

Market Commentary

- The SGD swap curve fell yesterday, with the shorter tenors trading 4-7bps lower, while the belly and the longer tenors traded 4-6bps lower.
- The Bloomberg Barclays Asia USD IG Bond Index average OAS widened 1bps to 259bps, and the Bloomberg Barclays Asia USD HY Bond Index average OAS widened 12bps to 1004bps. The HY-IG Index Spread widened 11bps to 745bps.
- Flows in SGD corporates were heavy, with flows in BAERVX 5.9%-PERPs, CMZB 4.875%'27s, DBSSP 3.98%-PERPs, UBS 5.875%-PERPs, UOBSP 3.58%-PERPs and FCTSP 3.2%'23s.
- 10Y UST Yields gained 2bps to 0.64% by the end of the day, as heavy corporate debt issuance weighed on Treasury prices with a lack of any strong catalyst.

Credit Research

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Credit Summary:

- [Olam International Limited \("Olam"\)](#) | **Issuer Profile: Neutral (5):** In November 2019, Olam announced the proposed sale and tiered revenue sharing arrangement of its onion and garlic processing facility in California to Mesirow Financial ("Mesirow"), an investment management firm. Olam shared that the arrangement was completed in December 2019 with the transfer of titles by Olam, and the total consideration was discharged by a cash deposit paid and a promissory note issued by Olam to Mesirow. However, due to the financial market disruption arising from COVID-19, Mesirow has been unable to meet its obligation under the promissory note by 30 April 2020. Olam has thus decided that it was in its best interest to mutually agree with Mesirow to terminate the tiered revenue sharing arrangement and for Mesirow to transfer back the titles to Olam.
- [Qantas Airways Limited \("Qantas"\)](#) | **Issuer Profile: Neutral (5):** Qantas announced a market update where the company shared that it has obtained a further AUD550mn in debt funding against three of its wholly-owned Boeing 787-9 aircraft and that the company has sufficient liquidity to respond to a range of outcomes including one where current trading conditions persist until November 2021. As at 4 May 2020, Qantas has AUD1.0bn of undrawn committed facilities and no significant debt maturities until June 2021. On an overall basis, the company is currently operating around 5% of its pre-crisis domestic passenger network and around 1% of its international network on an Available Seat Kilometre basis. Qantas's fuel needs has been 100% hedged for the financial year ended June 2020 ("FY2020") but in April 2020, Qantas had closed out its over-hedged position through to September 2020. Per company, the cash impact of all foreign exchange and fuel hedging between now and the end-September 2020 is AUD145mn of cash outflow.

Asian Credit Daily**Credit Headlines****Olam International Limited (“Olam”) | Issuer Profile: Neutral (5)**

- In November 2019, Olam announced the proposed sale and tiered revenue sharing arrangement of its [onion and garlic processing facility in California to Mesirow Financial](#) (“Mesirow”), an investment management firm.
- Olam shared that the arrangement was completed in December 2019 with the transfer of titles by Olam, and the total consideration of USD110.3mn (~SGD156.8mn) was discharged by a cash deposit paid and a promissory note issued by Olam to Mesirow.
- However, due to the financial market disruption arising from COVID-19, Mesirow has been unable to secure the required financing to meet its obligation under the promissory note by 30 April 2020. Olam has decided that it was in its best interest to mutually agree with Mesirow to terminate the tiered revenue sharing arrangement and for Mesirow to transfer back the titles to Olam. Olam has initiated the process of identifying new replacement investors for this asset. We see the termination of this agreement as credit neutral as it had little impact to Olam’s net gearing ratio though signals that disruption in financial markets may lead to a slower than expected progress of Olam’s asset sales plans. (Company, OCBC)

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

- Qantas announced a market update where the company shared that it has obtained a further AUD550mn in debt funding against three of its wholly-owned Boeing 787-9 aircraft and that the company has sufficient liquidity to respond to a range of outcomes including one where current trading conditions persist until November 2021. Qantas has AUD2.7bn in unencumbered aircraft and it can raise funds against these assets if need be. In the last update as at 25 March 2020, unencumbered aircraft was AUD3.5bn.
- As at 4 May 2020, Qantas has AUD1.0bn of undrawn committed facilities. There is no significant debt maturities until June 2021.
- On an overall basis, the company is currently operating around 5% of its pre-crisis domestic passenger network and around 1% of its international network on an Available Seat Kilometre basis.
- Qantas and Jetstar will be extending its domestic and Trans-Tasman flight cancellations beyond end-May to end-June 2020 while international flight cancellations will be extended through to end-July 2020.
- Qantas’s fuel needs has been 100% hedged for the financial year ended June 2020 (“FY2020”). In April 2020, Qantas had closed out its over-hedged position through to September 2020. Per company, the cash impact of all foreign exchange and fuel hedging between now and the end-September 2020 is AUD145mn of cash outflow. We maintain Qantas’s issuer profile at Neutral (5). (Company, OCBC)

