

Market Commentary

- The SGD swap curve bear-flattened yesterday, with the shorter tenors trading 0-3bps higher, while the belly and longer tenors traded around 1bp higher (with the exception of the 15-year tenor trading 2bps lower).
- The Bloomberg Barclays Asia USD IG Bond Index average OAS tightened 1bps to 272bps, and the Bloomberg Barclays Asia USD HY Bond Index average OAS tightened 14bps to 1124bps. The HY-IG Index Spread tightened 13bps to 852bps.
- Flows in SGD corporates were heavy, with flows in SOCGEN 6.125%-PERPs, BAERVX 5.75%-PERPs, F 4.125%'24s, CS 5.625%-PERPs, HSBC 4.7%-PERPs and STANLN 5.375%-PERPs.
- 10Y UST Yields gained 4bps to 0.71% by the end of the day, erasing some early gains, as hopes faded that the outbreak of COVID-19 is slowing. The stock market indices, after rallying on Monday and being up most of Tuesday, were negative at the end of the day.

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:

- [CMA CGM \(acquired Neptune Orient Lines, "NOL"\)](#) | **Issuer Profile: Negative (6):** Rodolphe Saadé, the CEO of CMA CGM, is anticipating May to be the slowest month for container liners. While factories in China are up and running, the industry is dragged by poor demand from European countries and America.
- [Singapore Press Holdings Ltd \("SPH"\)](#) | **Issuer Profile: Unrated:** SPH announced 1HFY2020 results. Following the poor results in 1QFY2020, it is no surprise that 1HFY2020 similarly reported net profit falling 9.3% y/y. SPH has slashed interim dividends by 73% y/y to 1.5 cts in a bid to conserve capital, which follows the move by [SPH REIT to cut distributions](#). With SPH prioritising cash conservation, plans to acquire overseas have been suspended. Meanwhile, we note that SPH is essential (as deemed by the Singapore government) and hence remains in operation during this circuit-breaker period.
- [China Aoyuan Group Limited \("CAPG"\)](#) | **Issuer Profile: Unrated:** A wholly-owned subsidiary of CAPG as Purchaser has entered into a framework agreement with Vendors to buy ~29.99%-stake of Kinghand Industrial Investment Group Co., Ltd ("Kinghand"). After completion of the acquisition, the Purchaser will inject RMB500mn to Kinghand for Kinghand's repayment of loan and daily operations. While this is prima facie an M&A acquisition, we think the intent is to expand CAPG's landbank. Separately, in a positive turn of events and in a [stark contrast to February 2020](#), CAPG announced that for the month of March 2020, it has achieved unaudited contracted sales of ~RMB7.3bn (March 2019: RMB7.5bn).
- **Industry Outlook – Financial Institutions:** The [Monetary Authority of Singapore announced yesterday some capital relief measures](#) to ensure banks continue providing credit by creating room under capital ratios. Dividend policies look to remain with the board's control but per similar regulators around the world, banks will need to tread cautiously under this guidance. Further, the Australian Prudential Regulation Authority has released a new statement advising banks and insurers to limit discretionary capital distributions in the months ahead. The progressive deferral / suspension of capital returns in our view though painful is (1) necessary considering the anticipated deterioration on capital positions and (2) prudent considering banks are the beneficiaries of regulatory forbearance and funding support from the government.

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Credit Headlines

CMA CGM (acquired Neptune Orient Lines, “NOL”) | Issuer Profile: Negative (6)

- Rodolphe Saadé, the CEO of CMA CGM, is anticipating May to be the slowest month for container liners (with a 30% drop in global shipping) due to COVID-19.
- While factories in China are up and running, the industry is dragged by poor demand from customers from European countries and America. He denounced that “excessive globalisation” would need to be modified and this crisis would be a catalyst for intra-regional developments. (Splash247, OCBC)

