

Market Commentary

- The SGD swap curve slightly bull-flattened yesterday, with the shorter tenors trading 0-1bps lower while the belly and the longer tenors traded 1-2bps lower.
- The Bloomberg Barclays Asia USD IG Bond Index average OAS remained mostly unchanged at 204bps, and the Bloomberg Barclays Asia USD HY Bond Index average OAS widened 2bps to 780bps. The HY-IG Index Spread widened 3bps to 576bps.
- Flows in SGD corporates were heavy, with flows in SINTEC 4.1%-PERPs, CS 5.625%-PERPs, HSBC 5%-PERPs, HSBC 4.7%-PERPs and PINGIN 2.125%'21s.
- 10Y UST Yields gained 3bps to 0.66% as the U.S.' stronger June consumer confidence data boosted risk-on sentiments.

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:

- [Commerzbank AG \("CMZB"\)](#) | **Issuer Profile: Neutral (4)**: CMZB has cancelled its supervisory board meeting which was aimed at discussing revisions to its restructuring plan. According to Bloomberg, this was due to a request for more information. Connected to this request however is likely the contention surrounding the amount of job losses which is likely to receive significant push back from labour unions whose representatives sit on CMZB's supervisory board. At the same time, CMZB's second largest shareholder Cerberus Capital Management LP, who is seeking immediate management and strategy changes and board seats, is putting increasing pressure on CMZB to be more aggressive with cost cuts including more job reductions than the rumoured 7,000.
- [Frasers Centrepoint Trust \("FCT"\)](#) | **Issuer Profile: Neutral (3)**: FCT has acquired an additional 12% interest in PGIM Real Estate AsiaRetail Fund Ltd ("ARF") for SGD197.2mn. This would bring its total interest in ARF to 36.89% from 24.82%. FCT's post acquisition aggregate leverage is estimated to be 36.2%. Together with its Sponsor, Frasers Property Ltd ("FPL", Issuer Profile: Neutral (5))'s 63.1% stake in ARF, the Group would have 100% interest in ARF. We expect FCT to eventually fully own the malls in Singapore in ARF.
- [Lendlease Group \("LLC"\)](#) | **Issuer Profile: Neutral (3)**: LLC announced unaudited results for FY2020, which painted a number of negatives. LLC expects its reported gearing to fall below 10% with total liquidity above AUD5bn, which is buffered by the Pre-sold Lendlease Apartment Cash Flows (which may raise AUD500mn) and equity raising exercise which eventually raised AUD1.21bn.
- [Industry Outlook – Singapore Property](#): Private residential property prices fell by 1.1% q/q, according to URA flash estimates. The fall is expected, which is a continuation from 1Q2020 which saw prices fall by 1.0% q/q. That said, we think there could be significant changes when the full 2Q2020 data is published, noting that the flash estimates are based on contracts submitted by developers till mid-June, which is before the reopening of Phase 2 of the economy (from 19 Jun).

Asian Credit Daily

Credit Headlines

Commerzbank AG (“CMZB”) | Issuer Profile: Neutral (4)

- CMZB has cancelled its supervisory board meeting which was aimed at discussing revisions to its restructuring plan. According to Bloomberg, this was due to a request for more information.
- Connected to this request however is likely the contention surrounding the amount of job losses which, as [we mentioned earlier this week](#), is likely to receive significant push back from labour unions whose representatives sit on CMZB’s supervisory board. At the same time, CMZB’s second largest shareholder Cerberus Capital Management LP, who is [seeking immediate management and strategy changes](#) and board seats, is putting increasing pressure on CMZB to be more aggressive with cost cuts including more job reductions than the rumoured 7,000.
- This points to a delicate time for management who need to implement its restructuring effectively and efficiently to combat the weaker operating environment. We continue to watch developments. (Bloomberg, OCBC)

Frasers Centrepoint Trust (“FCT”) | Issuer Profile: Neutral (3)

- FCT has acquired an additional 12% interest in PGIM Real Estate AsiaRetail Fund Ltd (“ARF”) for SGD197.2mn. This would bring its total interest in ARF to 36.89% from 24.82%. FCT’s post acquisition aggregate leverage is estimated to be 36.2%.
- This acquisition further strengthens FCT’s interest in ARF. Together with its Sponsor, Frasers Property Ltd (“FPL”, Issuer Profile: Neutral (5))’s 63.1% stake in ARF, the Group would have 100% interest in ARF. We expect FCT to eventually fully own the malls in Singapore in ARF. (Company, OCBC)

Lendlease Group (“LLC”) | Issuer Profile: Neutral (3)

