

Market Commentary

- The SGD swap curve bear-steepened yesterday, with the shorter tenors trading 0-6bps higher while the belly and the longer tenors traded 7-13bps higher.
- The Bloomberg Barclays Asia USD IG Bond Index average OAS tightened 5bps to 216bps, and the Bloomberg Barclays Asia USD HY Bond Index average OAS tightened 36bps to 848bps. The HY-IG Index Spread tightened 31bps to 632bps.
- Flows in SGD corporates were heavy, with flows in CMZB 4.875%'27s, ARASP 5.65%-PERPs, OCBCSP 3.8%-PERPs, SOCGEN 6.125%-PERPs, UBS 4.85%-PERPs, LBBW 3.75%'27s, WINGTA 4.35%-PERPs, HRINTH 3.8%'25s, SOCGEN 4.3%'26s and UOBSP 4%-PERPs.
- 10Y UST Yields gained 6bps to 0.75%, as the U.S. private payrolls for May fell less than expected as businesses reopened.

Credit Research

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Credit Summary:

- [Sembcorp Industries Ltd \("SCI"\)](#) | **Issuer Profile: Neutral (5)** and [Sembcorp Marine Ltd \("SMM"\)](#) | **Issuer Profile: Unrated:** Both SCI and its 61%-owned subsidiary SMM have requested to be placed on trading halt pending the release of an announcement. In our view, SCI's credit profile had been dragged by ongoing financial support to SMM. In the hypothetical scenario of a de-coupling of SMM's operations and debt from SCI, we would see SCI's credit profile as improved.
- [Qantas Airways Limited \("Qantas"\)](#) | **Issuer Profile: Neutral (5):** Qantas announced that both the parent airline and Jetstar would increase their domestic and regional flights for June and July 2020. The extra services will see capacity increase from 5% of pre-COVID-19 levels to 15% by end-June 2020.
- [China Aoyuan Property Group Limited \("CAPG"\)](#) | **Issuer Profile: Negative (6):** CAPG has announced that for May 2020, it has achieved unaudited property contracted sales of ~RMB10.25bn (m/m up by 17%) and up 2% on a y/y basis. For 5M2020, accumulated unaudited property contracted sales were ~RMB33.28bn (5M2019: RMB38.33bn), down 13.2% y/y. (Company)
- [Westpac Banking Corporation \("WSTP"\)](#) | **Issuer Profile: Positive (2):** WSTP announced some findings from an internal investigation into the current proceedings by Australia's financial crimes intelligence agency ('AUSTRAC') for alleged systemic breaches under the Anti-Money Laundering and Counter-Terrorism Financing Act. In essence, the report found the breaches to be more the result of a deficiency in skills and resources as well as a weak reporting structure rather than any intentional desire to breach regulations. Westpac is intending to move on from this episode as quickly as possible as it battles the COVID-19 impact and Australia's economic slow down, however can only do so once it settles the case with AUSTRAC.

Asian Credit Daily

Credit Headlines

Sembcorp Industries Ltd (“SCI”) | Issuer Profile: Neutral (5) and Sembcorp Marine Ltd (“SMM”) | Issuer Profile: Unrated

- Both SCI and its 61%-owned subsidiary SMM have requested to be placed on trading halt pending the release of an announcement.
- On the same day, SMM announced that an ex-employee at its Brazilian subsidiary, Estaleiro Jurong Aracruz Ltda (“EJA”) and companies connected to an individual (which SMM had engaged as consultants) has been charged in their personal capacities in relation to Operation Car Wash.
- In our view, [SCI’s credit profile](#) had been dragged by ongoing financial support to SMM. In the hypothetical scenario of a de-coupling of SMM’s operations and debt from SCI, we would see SCI’s credit profile as improved. We continue to monitor the situation at SCI and SMM. (Company, OCBC)

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

- Qantas announced that both the parent airline and Jetstar would increase their domestic and regional flights for June and July 2020.
- The extra services will see capacity increase from 5% of pre-COVID-19 levels to 15% by end-June 2020.
- Depending on travel demand and further easing of state borders, the company has guided that it has the ability to increase to 40% of its pre-COVID-19 domestic capacity by end-July 2020. (Company, OCBC)

China Aoyuan Property Group Limited (“CAPG”) | Issuer Profile: Negative (6)

- CAPG has announced that for May 2020, it has achieved unaudited property contracted sales of ~RMB10.25bn (m/m up by 17%) and up 2% on a y/y basis.
- For 5M2020, accumulated unaudited property contracted sales were ~RMB33.28bn (5M2019: RMB38.33bn), down 13.2% y/y. (Company)

Westpac Banking Corporation (“WSTP”) | Issuer Profile: Positive (2)