Singapore Press Holdings Ltd (“SPH”) | Issuer Profile: Unrated

- SPH announced 1HFY2020 results for the half-year ended 29 Feb 2020. Following the poor results in 1QFY2020 that reported net profits falling 13.5% y/y to SGD57.0mn, 1HFY2020 similarly reported net profit falling 9.3% y/y to SGD77.6mn.
- While retail and purpose-built student accommodation (“PBSA”) segments delivered SGD25.1mn higher profit before tax (“PBT”) y/y, this was more than offset by the Media segment which fell SGD31.8mn y/y. As of 1HFY2020, Media segment PBT has fallen to SGD10.3mn, in comparison to 1HFY2019 (SGD42.1mn). Media’s decline is in-line with worldwide trends.
- With the outbreak of COVID-19, the impact is exacerbated with reduced spending on advertisements by most sectors except the government, even with daily average page views increasing 4 times by DORSCON orange.
- SPH has slashed interim dividends by 73% y/y to 1.5 cts (from 5.5 cts) in a bid to conserve capital, which follows the move by [SPH REIT to cut distributions by 79% y/y](#) due to the impact on the retail sector. With SPH prioritising cash conservation, plans to acquire overseas have been suspended (including the planned acquisition of six Aged Care assets in Canada). Meanwhile, we note that SPH is essential (as deemed by the Singapore government) and hence remains in operation during this period of circuit-breaker.
- Please note that we do not currently cover SPH. (Company, OCBC)

China Aoyuan Group Limited (“CAPG”) | Issuer Profile: Unrated

- A wholly-owned subsidiary of CAPG as Purchaser has entered into a framework agreement with Vendors to buy ~29.99%-stake of Kinghand Industrial Investment Group Co., Ltd (“Kinghand”) which is listed on the Shenzhen Stock Exchange at a consideration of RMB1.16bn in cash. The Vendors are companies established under the laws of the PRC with limited liability.
- Mr. Tian Han, an individual investor, is the controlling shareholder of Kinghand controlling a ~40.9%-stake through the Vendors and he would be effectively paring his stake in Kinghand.
- After completion of the acquisition, the Purchaser will either through the provision of a loan or assisting Kinghand to obtain financing, inject RMB500mn to Kinghand for Kinghand’s repayment of loan and daily operations.
- The unaudited net asset value of Kinghand as at 30 September 2019 was ~RMB2.9bn and it has around 18 development projects across China with total saleable gross floor area of ~1.24mn sqm. While this is prima facie an M&A acquisition, we think the intent is to expand CAPG’s landbank.
- Separately, in a positive turn of events and in a [stark contrast to February 2020](#), CAPG announced that for the month of March 2020, it has achieved unaudited contracted sales of ~RMB7.3bn (March 2019: RMB7.5bn). (Company, OCBC)

Asian Credit Daily**Credit Headlines****Industry Outlook – Financial Institutions**

- The [Monetary Authority of Singapore \(“MAS”\) announced yesterday some capital relief measures](#) to ensure banks continue providing credit by creating room under capital ratios. This includes allowing banks to recognize more of loss allowance reserves as capital until Sept. 30, 2021 and deferring implementation of the final set of Basel III reforms (which would impact risk weighted assets assessments) for banks by a year. In connection with this, MAS has stated that the additional capital buffer should be used to support credit requirements by the economy rather than discretionary distributions, in particular share buy backs. Dividend policies look to remain with the board’s control but per similar regulators around the world, banks will need to tread cautiously under this guidance.
- Further, Australia’s regulator the Australian Prudential Regulation Authority (“APRA”) has tightened its previous similar stance that the decision to pay dividends for Australia’s banks continues to rest with the board and with considerations to its regulatory and social obligations to maintain access for the economy to credit ([refer Asian Credit Daily - 02 April 2020](#)). It released a [new statement](#) advising banks and insurers to limit discretionary capital distributions in the months ahead, including “prudent reductions” in dividends. APRA expects banks to take a forward looking view on their capital adequacy to support the economy. In line with this, the Bank of Queensland Ltd today became the first bank in Australia to delay its dividend announcing that the decision to pay a first half dividend would be deferred until the economic outlook becomes clearer.
- The progressive deferral / suspension of capital returns through dividends and share buy backs to shareholders globally in our view though painful is (1) necessary considering the anticipated deterioration on capital positions from reduced earnings and potential asset write downs and (2) prudent considering banks are the beneficiaries of regulatory forbearance and funding support from the government. As of now, bank capital instruments are not mentioned aside from the Reserve Bank of New Zealand’s recent agreement with New Zealand’s major banks to suspend dividend payments and refrain from redeeming non-CET1 capital instruments. Therefore, the implications can be viewed positively in our view as it preserves capital for any capital losses as well as payment of coupons. That being said, we maintain an underweight view on perpetuals (including Additional Tier 1 instruments) for now recognizing the higher non-call risk and if COVID-19 persists then bank capital may also be part of regulator’s ‘prudent’ measures at some point. These capital preservation measures are not static and could escalate depending on the direction of the current uncertain environment. As things remain fluid, we expect technical pressure to continue on bank capital instruments. As we illustrated in our recent [Monthly Credit View for April](#) in Figure 2, bank capital instruments represent relatively higher conceptual risk. (MAS, APRA, RBNZ, Bloomberg, OCBC)

