

### Market Commentary

- The SGD swap curve steepened yesterday, with the shorter tenors trading 0-4bps lower, while the belly and the longer tenors traded 1-3bps higher (with the exception of the 5-year tenor trading 1 bps lower).
- The Bloomberg Barclays Asia USD IG Bond Index average OAS widened 1bps to 145bps, and the Bloomberg Barclays Asia USD HY Bond Index average OAS tightened 1bps to 573bps. The HY-IG Index Spread tightened 2bps to 428bps.
- Flows in SGD corporates were heavy, with flows in SOCGEN 6.125%-PERPs, STANLN 5.375%-PERPs, CS 5.625%-PERPs, GUOLSP 3.4%'25s, FPLSP 4.98%-PERPs, HSBC 5%-PERPs, UBS 4.85%-PERPs and CAPLSP 3.65%-PERPs.
- 10Y UST Yields fell 14bps to 0.91%, and at one point reached an intra-day record low of 0.898%, as risk aversion dragged stocks lower. S&P fell 3.4% while safe havens such as gold, JPY and CHF all rallied. Investors are still worried about the global economic impact of COVID-19 as workers around the globe are asked to work from home.

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### Credit Summary:

- [Keppel Corp Ltd \("KEP"\)](#) | **Issuer Profile: Neutral (4):** Keppel Land Limited ("KPLD", wholly-owned by KEP) has bought a 49%-equity interest in Taicang Xuchang Property Co., Ltd ("Taicang") from a subsidiary of CIFI Holdings (Group) Co., Ltd ("CIFI"). Taichang owns a residential site in Taicang City, Jiangsu Province, China and effectively, KEP and CIFI are jointly developing this project. KEP will pay ~RMB498mn (~SGD97mn) in cash for the acquisition which is expected to occur in 1Q2020.
- [China Aoyuan Group Ltd \("CAPG"\)](#) | **Issuer Profile: Neutral (5):** CAPG has announced a response to the allegations/comments contained in a short seller report. The responses relate to issues including: (1) Non-controlling interest, (2) Contracted sales and collection amount, and (3) Project investment of financial platform. We continue to monitor the developments.
- [Hongkong Land Ltd \("HKL"\)](#) | **Issuer Profile: Positive (2):** In 2019, revenue was down by 13% y/y while operating profit excluding losses in fair value of investment properties would have been higher by 8.6% y/y. HKL's financial position remains strong, with net debt stable at USD3.6bn at end 2019. Although net gearing was broadly stable at 9.4% (2018: 9.3%), we note that this is prior to HKL funding its recent purchase in Shanghai which it intends to use its internal resources. Looking forward, management expects its retail properties and Development Properties in China to be the most affected and other businesses to be stable. In addition, management also sees higher financing costs.

## Asian Credit Daily

### Credit Headlines

#### Keppel Corp Ltd (“KEP”) | Issuer profile: Neutral (4)

- Keppel Land Limited (“KPLD”, wholly-owned by KEP), via KPLD’s indirect wholly-owned subsidiary has bought a 49%-equity interest in Taicang Xuchang Property Co., Ltd (“Taicang”) from a subsidiary of major property developer, CIFI Holdings (Group) Co., Ltd. (“CIFI”). The remaining 51%-equity interest in Taicang will continue to be held indirectly by CIFI (via this same subsidiary).
- Taichang owns a 58,526 sqm residential site in New District, Taicang City, Jiangsu Province, China. Taicang City borders Shanghai. Effectively, KEP and CIFI are jointly developing this project.
- KEP will pay ~RMB498mn (~SGD97mn) in cash for the acquisition which is expected to occur in 1Q2020. The estimated total development cost for the project is expected to be in excess of RMB2.4 billion (approximately SGD469mn). (Company, OCBC)

