

Market Commentary

- The SGD swap curve bull flattened yesterday, with the shorter tenors trading 1-6bps lower while the belly and the longer tenors broadly traded 8-13bps lower.
- The Bloomberg Barclays Asia USD IG Bond Index average OAS tightened 1bps to 202bps, and the Bloomberg Barclays Asia USD HY Bond Index average OAS tightened 9bps to 769bps. The HY-IG Index Spread tightened 8bps to 566bps.
- Flows in SGD corporates were heavy, with flows in SOCGEN 6.125%-PERPs, CATHAY3.375%'23s, CS 5.625%-PERPs, CAPLSP 3.15%'29s, UOBSP 3.58%-PERPs, MAPLSP 3.95%-PERPs, FPLSP 4.98%-PERPs, CELSP 3.9%-PERPs, UBS 4.85%-PERPs, CAPLSP 3.08%'27s, STANLN 4.4%'26s, FPLSP 3.95%-PERPs, CMZB 4.2%'28s, HSBC 5%-PERPs and CMZB 4.875%'27s.
- 10Y UST Yields fell 5bps to 0.83%, as investors are expecting news about yield curve control and negative interest rates from the Federal Reserve.

Credit Research

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Credit Summary:

- [Perennial Real Estate Holdings Ltd \(“PREH”\)](#) | **Issuer Profile: Negative (6):** Perennial has requested for trading halt. The reason is not provided, though we understand that [substantial shareholders have been reviewing options in relation to their holdings](#). We will not exclude the possibility of a privatisation.
- [Cathay Pacific Airways Limited \(“CATHAY”\)](#) | **Issuer Profile: Unrated, [Swire Pacific Ltd \(“Swire”\)](#) | Issuer Profile: Unrated and [Air China Ltd \(“Air China”\)](#) | Issuer Profile: Unrated:** CATHAY announced a HKD39bn recapitalisation proposal. Bulk of the funding will be taken up by the HKSAR government via an entity Aviation 2020 Limited, which is wholly owned by the Financial Secretary Incorporated. The recapitalisation proposal includes (a) Proposed issue of preference shares with warrants (b) Proposed rights issue of shares on the basis of 7 for every 11 rights share and (c) Proposed bridge facility.

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Credit Headlines

Perennial Real Estate Holdings Ltd (“PREH”) | Issuer Profile: Negative (6)

- Perennial has requested for trading halt. The reason is not provided, though we understand that [substantial shareholders have been reviewing options in relation to their holdings](#). We will not exclude the possibility of a privatisation. (Company, OCBC)

Cathay Pacific Airways Limited (“CATHAY”) | Issuer Profile: Unrated, Swire Pacific Ltd (“Swire”) | Issuer Profile: Unrated and Air China Ltd (“Air China”) | Issuer Profile: Unrated

- CATHAY announced a HKD39bn recapitalisation proposal. Bulk of the funding will be taken up by the HKSAR government via an entity Aviation 2020 Limited (“Aviation 2020”), which is wholly owned by the Financial Secretary Incorporated.
- The recapitalisation proposal includes (a) Proposed issue of preference shares with warrants (b) Proposed rights issue of shares on the basis of 7 for every 11 rights share and (c) Proposed bridge facility:
 - **Preference shares with warrants:** HKD19.5bn of preference shares and warrants to subscribe for shares with an aggregate exercise price of ~HKD1.95bn (at HKD4.68 exercise price, subject to adjustments). The warrant exercise period is five years from issue date. Upon exercise, the warrants will entitle the new equity holder ~6%-stake in the company. Aviation 2020 will be taking up the full preference shares and warrants. The preference shares dividend rate is 3.0% p.a from issue date to year three, stepping up to 5.0% p.a from year three to year four, 7.0% p.a from year four to year five, 9.0% p.a from year five onwards. CATHAY holds a redemption option to redeem the preference shares at any time. The preference shares is not redeemable at the option of the holder. In a liquidation scenario, the preference shares rank in priority to common equity.
 - **Rights issue of common equity:** The rights subscription price is at HKD4.68 per share (35% discount to theoretical ex-price and 46.9% discount to last closing price) to raise ~HKD11.7bn and underwritten by four banks. CATHAY’s major shareholders Swire, Air China and Qatar Airways, currently holding a 45%, 29.99% and 9.99%-stake respectively has irrevocably undertaken to subscribe for all of the rights shares to be provisionally allotted to it. Common equity to be raised from the rights is ~HKD11.7bn.
 - **Bridge loan:** Aviation 2020 will provide a HKD7.8bn bridge loan to CATHAY that is available for up to 12 months from the date of the facility. Each loan matures 18 months after the date of the relevant advance (which can be make available in one or more tranches).
- In 4M2020, CATHAY’s loss was HKD4.5bn while there is no intention for the government to become a long term shareholder of CATHAY (three to five year investment horizon) and there is no intention to interfere with the operation of CATHAY. The government will have two board observer seats (no voting rights but some say on corporate affairs of CATHAY). Swire has undertaken that it will remain as a controlling shareholder of CATHAY as long as Aviation 2020 remains holder of any of the preference shares or any amount of the bridge loan is outstanding. (South China Morning Post, Company, OCBC)

