

Market Commentary

- The SGD swap curve bear-steepened yesterday, with the shorter tenors trading 1-4bps higher while the belly and the longer tenors traded 5-7bps higher.
- The Bloomberg Barclays Asia USD IG Bond Index average OAS tightened 4bps to 212bps, and the Bloomberg Barclays Asia USD HY Bond Index average OAS tightened 23bps to 825bps. The HY-IG Index Spread tightened 19bps to 613bps.
- Flows in SGD corporates were heavy, with flows in CMZB 4.875%'27s, STANLN 5.375%-PERPs, UBS 4.85%-PERPs, ARASP 5.65%-PERPs, FPLSP 4.98%-PERPs, UOBSP 4%-PERPs, CMZB 4.2%'28s, UBS 5.875%-PERPs, CAPLSP 3.15%'29s, CS 5.625%-PERPs, HSBC 4.7%-PERPs and UOBSP 3.58%-PERPs.
- 10Y UST Yields gained 8bps to 0.83%, a level not seen in months despite the U.S. equity indices falling, boosted by European stimulus efforts as well as a drop in initial jobless claims from previous months.

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- [Oxley Holdings Ltd \(“OHL”\)](#) | **Issuer Profile: Negative (6):** OHL announced the sale of its entire 18.77%-stake in Galliard Group Ltd (“Galliard”) for GBP30mn (SGD52.8mn), which has been fully paid for by the buyer. The stake was previously in 2015 acquired for GBP50mn. We understand that part of the reason for the sale is to enhance OHL’s financial flexibility. OHL also considered the limited cashflow returns from its stake in Galliard and the future expansion needs of Galliard while the outlook of the UK property market arising from COVID-19 may impact the value of its existing land bank. While the sale is cashflow positive, we estimate the sale will result in ~SGD100mn losses before tax.
- [Hotel Properties Ltd \(“HPL”\)](#) | **Issuer Profile: Neutral (4):** HPL provided a business update in relation to COVID-19. HPL acknowledges challenging market conditions, which will impact its financial results adversely. The property developments in the UK will likely face delays due to supply chain and labour disruptions. In response to the COVID-19 situation, HPL has taken measures to reduce costs and expenditure. To support its retail tenants in Singapore, HPL has provided rental rebates, which are mitigated by property tax rebates from the government. While COVID-19 has been a significant negative on profitability, HPL affirmed that it has the liquidity to weather through.
- [Sembcorp Industries Ltd \(“SCI”\)](#) | **Issuer Profile: Neutral (5) and [Sembcorp Marine Ltd \(“SMM”\)](#) | Issuer Profile: Unrated:** Both SCI and its 61%-owned subsidiary SMM are still on trading halt pending the release of an announcement. This morning SMM announced that its Brazilian subsidiary, Estaleiro Jurong Aracruz Ltda (“EJA”) has entered into a revolving facility agreement with Standard Chartered Bank. Under this facility agreement, if a change of control (“COC”) occurs, negotiations will be entered to review the terms of the facility agreement though if the parties fail to reach an agreement, the lender may cancel the commitment and declare that all outstanding loans with accrued interest would be payable within 20 business days. SMM shared that as at today, it has ~SGD6.0bn of banking facilities that may be affected by occurrence of a COC.

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Credit Headlines

Oxley Holdings Ltd (“OHL”) | Issuer Profile: Negative (6)

- OHL announced the sale of its entire 18.77%-stake in Galliard Group Ltd (“Galliard”) for GBP30mn (SGD52.8mn), which has been fully paid for by the buyer. The buyer is FREP 4 H1 Ltd, which is unrelated to OHL. The stake was previously in 2015 acquired for GBP50mn.
- We understand that part of the reason for the sale is to enhance OHL’s financial flexibility. OHL also considered the limited cashflow returns from its stake in Galliard and the future expansion needs of Galliard while the outlook of the UK property market arising from COVID-19 may impact the value of its existing land bank.
- While the sale is cashflow positive which should help partly alleviate pressures on near-term maturities, we estimate the sale will result in ~SGD100mn losses before tax, given that the net asset value of the shares was SGD155.4mn as of 31 Dec 2019.
- We continue to hold OHL at a Negative (6) Issuer Profile due to [weakened profitability and potential challenges to its liquidity profile, as mentioned in our Credit Update on 27 Mar 2020](#). (Company, OCBC)

Hotel Properties Ltd (“HPL”) | Issuer Profile: Neutral (4)

- HPL provided a business update in relation to COVID-19. HPL acknowledges challenging market conditions, which will impact its financial results adversely. The property developments in the UK will likely face delays due to supply chain and labour disruptions.
- In response, HPL has taken measures to reduce major administrative costs and put on hold non-essential capex. To support its retail tenants in Singapore, HPL has provided rental rebates, which are mitigated by property tax rebates from the government.
- HPL also mentioned about fair value provisions on revaluation of long term investments due to the weak market sentiments.
- While COVID-19 has been a significant negative on profitability, HPL affirmed that it has the liquidity to weather through COVID-19. We continue to hold HPL at a Neutral (4) Issuer Profile. (Company, OCBC)