#### China Aoyuan Group Ltd (“CAPG”) | Issuer profile: Neutral (5)

- CAPG has announced a response to the allegations/comments contained in a short seller report. Some of the responses are as follows:
  - **Non-controlling interest:** The company affirms that it has introduced non-controlling shareholders (who are typically the original shareholders of the projects). The management believes that with increasing delivery in 2019 and the next two years, the earnings for non-controlling shareholders will be more visible. The management added that property projects can take two to three years from acquisition to delivery with urban redevelopment projects taking longer by five years or more and therefore there is a time lag in recognition of non-controlling interest in the income statement vis-à-vis the consolidated balance sheet.
  - **Contracted sales and collection amount:** Contracted sales information cited in the short seller report is the contract amount (tax inclusive), while the income data carried forward from property development in the consolidated financial statements is the net sales (tax exclusive) and therefore these two items are different. CAPG projects usually take one and a half years to two years from contracted sales to delivery. Cash collection ratio has been maintained at approximately 80%.
  - **Project investment of financial platform:** Aoyuan Fund is a market-oriented private equity investment institution of CAPG. For other fixed income products issued by Aoyuan Fund mentioned in the short seller report, the actual issuers are the project companies, while Aoyuan Fund is the servicer, and the products were filed and registered on each of the local government exchanges, which are legal and compliant products, and issued fixed income products have been included in the project company debts and included in the interest-bearing debt balance of the CAPG and not non-controlling shareholder’s equity.
- We continue to monitor the developments. (Company, OCBC)

**Asian Credit Daily****Credit Headlines****Hongkong Land Ltd (“HKL”) | Issuer Profile: Positive (2)**

- In 2019, revenue was down by 13% y/y to USD2.3bn from USD2.7bn due to lower sales recognised at a point of sale from the development properties segment. Operating profit fell to USD350.6mn from USD2.3bn a year ago due to the absence of a gain in fair value of investment properties and instead losses of USD854.2mn were recorded. Excluding which, operating profit would have been higher by 8.6% y/y at USD1.2bn.
- HKL has USD1.9bn in sold but unrecognised contracted sales compared to USD1.4bn at end 2018. While these are substantial, results for 2020 is expected to be impacted by the COVID-19 outbreak.
- In Hong Kong, vacancy rate for office rose to 2.9%, up from 1.4% at end 2019 though rental reversion remained positive at HKD118 per sq ft (2018: HKD113 per sq ft). Its retail portfolio remained fully occupied, with rent lower at HKD222 per sq ft (2018: HKD233 per sq ft) due to temporary rent relief and a decline in rental reversions. Overall, HKL saw its Investment Properties' valuation decline by 2% y/y as open market rents have lowered.
- In Singapore, office committed occupancy rate was 99.3% with rents higher at SGD9.7 per sq ft (2018: SGD9.2 per sq ft).
- In Beijing, WF CENTRAL performed in line with expectations. In Bangkok, construction of a mixed-use retail and Grade A office development in the central business district is expected to commence in early 2020 for 5 years. HKL had also announced the [acquisition of a commercial site in Shanghai, China](#) last month.
- HKL's financial position remains strong, with net debt stable at USD3.6bn at end 2019. Although net gearing was broadly stable at 9.4% (2018: 9.3%), we note that this is prior to HKL funding its recent purchase in Shanghai which it intends to fund using internal resources.
- Looking forward, management expects its retail properties and Development Properties in China to be the most affected and other businesses to be stable. In addition, management also sees higher financing costs. (OCBC, Company)