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Key Market Movements

	10-Jun	1W chg (bps)	1M chg (bps)		10-Jun	1W chg	1M chg
iTraxx Asiax IG	84	-7	-33	Brent Crude Spot (\$/bbl)	40.78	2.49%	31.68%
iTraxx SovX APAC	43	-6	-23	Gold Spot (\$/oz)	1,717.01	1.02%	1.12%
iTraxx Japan	57	-9	-21	CRB	138.45	3.23%	10.99%
iTraxx Australia	84	-8	-34	GSCI	324.41	3.76%	16.64%
CDX NA IG	72	-1	-21	VIX	27.57	2.72%	-1.47%
CDX NA HY	102	0	7	CT10 (%)	0.829%	8.29	14.56
iTraxx Eur Main	66	1	-19				
iTraxx Eur XO	360	-14	-146	AUD/USD	0.695	0.43%	7.12%
iTraxx Eur Snr Fin	76	-2	-28	EUR/USD	1.134	0.95%	4.93%
iTraxx Eur Sub Fin	164	-2	-59	USD/SGD	1.389	0.63%	2.01%
iTraxx Sovx WE	18	-4	-12	AUD/SGD	0.966	0.21%	-4.76%
USD Swap Spread 10Y	-1	0	4	ASX 200	6,171	5.76%	14.47%
USD Swap Spread 30Y	-47	2	5	DJIA	27,272	5.94%	12.09%
US Libor-OIS Spread	23	-4	-15	SPX	3,207	4.10%	9.47%
Euro Libor-OIS Spread	10	-2	-12	MSCI Asiax	651	2.31%	8.02%
				HSI	25,179	3.51%	3.92%
China 5Y CDS	49	0	0	STI	2,817	4.30%	8.67%
Malaysia 5Y CDS	67	-8	-38	KLCI	1,576	4.52%	14.01%
Indonesia 5Y CDS	116	-23	-90	JCI	5,035	3.87%	9.52%
Thailand 5Y CDS	40	-6	-22	EU Stoxx 50	3,321	5.12%	14.19%
Australia 5Y CDS	26	-2	-2				

Source: Bloomberg

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New Issues

- YONGDA Investment Limited (Guarantor: Shanghai Construction Group Co., Ltd.) priced a USD600mn 5-year bond at T+195bps, tightening from IPT of T+245bps area.
- Ronshine China Holdings Limited priced a USD250mn 3.5NC2.5 bond at 7.35%, tightening from IPT of 7.95% area.
- UPL Corp. priced a USD500mn 10-year bond at T+385bps, tightening from IPT of T+435bps area.
- CFLD (Cayman) Investment Ltd. (Guarantor: China Fortune Land Development Co., Ltd) priced a USD300mn 2-year bond at 6.92%, tightening from IPT of 7.5% area.
- Hysan (MTN) Limited priced a USD225mn 15-year bond at 3.55%.
- International Container Terminal Services Inc. has mandated banks for its USD bond offering.

Date	Issuer	Size	Tenor	Pricing
09-Jun-20	YONGDA Investment Limited (Guarantor: Shanghai Construction Group Co., Ltd.)	USD600mn	5-year	T+195bps
09-Jun-20	Ronshine China Holdings Limited	USD250mn	3.5NC2.5	7.35%
09-Jun-20	UPL Corp.	USD500mn	10-year	T+385bps
09-Jun-20	CFLD (Cayman) Investment Ltd. (Guarantor: China Fortune Land Development Co., Ltd)	USD300mn	2-year	6.92%
09-Jun-20	Hysan (MTN) Limited	USD225mn	15-year	3.55%
08-Jun-20	Korea Electric Power Corporation	USD500mn	5-year	T+75bps
08-Jun-20	Central China Real Estate Limited	USD400mn	3.2NC2.2	7.8%
08-Jun-20	Greenland Global Investment Ltd (Guarantor: Greenland Holding Group Co. Ltd)	USD500mn	2.5NP1.5	6.45%
08-Jun-20	Champion MTN Ltd. (Guarantor: Champion Real Estate Investment Trust)	USD300mn	10-year	T+220bps
05-Jun-20	Malayan Banking Berhad	USD200mn	40NC5	0%
04-Jun-20	Zhenro Properties Group Limited	USD200mn	3.25NC2.25	8.3%
04-Jun-20	Amber Treasure Ventures Limited (Guarantor: Nan Hai Corporation Limited)	USD350mn	2NC1	2.9%

Source: OCBC, Bloomberg

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