Key Market Movements

	5-May	1W chg (bps)	1M chg (bps)		5-May	1W chg	1M chg
iTraxx Asiax IG	123	4	-19	Brent Crude Spot (\$/bbl)	28.24	38.03%	-17.21%
iTraxx SovX APAC	71	0	-7	Gold Spot (\$/oz)	1,699.49	-0.49%	2.32%
iTraxx Japan	78	-4	-42	CRB	118.52	9.74%	-7.37%
iTraxx Australia	124	0	-52	GSCI	259.09	12.43%	-5.94%
CDX NA IG	91	-1	-25	VIX	35.97	8.05%	-23.14%
CDX NA HY	94	0	1	CT10 (%)	0.634%	-2.69	3.88
iTraxx Eur Main	87	5	-17				
iTraxx Eur XO	523	29	-62	AUD/USD	0.645	-0.66%	5.91%
iTraxx Eur Snr Fin	108	8	-10	EUR/USD	1.091	0.86%	1.11%
iTraxx Eur Sub Fin	233	11	-27	USD/SGD	1.415	0.16%	1.24%
iTraxx Sovx WE	31	-1	4	AUD/SGD	0.912	0.83%	-4.42%
USD Swap Spread 10Y	-1	-1	-5	ASX 200	5,391	1.46%	6.37%
USD Swap Spread 30Y	-47	-3	-5	DJIA	23,750	-1.59%	12.81%
US Libor-OIS Spread	50	-19	-82	SPX	2,843	-1.24%	14.23%
Euro Libor-OIS Spread	20	-5	9	MSCI Asiax	586	-1.85%	6.64%
				HSI	23,614	-0.91%	1.63%
China 5Y CDS	51	4	-4	STI	2,586	1.44%	8.24%
Malaysia 5Y CDS	112	-4	-6	KLCI	1,385	1.08%	4.08%
Indonesia 5Y CDS	221	-7	-22	JCI	4,605	2.43%	-0.39%
Thailand 5Y CDS	68	-1	-22	EU Stoxx 50	2,816	-2.28%	5.76%
Australia 5Y CDS	30	1	-6				

Source: Bloomberg

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New Issues

- PT Hutama Karya (Persero) (Guarantor: The Government of the Republic of Indonesia) priced a USD600mn 10-year bond at 3.8%, tightening from IPT of 4.25% area.

Date	Issuer	Size	Tenor	Pricing
04-May-20	PT Hutama Karya (Persero) (Guarantor: The Government of the Republic of Indonesia)	USD600mn	10-year	3.8%
30-Apr-20	FCT MTN Pte. Ltd. (Guarantor: Frasers Centrepont Trust)	SGD200mn	3-year	3.2%
29-Apr-20	Shuifa International Holdingsbvico. Ltd (Guarantor: Shuifa Group Co Ltd)	USD350mn	3-year	4.3%
29-Apr-20	Amber Treasure Ventures Limited (Guarantor: Nan Hai Corporation Limited)	USD500mn	2NC1	3.5%
29-Apr-20	SDSC International Development Limited (Guarantor: Shandong Shipping Corporation)	USD40mn	SDSHIP 5.9%'22s	5.9%
28-Apr-20	Wharf REIC Finance (BVI) Limited (Guarantor: Wharf Real Estate Investment Company Limited)	USD450mn USD300mn	5-year 10-year	T+205bps T+235bps
27-Apr-20	Republic of the Philippines	USD1bn USD1.35bn	10-year 25-year	T+180bps 3.375%
27-Apr-20	Korea East-West Power Co. Ltd	USD500mn	5-year	T+150bps
27-Apr-20	Honghe Development Group Co. Ltd	USD108mn	3-year	7%
24-Apr-20	Perennial Real Estate Holdings Limited	SGD33.5mn	2-year	3.9%
23-Apr-20	Kookmin Bank	USD500mn	5-year	T+150bps
23-Apr-20	Pingdu State-owned Assets Management Co., Ltd. (Guarantor: Pingdu Construction Investment Development Co., Ltd.)	USD200mn	3-year	5.75%
23-Apr-20	PSA Treasury Pte Ltd (Guarantor: PSA International Pte Ltd)	USD650mn	10-year	T+165bps
22-Apr-20	Xiaomi Best Time International Limited (Guarantor: Xiaomi Corp)	USD600mn	10-year	T+290bps
22-Apr-20	ST Engineering RHQ Ltd. (Guarantor: Singapore Technologies Engineering Ltd.)	USD750mn	5-year	T+120bps

Source: OCBC, Bloomberg

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