

Market Commentary

- The SGD swap curve bear-steepened yesterday, with the shorter tenors trading 9-10bps higher, while the belly and the longer tenors traded 10-16bps higher.
- The Bloomberg Barclays Asia USD IG Bond Index average OAS tightened 3bps to 266bps, and the Bloomberg Barclays Asia USD HY Bond Index average OAS widened 9bps to 1141bps. The HY-IG Index Spread widened 12bps to 875bps.
- Flows in SGD corporates were heavy, with flows in STANLN 5.375%-PERPs, F 4.125%'24s, ABNAV 4.75%'26s, UOBSP 4%-PERPs, CELSP 3.9%-PERPs and SIASP 3.16%'23s.
- 10Y UST Yields fell 6bps to 0.67%, while U.S. stocks decline, as investors rebalanced their portfolios as the month and quarter came.

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, CFA

+65 6530 7348

zhiqiseow@ocbc.com

Credit Summary:

- [Ascendas Real Estate Investment Trust \("AREIT"\)](#) | **Issuer Profile: Neutral (3)**: AREIT announced that it has entered into an agreement to buy 25%-stake in Ascendas Fusion 5 Pte Ltd ("AF5PL"). The remaining 75% of AF5PL is owned by a wholly-owned subsidiary of AREIT's Sponsor, CapitaLand Ltd. The purchase has been funded by a mix of internal funding and debt and has been completed. Given the small scale of the transaction we see this as credit neutral.
- [OUE Ltd \("OUE"\)](#) | **Issuer Profile: Neutral (5)**: OUE and its Sponsored REIT, OUE Commercial REIT ("OUE-CT") would be providing rental relief measures for their retail tenants located in Downtown Gallery, Mandarin Gallery, OUE Bayfront, OUE Link and OUE Tower. We note that the passing on of the full property tax rebates to retail tenants has been adopted by other retail landlords as well though as of writing OUE's announcement is the most generous announced by a sizeable landlord, in our view.
- [Qantas Airways Ltd \("Qantas"\)](#) | **Issuer Profile: Neutral (5)**: As a response to its main rival Virgin Australia Holdings ("VAH")'s request for aid from the federal government, reportedly Qantas would also seek for government aid, with the justification being if VAH gets support, Qantas should also receive similar help that is proportional to its business size. Separately, the Australian Securities and Investment Commission is investigating allegations that Qantas has engaged in anti-competitive behaviour.
- **Industry Outlook – Financial Institutions**; [HSBC Holdings PLC \("HSBC"\)](#) | **Issuer Profile: Neutral (3)**; [Barclays PLC \("Barclays"\)](#) | **Issuer Profile: Neutral (4)**; [Standard Chartered PLC \("StanChart"\)](#) | **Issuer Profile: Neutral (4)**: Following many [European banks delaying or cancelling dividends](#) and suspending share buy backs, UK banks overnight and this morning also confirmed they would be doing the same at the request of the Prudential Regulation Authority. This includes HSBC, StanChart and Barclays under our coverage. On the European Central Bank ("ECB") front, while European bank announcements deferring capital returns to shareholders were welcomed, the ECB's stance looks as if it is becoming somewhat harsher. On a more positive note, the ECB has stated that AT1 coupons are safe for now given current capital levels.

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Credit Headlines

Ascendas Real Estate Investment Trust (“AREIT”) | Issuer Profile: Neutral (3)

- AREIT announced that it has entered into an agreement with MBK Real Estate Asia Pte Ltd (“vendor”) to buy 25%-stake in Ascendas Fusion 5 Pte Ltd (“AF5PL”). AF5PL holds Galaxis, a business park property located in Fusionpolis, one-North and the property is directly connected to the one-North MRT station. AREIT is buying this 25%-stake for SGD105.9mn (inclusive of transaction costs) and subject to post-completion adjustments.
- The remaining 75% of AF5PL is owned by a wholly-owned subsidiary of AREIT’s Sponsor, CapitaLand Ltd (“CAPL”, Issuer profile: Neutral (3)). CAPL owns a ~19%-stake in AREIT.
- The purchase has been funded by a mix of internal funding and debt and has been completed. Given the small scale of the transaction we see this as credit neutral. As at 31 December 2019, AREIT’s total asset was ~SGD13.9bn. (Company, OCBC)