- WSTP announced some findings from an internal investigation into the current proceedings by Australia’s financial crimes intelligence agency (‘AUSTRAC’) for alleged systemic breaches under the Anti-Money Laundering and Counter-Terrorism Financing Act. This follows its admission in mid-May that it breached anti-money laundering laws over 19mn times and did not sufficiently monitor certain high risk accounts linked to suspected child abuse.
- In essence, the report found the breaches to be more the result of a deficiency in skills and resources as well as a weak reporting structure rather than any intentional desire to breach regulations. In addition, the report stated that the inadequate processes with regards to financial crime were exacerbated by poor individual judgements.
- Westpac is intending to move on from this episode as quickly as possible as it battles the COVID-19 impact and Australia’s economic slow down, however can only do so once it settles the case with AUSTRAC. As previously reported, Westpac has set aside AUD900mn in provisions for settlement costs. (Bloomberg, OCBC)

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Key Market Movements

	4-Jun	1W chg (bps)	1M chg (bps)		4-Jun	1W chg	1M chg
iTraxx Asiax IG	91	-9	-32	Brent Crude Spot (\$/bbl)	39.34	11.48%	44.63%
iTraxx SovX APAC	49	-6	-22	Gold Spot (\$/oz)	1,704.72	-0.79%	0.16%
iTraxx Japan	66	-2	-12	CRB	135.01	4.53%	13.91%
iTraxx Australia	92	-9	-33	GSCI	313.91	4.81%	21.16%
CDX NA IG	73	-5	-18	VIX	25.66	-7.10%	-28.66%
CDX NA HY	102	4	8	CT10 (%)	0.739%	4.93	10.57
iTraxx Eur Main	65	-4	-22				
iTraxx Eur XO	375	-36	-148	AUD/USD	0.690	3.93%	7.31%
iTraxx Eur Snr Fin	78	-2	-31	EUR/USD	1.121	1.24%	2.81%
iTraxx Eur Sub Fin	166	-4	-67	USD/SGD	1.401	1.21%	1.15%
iTraxx Sovx WE	23	0	-8	AUD/SGD	0.966	-2.63%	-5.79%
USD Swap Spread 10Y	-1	0	0	ASX 200	5,971	2.05%	12.24%
USD Swap Spread 30Y	-48	-1	-1	DJIA	26,270	2.82%	10.61%
US Libor-OIS Spread	27	-2	-18	SPX	3,123	2.86%	9.85%
Euro Libor-OIS Spread	14	-4	-5	MSCI Asiax	636	6.67%	8.53%
				HSI	24,281	4.96%	2.83%
China 5Y CDS	48	-4	-3	STI	2,699	7.30%	5.27%
Malaysia 5Y CDS	75	-12	-37	KLCI	1,551	6.39%	12.64%
Indonesia 5Y CDS	139	-25	-82	JCI	4,976	7.19%	8.03%
Thailand 5Y CDS	45	-5	-23	EU Stoxx 50	3,270	7.16%	16.09%
Australia 5Y CDS	0	0	-1				

Source: Bloomberg

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New Issues

- Singtel Group Treasury Pte Ltd (Guarantor: Singapore Telecommunications Ltd.) priced a USD750mn 10-year bond at T+123bps, tightening from IPT of T+170bps area.
- Kaisa Group Holdings Ltd priced a USD300mn 364-day bond at 7.875%, tightening from IPT of 8.375% area.
- Yinchuan Tonglian Capital Investment Operation Co., Ltd priced a USD260mn 3-year bond at 4.45%, tightening from IPT of 4.75% area.
- The Export-Import Bank of China priced a USD200mn 5-year bond at 1.0%.
- Korea South-East Power Co Ltd has mandated banks for a possible USD bond offering.

Date	Issuer	Size	Tenor	Pricing
03-Jun-20	Singtel Group Treasury Pte Ltd (Guarantor: Singapore Telecommunications Ltd.)	USD750mn	10-year	T+123bps
03-Jun-20	Kaisa Group Holdings Ltd	USD300mn	364-day	7.875%
03-Jun-20	Yinchuan Tonglian Capital Investment Operation Co., Ltd	USD260mn	3-year	4.45%
03-Jun-20	The Export-Import Bank of China	USD200mn	5-year	1.0%
02-Jun-20	Sands China Ltd	USD800mn USD700mn	5-year 10-year	T+350bps T+375bps
02-Jun-20	Hongkong Electric Finance Limited (Guarantor: The Hongkong Electric Company, Limited)	USD500mn	10-year	T+165bps
01-Jun-20	Industrial & Commercial Bank of China Ltd. of Sydney	USD100mn	3-year	3m-US LIBOR+60bps
01-Jun-20	Starhill Global REIT MTN Pte Ltd (Guarantor: Starhill Global REIT)	SGD100mn	5-year	3.15%
29-May-20	Bank of Communications Co., Ltd. Hong Kong Branch	USD100mn	3-year	3m-US LIBOR+75bps
29-May-20	Export-Import Bank of Korea	USD100mn	5-year	1.3265%
29-May-20	Industrial & Commercial Bank of China Ltd. of Sydney	USD100mn	3-year	3m-US LIBOR+60bps
29-May-20	Xiangtan Urban & Rural Development Group Co Ltd	USD105mn	3-year	4%
29-May-20	Hejun Shunze Investment Co., Limited (Guarantor: Sichuan Languang Development Co Ltd)	USD250mn	2-year	11%

Source: OCBC, Bloomberg

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