

Market Commentary

- The SGD swap curve bull-flattened yesterday, with the shorter tenors trading 11-16bps lower, while the belly and the longer tenors traded 16-21bps lower.
- The Bloomberg Barclays Asia USD IG Bond Index average OAS widened 6bps to 151bps, and the Bloomberg Barclays Asia USD HY Bond Index average OAS widened 15bps to 588bps. The HY-IG Index Spread widened 9bps to 437bps.
- Flows in SGD corporates were heavy, with flows in SOCGEN 6.125%-PERPs, UBS 4.85%-PERPs, CS 5.625%-PERPs, HSBC 4.7%-PERPs, FPLSP 4.98%-PERPs, STANLN 5.375%-PERPs, UBS 5.875%-PERPs, UOBSP 3.58%-PERPs, KITSP 4.75%-PERPs, CAPLSP 3.08% 27s and OLAMSP 5.5%-PERPs.
- 10Y UST Yields fell 15bps to 0.76% despite strong U.S. job data, as the market is still worried about the global economic impact of COVID-19.

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Credit Summary:

- **[CMA CGM \(acquired Neptune Orient Lines, "NOL"\)](#) | Issuer Profile: Negative (6):** CMA CGM reported full year 2019 results. Revenue was up 28.9% y/y largely due to the logistics segment which was introduced following the acquisition of CEVA Logistics ("CEVA"). Core EBITDA rose substantially to USD3.8bn from USD1.1bn a year ago. Excluding the effects of CEVA and IFRS16, we find revenue lower by 0.8% y/y and core EBITDA at 1.4bn. CMA CGM ended 2019 with a cash balance of USD1.8bn and net gearing was broadly stable q/q at 3.46x. CMA plans to strengthen its financial structure and reinforce its liquidity but its financial position beyond the near term remains tricky in our view given the recent COVID-19 outbreak which is expected to have a significant impact on the global economy and the container shipping industry. We note that CMA has voided some sailings in 1Q2020 as China extended its Lunar New Year holiday due to the virus. Though somewhat premature to conclude, we expect 1Q2020 results to be negatively impacted by lower volumes.
- **[China Aoyuan Group Ltd \("CAPG"\)](#) | Issuer Profile: Neutral (5):** CAPG announced that in February 2020, its unaudited property contracted sales was down 65%. This was a period coinciding with the peak of COVID-19 outbreak in China. For the two months in January and February 2020, cumulative unaudited property contracted sales for January to February 2020 decreased 38% y/y.

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Credit Headlines

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

- CMA CGM reported full year 2019 results. Revenue was up 28.9% y/y to USD30.3bn largely due to the logistics segment which was introduced following the acquisition of CEVA Logistics ("CEVA"). Along with higher revenue, operating expenses rose 18.7% y/y to USD26.5bn on the back of the integration of CEVA. Consequentially, core EBITDA rose substantially to USD3.8bn from USD1.1bn a year ago. EBITDA margin was 12.4% (2018: 4.9%).
- Excluding the effects of CEVA and IFRS16, we find revenue lower by 0.8% y/y to USD23.3bn, operating expenses lower by 1.8%y/y to USD 21.9bn and core EBITDA higher by 18.4% y/y at 1.4bn. Adjusted EBITDA margin was 5.8%.
- Overall CMA CGM reported USD229.1mn losses to owners (ie: after minority investors), versus a profit of USD33.7mn in 2018. Losses were attributable to USD2.7bn depreciation and amortisation of non-current assets (2018: USD634.0mn) (included in the USD2.7bn is USD2.6bn from depreciation of vessels, containers and land buildings, and USD82.7mn amortisation of trademarks and customer relationships) and interest expense on borrowings and lease liabilities of USD1.4bn (2018: USD491.2mn).
- CMA CGM ended 2019 with a cash balance of USD1.8bn. Net gearing of CMA CGM was broadly stable q/q at 3.46x (3Q19:3.47x, 2Q19: 3.48x, 1Q19: 3.19x).
- Current portion of its borrowings excluding lease liabilities is USD2.3bn, and bank borrowings make up the bulk USD1.4bn. That said, included in USD2.3bn are USD192.8mn which CMA guide that it is about to finalise its refinancing, accrued interest of USD111.0mn, overdrafts of USD156.9mn which has been offset from its cash balance and securitisation programs (USD222.4mn) and uncommitted facilities (USD141.4mn) which CMA can generally roll over. Assuming the roll over and refinancing happen, CMA has sufficient cash on hand to repay its remaining outstanding current borrowing which includes USD173.9mn senior notes (i.e. SGD280mn NOLSP 4.65% '20s which will come due on 9 Sep 2020).
- That said, CMA's financial position beyond the near term remains tricky in our view given the recent COVID-19 outbreak which is expected to have a significant impact on the global economy and the container shipping industry. CMA plans to strengthen its financial structure and reinforce its liquidity via the following ways:
 - USD968mn proceeds from the sale of investment stakes held by CMA in ten port terminals to Terminal Link. The transaction, which is subject to antitrust and other regulatory approvals, is expected to be closed during 1H2020. Management expects to receive 80% of the transaction proceeds by end of March 2020.
 - USD93mn proceeds (USD85mn at closing and USD8mn of earn out) from the sale of a 50% stake in a logistics hub in India is expected to be closed in 1Q2020.
 - Additional USD100mn proceeds resulting from the increase of CEVA receivables securitisation program.