OUE Ltd (“OUE”) | Issuer Profile: Neutral (5)

- OUE and its Sponsored REIT, OUE Commercial REIT (“OUE-CT”) would be providing rental relief measures tailored for their retail tenants located in Downtown Gallery, Mandarin Gallery, OUE Bayfront, OUE Link and OUE Tower.
- OUE-CT is 47.7% owned by OUE and its subsidiaries (consolidated at OUE level).
- Measures in place include (1) Waiver of gross rental for April 2020 (2) Passing on the full property tax rebates to be received from the Singapore government (3) Flexible rental payment schemes and (4) Rental reduction of between 15-25%, to be reviewed on a month on month basis.
- We note that (2) the full pass-through has been adopted by other retail landlords as well though as of writing OUE’s announcement is the most generous announced by a sizeable landlord, in our view. OUE does not breakdown its retail revenue specifically though its Mandarin Gallery property (located on Orchard Road), valued at SGD493mn is a fully retail property. For its other properties, retail forms an ancillary portion of the building, with the properties being largely office. (Company, OCBC)

Qantas Airways Ltd (“Qantas”) | Issuer Profile: Neutral (5)

- As a response to its main rival Virgin Australia Holdings (“VAH”)’s request for AUD1.4bn in aid from the federal government (preliminary proposal), reportedly Qantas would also seek for government aid, with the justification being if VAH gets support, Qantas should also receive similar help that is proportional to its business size. Qantas’ revenue is three times that of VAH’s, leading to AUD4.2bn of support in the form of a loan.
- Separately, the corporate, markets and financial services regulator Australian Securities and Investment Commission (“ASIC”) is investigating allegations that Qantas was spreading rumors to the media that VAH was running out of cash and had appointed an advisory firm as its administrators. Earlier, a separate regulator, the Australian Competition and Consumer Commission (“ACCC”) received a letter from VAH alleging that Qantas has engaged in anti-competitive behaviour and if ACCC finds substance to the allegations, Qantas could be fined though this is not in our base case. (Sydney Morning Herald, OCBC)

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Credit Headlines

Industry Outlook – Financial Institutions; HSBC Holdings PLC (“HSBC”) | Issuer Profile: Neutral (3); Barclays PLC (“Barclays”) | Issuer Profile: Neutral (4); Standard Chartered PLC (“StanChart”) | Issuer Profile: Neutral (4)

- Following many [European banks delaying or cancelling dividends](#) and suspending share buy backs, UK banks overnight and this morning also confirmed they would be doing the same at the request of the Prudential Regulation Authority. This includes HSBC, StanChart and Barclays under our coverage. Per Bloomberg, the five biggest banks in the UK had previously announced their intention to pay GBP7.5bn in dividends.
- On the European Central Bank (“ECB”) front, while European bank announcements deferring capital returns to shareholders were welcomed, the ECB’s stance looks as if it is becoming somewhat harsher, moving from a suggestion to curtail dividends and share buy backs to strong encouragement to now indicating they may force banks to defer and possibly take “legally binding measures if need be.” How this happens is still uncertain however banks may have little choice to push back given they could be reliant on regulators and central banks for some sort of support whether it be liquidity relief or regulatory relaxation of capital requirements or non-performing loan recognition.
- On a more positive note, the ECB has stated that AT1 coupons are safe for now given current capital levels. This was a support for the AT1 space which has been impacted by the recent risk-off environment. As a reminder in our recent [Monthly Credit View for April](#) published yesterday, we continue to recommend for investors already invested to continue holding high grade senior bonds, senior bank papers and Tier 2 capital instruments of select high grade issuers (Neutral (3)) and above. We have an underweight call on perpetuals. (Bloomberg, OCBC)