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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 are still on trading halt pending the release of an announcement.
- This morning SMM announced that its Brazilian subsidiary, Estaleiro Jurong Aracruz Ltda (“EJA”) has entered into a revolving facility agreement for up to USD500mn with Standard Chartered Bank.
- Under this facility agreement, a change of control (“COC”) includes an event where SCI ceases to be (or enters into any arrangement where it announces that it will cease to be) the majority shareholder of the company, where SCI ceases to own more than 50% of SMM. If a COC occurs, the parties shall enter into negotiations to review the terms of the facility agreement though if the parties fail to reach an agreement, the lender may cancel the commitment of the lender and declare that all outstanding loans with accrued interest would be payable within 20 business days.
- SMM shared that as at today, it has ~SGD6.0bn of banking facilities (excluding interest, amounts which have not been drawn down and the revolving credit facility, amounts in relation to early termination of foreign exchange hedging) that may be affected by occurrence of a COC.
- In our view, this continues to highlight the reliance of SMM on SCI. We had lowered our [issuer profile of SCI in August 2019](#), among which one reason was the financial support SCI had been providing onto SMM had fallen on SCI debtholders, in our view. We will continue monitoring the situation. (Company, OCBC)

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Key Market Movements

	5-Jun	1W chg (bps)	1M chg (bps)		5-Jun	1W chg	1M chg
iTraxx Asiax IG	91	-12	-29	Brent Crude Spot (\$/bbl)	39.81	12.68%	28.54%
iTraxx SovX APAC	47	-9	-22	Gold Spot (\$/oz)	1,711.92	-1.06%	0.35%
iTraxx Japan	65	-5	-15	CRB	135.75	4.61%	9.79%
iTraxx Australia	92	-11	-29	GSCI	316.00	2.91%	15.26%
CDX NA IG	73	-5	-17	VIX	25.81	-9.72%	-23.21%
CDX NA HY	102	3	8	CT10 (%)	0.809%	15.59	14.66
iTraxx Eur Main	64	-8	-20				
iTraxx Eur XO	373	-55	-136	AUD/USD	0.695	4.20%	8.02%
iTraxx Eur Snr Fin	74	-11	-30	EUR/USD	1.133	2.05%	4.51%
iTraxx Eur Sub Fin	164	-17	-64	USD/SGD	1.398	1.12%	1.27%
iTraxx Sovx WE	21	-2	-11	AUD/SGD	0.971	-2.98%	-6.23%
USD Swap Spread 10Y	-1	-1	0	ASX 200	5,972	3.76%	10.45%
USD Swap Spread 30Y	-48	-1	-1	DJIA	26,282	3.47%	10.04%
US Libor-OIS Spread	26	-3	-17	SPX	3,112	2.73%	8.50%
Euro Libor-OIS Spread	13	-3	-5	MSCI Asiax	638	6.11%	8.16%
				HSI	24,321	5.92%	1.90%
China 5Y CDS	48	-9	-1	STI	2,710	7.95%	5.36%
Malaysia 5Y CDS	74	-15	-35	KLCI	1,551	5.25%	11.59%
Indonesia 5Y CDS	132	-34	-83	JCI	4,859	3.02%	4.94%
Thailand 5Y CDS	45	-8	-20	EU Stoxx 50	3,262	5.40%	13.41%
Australia 5Y CDS	0	--	0				

Source: Bloomberg

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New Issues

- Zhenro Properties Group Limited priced a USD200mn 3.25NC2.25 bond at 8.3%, tightening from IPT of 8.75% area.
- Amber Treasure Ventures Limited (Guarantor: Nan Hai Corporation Limited) priced a USD350mn 2NC1 bond at 2.9%, tightening from IPT of 3.25% area.
- Seazen Group Limited priced a USD400mn 2-year bond at 6.45%, tightening from IPT of 7% area.
- PTTEP Treasury Center Co. (Guarantor: PTT Exploration and Production Public Co.) priced a USD500mn 7-year bond at T+195bps, tightening from IPT of T+270bps area.
- Henderson Land MTN Limited (Guarantor: Henderson Land Development Co Ltd) priced a USD200mn re-tap of its HENLND 2.375%'25s.
- The Export-Import Bank of China priced a USD150mn 3-year bond at 0.9%.
- Korea Electric Power Corporation has arranged investor calls commencing 4 June for its proposed green USD bond offering.

Date	Issuer	Size	Tenor	Pricing
04-Jun-20	Zhenro Properties Group Limited	USD200mn	3.25NC2.25	8.3%
04-Jun-20	Amber Treasure Ventures Limited (Guarantor: Nan Hai Corporation Limited)	USD350mn	2NC1	2.9%
04-Jun-20	Seazen Group Limited	USD400mn	2-year	6.45%
04-Jun-20	PTTEP Treasury Center Co. (Guarantor: PTT Exploration and Production Public Co.)	USD500mn	7-year	T+195bps
04-Jun-20	Henderson Land MTN Limited (Guarantor: Henderson Land Development Co Ltd)	USD200mn	HENLND 2.375%'25s	2.375%
04-Jun-20	The Export-Import Bank of China	USD150mn	3-year	0.9%
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

Source: OCBC, Bloomberg

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