(to be continued)

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Credit Headlines

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

- In addition, CMA has obtained agreements to rollover 2020 bank debt maturities amounting to USD535mn.
- While CMA appears committed to improve its liquidity, its operating environment may have arguable become more challenging as the COVID-19 situation develops. We note that CMA has voided some sailings in 1Q2020 as China extended its Lunar New Year holiday due to the virus. Though somewhat premature to conclude, we expect 1Q2020 results to be negatively impacted by lower volumes. We will continue to hold CMA at Negative (6) Issuer Profile for now. (Company, OCBC)

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

- CAPG announced that in February 2020, it achieved unaudited property contracted sales of ~RMB1.96bn (representing a y/y decline of 65%). This was a period coinciding with the peak of COVID-19 outbreak in China.
- For the two months in January and February 2020, cumulative unaudited property contracted sales for January to February 2020 were ~RMB7.02bn in total, this decreased 38% y/y. (Company, OCBC)

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Key Market Movements

	09-Mar	1W chg (bps)	1M chg (bps)		09-Mar	1W chg	1M chg
iTraxx Asiax IG	76	7	24	Brent Crude Spot (\$/bbl)	33.26	-35.92%	-38.94%
iTraxx SovX APAC	46	7	17	Gold Spot (\$/oz)	1,667.85	4.93%	6.09%
iTraxx Japan	66	7	22	CRB	155.85	-2.26%	-8.39%
iTraxx Australia	80	13	31	GSCI	345.14	-6.42%	-10.63%
CDX NA IG	83	18	38	VIX	41.94	4.56%	171.11%
CDX NA HY	102	-3	-7	CT10 (%)	0.510%	-65.32	-107.34
iTraxx Eur Main	80	13	37				
iTraxx Eur XO	380	76	167	AUD/USD	0.655	0.18%	-2.06%
iTraxx Eur Snr Fin	91	11	41	EUR/USD	1.141	2.44%	4.54%
iTraxx Eur Sub Fin	188	30	85	USD/SGD	1.385	0.37%	0.30%
iTraxx Sovx WE	17	1	6	AUD/SGD	0.907	0.20%	2.40%
USD Swap Spread 10Y	12	13	17	ASX 200	5,761	-9.87%	-17.97%
USD Swap Spread 30Y	-30	7	2	DJIA	25,865	1.79%	-11.13%
US Libor-OIS Spread	56	42	40	SPX	2,972	0.61%	-10.68%
Euro Libor-OIS Spread	7	-3	2	MSCI Asiax	647	0.34%	-4.89%
				HSI	25,205	-4.13%	-8.03%
China 5Y CDS	55	6	19	STI	2,817	-6.34%	-11.45%
Malaysia 5Y CDS	74	16	36	KLCI	1,438	-1.95%	-7.47%
Indonesia 5Y CDS	109	17	45	JCI	5,267	-1.75%	-12.21%
Thailand 5Y CDS	49	11	22	EU Stoxx 50	3,232	-2.93%	-14.91%
Australia 5Y CDS	28	5	11				

Source: Bloomberg

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New Issues

- Zensun Enterprises Limited priced a USD200mn 2.5-year bond at 13%, tightening from IPT of 13.375% area.
- Xi'an Aerospace Science & Technology Industry Company priced a USD200mn 3-year bond at 6.5%.

Date	Issuer	Size	Tenor	Pricing
06-Mar-20	Zensun Enterprises Limited	USD200mn	2.5-year	13%
06-Mar-20	Xi'an Aerospace Science & Technology Industry Company	USD200mn	3-year	6.5%
05-Mar-20	Industrial and Commercial Bank of China Limited of Luxembourg	USD150mn	3-year	3m-US LIBOR+50bps
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

Source: OCBC, Bloomberg

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