### Key Market Movements

	06-Mar	1W chg (bps)	1M chg (bps)		06-Mar	1W chg	1M chg
iTraxx Asiax IG	71	-2	18	Brent Crude Spot (\$/bbl)	49.39	-2.24%	-10.09%
iTraxx SovX APAC	40	-1	11	Gold Spot (\$/oz)	1,670.36	5.34%	6.62%
iTraxx Japan	59	-4	15	CRB	162.37	-0.46%	-4.76%
iTraxx Australia	70	0	21	GSCI	365.27	1.91%	-5.66%
CDX NA IG	74	7	28	VIX	39.62	1.17%	164.84%
CDX NA HY	104	-1	-6	CT10 (%)	0.824%	-32.42	-81.78
iTraxx Eur Main	69	5	26				
iTraxx Eur XO	324	21	112	AUD/USD	0.659	1.15%	-2.08%
iTraxx Eur Snr Fin	79	4	31	EUR/USD	1.123	1.87%	2.27%
iTraxx Eur Sub Fin	160	3	60	USD/SGD	1.386	0.56%	0.01%
iTraxx Sovx WE	14	0	4	AUD/SGD	0.913	-0.66%	2.15%
USD Swap Spread 10Y	1	4	5	ASX 200	6,258	-2.85%	-11.23%
USD Swap Spread 30Y	-40	-3	-8	DJIA	26,121	1.38%	-11.09%
US Libor-OIS Spread	38	15	22	SPX	3,024	1.52%	-9.62%
Euro Libor-OIS Spread	7	-1	1	MSCI Asiax	663	3.87%	-3.34%
				HSI	26,261	0.50%	-4.48%
China 5Y CDS	49	-4	15	STI	2,977	-1.13%	-7.88%
Malaysia 5Y CDS	55	-8	18	KLCI	1,482	-0.06%	-4.58%
Indonesia 5Y CDS	91	-11	28	JCI	5,527	1.36%	-7.69%
Thailand 5Y CDS	40	2	13	EU Stoxx 50	3,364	-2.67%	-11.61%
Australia 5Y CDS	24	1	7				

Source: Bloomberg

## Asian Credit Daily

### New Issues

- Haitong International Finance Holdings 2015 Limited (Guarantor: Haitong Securities Co.,Ltd.) priced a USD670mn 5-year bond at T+142.5bps, tightening from IPT of T+180bps area.
- MCC Holding (Hong Kong) Corporation Limited (Guarantor: Metallurgical Corporation of China Ltd.) priced a USD400mn PERPNC3 at 3.25%, tightening from IPT of 3.55% area.
- Lodha Developers International Ltd. (Guarantors: Macrotech Developers Limited and Lodha Developers UK limited) priced a USD200mn 3NC1 bond at 14%, widening from IPT of 13% area.

Date	Issuer	Size	Tenor	Pricing
05-Mar-20	Haitong International Finance Holdings 2015 Limited (Guarantor: Haitong Securities Co.,Ltd.)	USD670mn	5-year	T+142.5bps
05-Mar-20	MCC Holding (Hong Kong) Corporation Limited (Guarantor: Metallurgical Corporation of China Ltd.)	USD400mn	PERPNC3	3.25%
05-Mar-20	Lodha Developers International Ltd. (Guarantors: Macrotech Developers Limited and Lodha Developers UK limited)	USD200mn	3NC1	14%
04-Mar-20	Sinic Holdings (Group) Company Limited	USD280mn	364-day	13.25%
04-Mar-20	Jingrui Holdings Limited	USD180mn	2-year	12.75%
03-Mar-20	CNAC (HK) Finbridge Company Limited (Guarantor: China National Chemical Corporation Limited)	USD200mn	HAOHUA 3.375%'24s	2.65%
03-Mar-20	Gemstones International Ltd (Guarantors include LVGEM (China) Real Estate Investment Company Ltd.)	USD450mn	3-year	12.0%
03-Mar-20	Korea Development Bank Singapore	USD100mn	2-year	3m-US LIBOR+33.5bps
02-Mar-20	Jinxinyue Development (BVI) Co., Limited (Keepwell provider: Ji'an Jinggangshan Development Zone Jinluling Economic Development Co., Ltd)	USD200mn	3-year	4.0%
28-Feb-20	The Bank of East Asia Limited	USD140mn	3-year	3m-US LIBOR+60bps
27-Feb-20	RKPF Overseas 2019 (A) Limited (Guarantor: Road King Infrastructure Limited)	USD300mn	5NC3	5.9%
27-Feb-20	Geely Finance (Hong Kong) Limited (Guarantor: Zhejiang Geely Holding Group Company Limited)	USD400mn	5-year	T+200bps
27-Feb-20	Easy Tactic Ltd. (Guarantors including R&F Properties (HK) Co.)	USD400mn	4NC2	8.625%

Source: OCBC, Bloomberg

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