- LLC announced unaudited results for FY2020, which painted a number of negatives.
- Core profit after tax is expected to be in the range of AUD50mn to AUD150mn (FY2019: AUD804mn), with statutory loss in the range of AUD230mn to AUD340mn, weighed down by all its business segments.
 - Development: LLC expects delay in apartment settlements as well as elevated cancellations from its Communities business. We note communities delivered AUD180.7mn sales in 1HFY2020 (Development total: AUD1.86bn).
 - Construction: Shutdowns in Australia and especially abroad have impacted the progress of existing projects.
 - Investment: Revaluation losses of AUD130mn to AUD160mn after tax is expected and operating earnings should also be impacted.
- That said, we are comfortable with LLC at an issuer profile of Neutral (3) given its healthy credit metrics and ample liquidity. LLC expects its reported gearing to fall below 10% with total liquidity above AUD5bn, which is buffered by the Pre-sold Lendlease Apartment Cash Flows (which may raise AUD500mn) and [equity raising exercise](#) which eventually raised AUD1.21bn. (Company, OCBC)

Asian Credit Daily

Credit Headlines

Industry Outlook – Singapore Property

- Private residential property prices fell by 1.1% q/q, according to URA flash estimates. The fall is expected, which is a continuation from [1Q2020 which saw prices fall by 1.0% q/q](#).
- Within the sub-segments though trends diverge. Core Central Region prices fell by just 0.1% q/q (1Q2020: -2.2% q/q) while Rest of Central Region prices fell 1.9% q/q (1Q2020: -0.5% q/q). Interestingly, prices in Outside Central Region remained unchanged (1Q2020: -0.4% q/q).
- That said, we think there could be significant changes when the full 2Q2020 data is published, noting that the flash estimates are based on contracts submitted by developers till mid-June, which is before the reopening of Phase 2 of the economy (from 19 Jun).
- We maintain our negative outlook on the Singapore Property sector and expect prices to correct by mid to high single digit in 2020 on a y/y basis. (Company, OCBC)

Asian Credit Daily

Key Market Movements

	1-Jul	1W chg (bps)	1M chg (bps)		1-Jul	1W chg	1M chg
iTraxx Asiax IG	85	-2	-16	Brent Crude Spot (\$/bbl)	41.72	3.50%	8.87%
iTraxx SovX APAC	47	1	-7	Gold Spot (\$/oz)	1,782.62	1.22%	2.48%
iTraxx Japan	59	2	-9	CRB	137.97	-0.45%	4.25%
iTraxx Australia	87	-1	-15	GSCI	325.48	2.02%	5.90%
CDX NA IG	76	-3	-3	VIX	30.43	-3.00%	7.79%
CDX NA HY	99	0	0	CT10 (%)	0.676%	-0.32	1.67
iTraxx Eur Main	67	-3	-3				
iTraxx Eur XO	383	-14	-29	AUD/USD	0.691	0.61%	1.66%
iTraxx Eur Snr Fin	80	0	-1	EUR/USD	1.124	-0.11%	0.92%
iTraxx Eur Sub Fin	167	-6	-8	USD/SGD	1.393	0.01%	1.02%
iTraxx Sovx WE	19	1	-3	AUD/SGD	0.963	-0.60%	-0.64%
USD Swap Spread 10Y	-2	-1	-1	ASX 200	5,929	-0.62%	1.88%
USD Swap Spread 30Y	-49	-1	0	DJIA	25,813	-1.31%	1.33%
US Libor-OIS Spread	23	2	-5	SPX	3,100	-0.99%	1.46%
Euro Libor-OIS Spread	6	-2	-9	MSCI Asiax	649	-1.34%	5.40%
				HSI	24,427	-0.34%	2.93%
China 5Y CDS	50	-2	-3	STI	2,614	-0.57%	2.46%
Malaysia 5Y CDS	72	-1	-13	KLCI	1,500	-0.20%	0.63%
Indonesia 5Y CDS	131	-2	-25	JCI	4,906	-1.18%	3.21%
Thailand 5Y CDS	43	0	-8	EU Stoxx 50	3,234	-1.96%	5.07%
Australia 5Y CDS	0	0	-2				

Source: Bloomberg

Asian Credit Daily

New Issues

- Weibo Corp priced a USD750mn 10-year bond at T+280bps, tightening from IPT of T+320bps area.
- Neijiang Investment Holding Group Co. Ltd. (Guarantor: Sichuan Development Financing Guarantee Co. Ltd.) priced a USD75mn 3-year bond at 4.5%.
- JG Summit Holdings Inc has mandated banks for its proposed USD bond offering.
- GS Caltex Corp has mandated banks for a possible USD bond offering.