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Key Market Movements

	01-Apr	1W chg (bps)	1M chg (bps)		01-Apr	1W chg	1M chg
iTraxx Asiax IG	138	-1	68	Brent Crude Spot (\$/bbl)	25.80	-5.81%	-48.93%
iTraxx SovX APAC	73	0	33	Gold Spot (\$/oz)	1,581.84	-2.17%	-0.48%
iTraxx Japan	125	3	66	CRB	121.79	-4.97%	-23.62%
iTraxx Australia	172	-5	105	GSCI	255.54	-6.53%	-28.71%
CDX NA IG	114	11	49	VIX	53.54	-13.18%	33.48%
CDX NA HY	93	-1	-12	CT10 (%)	0.651%	-21.66	-49.79
iTraxx Eur Main	97	8	30				
iTraxx Eur XO	575	43	270	AUD/USD	0.613	2.79%	-6.30%
iTraxx Eur Snr Fin	118	16	38	EUR/USD	1.102	1.24%	-1.05%
iTraxx Eur Sub Fin	255	39	97	USD/SGD	1.423	1.71%	-2.29%
iTraxx Sovx WE	25	0	10	AUD/SGD	0.872	-1.03%	4.30%
USD Swap Spread 10Y	4	10	5	ASX 200	5,250	5.03%	-18.50%
USD Swap Spread 30Y	-46	8	-9	DJIA	21,917	5.85%	-13.74%
US Libor-OIS Spread	136	18	113	SPX	2,585	5.61%	-12.51%
Euro Libor-OIS Spread	11	-1	3	MSCI Asiax	560	1.83%	-12.25%
				HSI	23,490	-0.16%	-10.10%
China 5Y CDS	53	4	4	STI	2,460	-1.80%	-18.29%
Malaysia 5Y CDS	120	-5	62	KLCI	1,340	1.14%	-9.65%
Indonesia 5Y CDS	222	3	130	JCI	4,592	16.61%	-15.79%
Thailand 5Y CDS	79	-3	40	EU Stoxx 50	2,787	2.64%	-16.30%
Australia 5Y CDS	36	-7	12				

Source: Bloomberg

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New Issues

- Guizhou Shuanglong Airport Development & Investment (Group) Co. Ltd. (SBLC Provider: Hua Xia Bank Co., Ltd Guiyang Branch) priced a USD26mn 2-year 354-day bond at 4%, in line with IPT.
- AIA Group Limited priced a USD1bn 10-year bond at T+275bps, tightening from IPT of T+325bps area.

Date	Issuer	Size	Tenor	Pricing
31-Mar-20	Guizhou Shuanglong Airport Development & Investment (Group) Co. Ltd.	USD26mn	2-year 354-day	4%
31-Mar-20	AIA Group Limited	USD1bn	10-year	T+275bps
26-Mar-20	State Bank of India of London	USD100mn	2-year	3m-US LIBOR+80bps
25-Mar-20	Binjiang Guotou Limited (Guarantor: Taizhou Xinbinjiang Development Co Ltd)	USD219mn	3-year	7.0%
25-Mar-20	HSBC Holdings PLC	USD2.5bn	10-year	T+415bps
25-Mar-20	SATS Ltd	SGD200mn	5-year	2.88%
23-Mar-20	Maybank Singapore Limited	SGD500mn	10-year	3.7%
24-Mar-20	Xinhu (BVI) 2018 Holding Company Limited (Guarantor: Xinhu Zhongbao Co Ltd)	USD200mn	3-year	11.0%
19-Mar-20	China Construction Bank (Asia) Corporation Limited	USD500mn	PERPNC5	3.18%
13-Mar-20	Export-Import Bank of Korea	USD425mn	5-year	1.375%
13-Mar-20	PCGI Intermediate Limited (Guarantor: PCGI Ltd)	USD137.46mn	PCGIIN 4.75%'24s	4.75%
11-Mar-20	China Cinda (2020) I Management Ltd. (Guarantor: China Cinda (HK) Holdings Co.)	USD700mn USD500mn USD300mn USD500mn	3-year 5-year 7-year 10-year	T+160bps T+195bps T+240bps T+255bps
11-Mar-20	Beijing Capital Polaris Investment Co. Ltd. (Guarantor: Beijing Capital Group Co. Ltd.)	USD300mn	3-year	2.8%
11-Mar-20	Xiang Sheng Holding Limited (Guarantor: Shinsun Real Estate Group Co. Ltd.)	USD53mn	SHXREG 12.5%'22s	12.5%

Source: OCBC, Bloomberg

Treasury Research & Strategy

Macro Research

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

Credit Research

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

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