10 (%)	1.923%	9.42	19.35
iTraxx Eur Main	48	-1	-7				
iTraxx Eur XO	230	-3	-15	AUD/USD	0.685	-0.48%	1.12%
iTraxx Eur Snr Fin	57	-1	-6	EUR/USD	1.101	-0.47%	-0.12%
iTraxx Eur Sub Fin	118	-1	-13	USD/SGD	1.362	-0.20%	0.55%
iTraxx Sovx WE	12	0	-1	AUD/SGD	0.933	0.31%	-0.56%
USD Swap Spread 10Y	-9	-1	-2	ASX 200	6,729	1.03%	1.84%
USD Swap Spread 30Y	-39	-1	-2	DJIA	27,691	0.72%	3.26%
US Libor-OIS Spread	35	0	0	SPX	3,092	0.56%	4.09%
Euro Libor-OIS Spread	6	1	2	MSCI Asiax	657	-1.08%	5.40%
				HSI	27,065	-2.25%	2.88%
China 5Y CDS	37	-1	-8	STI	3,255	-0.24%	4.53%
Malaysia 5Y CDS	40	0	-10	KLCI	1,609	0.34%	3.33%
Indonesia 5Y CDS	72	-1	-16	JCI	6,181	-1.33%	1.23%
Thailand 5Y CDS	26	0	-3	EU Stoxx 50	3,712	0.97%	3.99%
Australia 5Y CDS	17	0	-3				

Source: Bloomberg



## Asian Credit Daily

### New Issues

- Doosan Infracore Co., Ltd (Guarantor: The Korea Development Bank) priced a USD300mn 3-year bond at T+60bps, tightening from IPT of T+85bps area.
- Hongkong Ideal Investment Limited (Parent Guarantor: Beijing Hongkun Weiye Real Estate Development) priced a USD40mn re-tap of its existing BJHKWY 14.75%'22s at 14.75%, in line with IPT.

Date	Issuer	Size	Tenor	Pricing
12-Nov-19	Doosan Infracore Co., Ltd	USD300mn	3-year	T+60bps
12-Nov-19	Hongkong Ideal Investment Limited	USD40mn	BJHKWY 14.75%'22s	14.75%
11-Nov-19	RKPF Overseas 2019 (E) Limited	USD300mn	NC5-Perpetual	7.75%
11-Nov-19	Dexin China Holdings Company Limited	USD100mn	DEXICN 12.875%'21s	13.875%
11-Nov-19	XI HAI AN 2019 LIMITED	USD300mn	3-year	3.9%
7-Nov-19	Redsun Properties Group Limited	USD150mn	REDSUN 9.95%'22s	12.7%
7-Nov-19	Huarong Finance 2019 Co., Ltd	USD500mn USD500mn	5-year 10-year	T+160bps T+200bps
7-Nov-19	Changsha Pilot Investment Holdings Group Co., Ltd	USD350mn	3-year	3.8%
7-Nov-19	City Development Company of LanZhou	USD300mn	3-year	4.15%
7-Nov-19	Central Plaza Development Ltd	USD500mn	NC5-Perpetual	5.75%
7-Nov-19	Skyfame Realty (Holdings) Limited	USD69mn	SKYFAM 13%'22s	13.0%
6-Nov-19	Haitong International Securities Group Ltd	USD400mn	5.5-year	T+160bps
6-Nov-19	Guangzhou Metro Investment Finance (BVI) Limited	USD200mn	5-year	T+97.5bps
6-Nov-19	Zhengzhou Urban Construction Investment Group Co., Ltd	USD300mn	3-year	3.8%
6-Nov-19	Sun Hung Kai & Co. (BVI) Limited	USD350mn	5-year	5.75%
6-Nov-19	Chengdu Jiaozi Financial Holding Group Co., Ltd	USD300mn	3-year	3.24%

Source: OCBC, Bloomberg

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