Key Market Movements

	08-Apr	1W chg (bps)	1M chg (bps)		08-Apr	1W chg	1M chg
iTraxx Asiax IG	135	-16	25	Brent Crude Spot (\$/bbl)	32.56	31.61%	-28.08%
iTraxx SovX APAC	75	-4	8	Gold Spot (\$/oz)	1,647.99	3.55%	-1.93%
iTraxx Japan	109	-22	16	CRB	127.95	5.06%	-17.90%
iTraxx Australia	161	-23	48	GSCI	270.56	9.49%	-21.61%
CDX NA IG	113	-13	1	VIX	46.7	-12.78%	11.35%
CDX NA HY	92	2	-6	CT10 (%)	0.712%	12.90	-5.01
iTraxx Eur Main	95	-10	-9				
iTraxx Eur XO	540	-73	77	AUD/USD	0.615	1.22%	-6.71%
iTraxx Eur Snr Fin	111	-14	-12	EUR/USD	1.087	-0.87%	-5.07%
iTraxx Eur Sub Fin	250	-20	-2	USD/SGD	1.427	0.64%	-2.96%
iTraxx Sovx WE	26	0	3	AUD/SGD	0.877	-0.57%	3.97%
USD Swap Spread 10Y	6	-4	-2	ASX 200	5,235	-0.45%	-15.78%
USD Swap Spread 30Y	-37	1	-3	DJIA	22,654	3.36%	-12.41%
US Libor-OIS Spread	127	-9	88	SPX	2,659	2.89%	-10.53%
Euro Libor-OIS Spread	14	3	7	MSCI Asiax	578	5.73%	-10.57%
				HSI	24,092	4.36%	-7.86%
China 5Y CDS	51	-8	-41	STI	2,517	3.16%	-14.98%
Malaysia 5Y CDS	113	-19	-5	KLCI	1,361	2.91%	-8.23%
Indonesia 5Y CDS	230	-13	49	JCI	4,698	5.20%	-14.56%
Thailand 5Y CDS	87	-5	16	EU Stoxx 50	2,858	2.54%	-11.58%
Australia 5Y CDS	35	-7	-3				

Source: Bloomberg

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New Issues

- Qatar priced a USD10bn bond offering in three parts: (1) a USD2bn 5-year bond at T+300bps, (2) a USD3bn 10-year bond at T+305bps, and (3) a USD5bn 30-year bond at 4.4%, tightening from IPT of T+335bps, T+340bps, 4.75% area respectively.
- The Korea Development Bank priced a USD500mn 3-year bond at 3m-US LIBOR+145bps, tightening from IPT of 3m-US LIBOR+180bps.
- Petronas Capital Limited (the Issuer) and Petroliaam Nasional Berhad have mandated banks for a proposed USD bond offering.

Date	Issuer	Size	Tenor	Pricing
07-Apr-20	Qatar	USD2bn	5-year	T+300bps
		USD3bn	10-year	T+305bps
		USD5bn	30-year	4.4%
07-Apr-20	Korea Development Bank	USD500mn	3-year	3m-US LIBOR+145bps
06-Apr-20	Republic of Indonesia	USD1.65bn	10.5-year	3.9%
		USD1.65bn	30.5-year	4.25%
		USD1bn	50-year	4.5%
06-Apr-20	Mitsubishi UFJ Lease & Finance Co Ltd	USD450mn	5-year	3m-US LIBOR+320bps
		USD350mn	10-year	3m-US LIBOR+330bps
01-Apr-20	Baidu Inc	USD600mn	5-year	T+275bps
		USD400mn	10-year	T+285bps
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%

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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