Date	Issuer	Size	Tenor	Pricing
30-Jun-20	Weibo Corp	USD750mn	10-year	T+280bps
30-Jun-20	Neijiang Investment Holding Group Co. Ltd. (Guarantor: Sichuan Development Financing Guarantee Co. Ltd.)	USD75mn	3-year	4.5%
29-Jun-20	Times China Holdings Limited	USD300mn	5NC3	6.75%
29-Jun-20	Golden Wheel Tiandi Holdings Company Limited	USD170mn	2.5NP1.5Y	14.25%
29-Jun-20	Xingchang International Co. (Guarantor: Zhejiang Changxing Financial Holdings Group Co.)	USD160mn	3-year	5.5%
29-Jun-20	AC Energy Finance International Ltd (Guarantor: AC Energy Inc)	USD60mn	ACNRGY 4.75%'24s	4.875%
25-Jun-20	Singapore Technologies Telemedia Pte Ltd	SGD375mn	PerpNC7	4.10%
24-Jun-20	China Aoyuan Group Limited	USD460mn	3.6NC2.6	6.35%
24-Jun-20	NagaCorp Limited (Guarantors: NagaCorp (HK) Limited, Nagaworld Limited, NagaCity Walk Limited, Naga 2 Land Limited and Naga 3 Company Limited)	USD350mn	4NC2	8.5%
24-Jun-20	New Oriental Education & Technology Group, Inc.	USD300mn	5-year	T+185bps
24-Jun-20	Swiss Re Finance (UK) PLC (Guarantor: Swiss Re Ltd.)	SGD350mn	15NC5	3.125%
23-Jun-20	Mega Wisdom Global Limited (Guarantor: Fortune Joy Ventures Limited and Sino-Ocean Capital Holding Limited)	USD300mn	364-day	5.625%
23-Jun-20	Ronshine China Holdings Limited	USD160mn	RONXIN 7.35%'23s	7.35%

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

This publication is solely for information purposes only and may not be published, circulated, reproduced or distributed in whole or in part to any other person without our prior written consent. This publication should not be construed as an offer or solicitation for the subscription, purchase or sale of the securities/instruments mentioned herein. Any forecast on the economy, stock market, bond market and economic trends of the markets provided is not necessarily indicative of the future or likely performance of the securities/instruments. Whilst the information contained herein has been compiled from sources believed to be reliable and we have taken all reasonable care to ensure that the information contained in this publication is not untrue or misleading at the time of publication, we cannot guarantee and we make no representation as to its accuracy or completeness, and you should not act on it without first independently verifying its contents. The securities/instruments mentioned in this publication may not be suitable for investment by all investors. Any opinion or estimate contained in this report is subject to change without notice. We have not given any consideration to and we have not made any investigation of the investment objectives, financial situation or particular needs of the recipient or any class of persons, and accordingly, no warranty whatsoever is given and no liability whatsoever is accepted for any loss arising whether directly or indirectly as a result of the recipient or any class of persons acting on such information or opinion or estimate. This publication may cover a wide range of topics and is not intended to be a comprehensive study or to provide any recommendation or advice on personal investing or financial planning. Accordingly, they should not be relied on or treated as a substitute for specific advice concerning individual situations. Please seek advice from a financial adviser regarding the suitability of any investment product taking into account your specific investment objectives, financial situation or particular needs before you make a commitment to purchase the investment product. OCBC Bank, its related companies, their respective directors and/or employees (collectively "Related Persons") may or might have in the future interests in the investment products or the issuers mentioned herein. Such interests include effecting transactions in such investment products, and providing broking, investment banking and other financial services to such issuers. OCBC Bank and its Related Persons may also be related to, and receive fees from, providers of such investment products.

This report is intended for your sole use and information. By accepting this report, you agree that you shall not share, communicate, distribute, deliver a copy of or otherwise disclose in any way all or any part of this report or any information contained herein (such report, part thereof and information, "Relevant Materials") to any person or entity (including, without limitation, any overseas office, affiliate, parent entity, subsidiary entity or related entity) (any such person or entity, a "Relevant Entity") in breach of any law, rule, regulation, guidance or similar. In particular, you agree not to share, communicate, distribute, deliver or otherwise disclose any Relevant Materials to any Relevant Entity that is subject to the Markets in Financial Instruments Directive (2014/65/EU) ("MiFID") and the EU's Markets in Financial Instruments Regulation (600/2014) ("MiFIR") (together referred to as "MiFID II"), or any part thereof, as implemented in any jurisdiction. No member of the OCBC Group shall be liable or responsible for the compliance by you or any Relevant Entity with any law, rule, regulation, guidance or similar (including, without limitation, MiFID II, as implemented in any jurisdiction).