

### Market Commentary

- The SGD swap curve slightly flattened yesterday, with the shorter and belly tenors trading 0-0.3bps higher while the longer tenors traded slightly lower.
- The Bloomberg Barclays Asia USD IG Bond Index average OAS tightened 3bps to 168bps, while the Bloomberg Barclays Asia USD HY Bond Index average OAS widened 10bps to 685bps. The HY-IG Index Spread widened 13bps to 517bps.
- There were no flows in SGD corporates over the National Day public holiday.
- 10Y UST Yields gained 1bps to 0.58% before the Treasury starts record funding for August starting today.

### Credit Research

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### Credit Summary:

- [Keppel Corporation Limited \(“KEP”\)](#) | **Issuer Profile: Neutral (4)**: The financial adviser to Kyanite Investment Holdings Pte. Ltd (the “Offeror”), an indirect wholly-owned subsidiary of Temasek Holdings (Private) Limited), announced on behalf of the Offeror that the Offeror will not proceed with the partial offer for KEP which would have seen Temasek’s stake in KEP rise to ~51%, if successful. Per KEP, it will continue to execute its Vision 2030 and it intends to engage with Temasek to explore opportunities for strategic collaboration.
- [Qantas Airways Limited \(“Qantas”\)](#) | **Issuer Profile: Neutral (5)**: Qantas announced the completion of its non-underwritten share purchase plan from existing retail shareholders. The SPP raised ~AUD71.7mn, representing a participation rate of only ~5% from eligible shareholders. Qantas is targeted to announced its full year results for the financial year ended 30 June 2020 on 20 August 2020.
- [AIMS APAC REIT \(“AAREIT”\)](#) | **Issuer Profile: Unrated**: AAREIT announced that it has entered into an agreement to buy 7 Bulim Street, an industrial property located in the Jurong West Logistics Cluster for a purchase consideration of SGD129.6mn. The Proposed acquisition is proposed to be funded mainly from net proceeds from the issuance of AAREIT perpetuals and the remainder by debt funding. On 6 August 2020, AAREIT had priced SGD125mn in a first time perpetual issue at 5.65%.

**Asian Credit Daily****Credit Headlines****Keppel Corporation Limited (“KEP”) | Issuer Profile: Neutral (4)**

- The financial adviser to Kyanite Investment Holdings Pte. Ltd (the “Offeror”), an indirect wholly-owned subsidiary of Temasek Holdings (Private) Limited), announced on behalf of the Offeror that the Offeror will not proceed with the partial offer for KEP which would have seen Temasek’s stake in KEP rise to ~51%, if successful.
- The partial offer is subject to the satisfaction and/or waiver at the discretion of the Offeror of a number of pre-conditions. Among which, the Material Adverse Clause (“MAC clause”) has been breached by KEP following the announcement of its 2Q2020 results which reported a net loss of SGD697.6m, mainly due to impairments at the offshore and marine arm (“KOM”).
- The Securities Industry Council of Singapore (“SIC”) has confirmed that it has no objection to the Offeror withdrawing the partial offer by invoking the MAC clause. No announcement has been made with regards to a revision of partial offer price nor that a new offer was presented.
- As a response, KEP has announced that the partial offer was unsolicited and KEP did not negotiate the terms of the partial offer including the pre-condition. Per KEP, it will continue to execute its Vision 2030 and it intends to engage with Temasek to explore opportunities for strategic collaboration.
- With the announcement, our base case where the deal would go through (albeit at an uncertain pricing) has been upended. For bondholders, we opined that a no-deal will lead to less financial flexibility in the immediate term relative to the deal proceeding - per KEP, none of KEP’s banking lines are conditional on the company becoming a subsidiary of Temasek. As of writing, KEP’s equity price has declined by ~7%, with a market cap of ~SGD8.9bn against ~SGD9.6bn in [our most recent credit update dated 7 August 2020](#). Without Temasek being majority shareholder, in our view KEP would remain “status-quo” in the short term with KOM likely to continue dragging profitability. We expect Temasek to retain its ~20%-stake in the company around the levels which it has held for at least ten years albeit being lower than the ~32% in the mid-2000s. While Temasek has historically sold down its investments, we do not see this as a high probability in the short term, with M&A activity curtailed and Temasek unlikely to get a good price tag.
- While the COVID-19 induced crash in oil prices caught the market by surprise, we think it was unlikely for the Offeror and its financial adviser to be unaware of the possibility of future impairments at KOM. For example, KrisEnergy entered into debt restructuring for the second time in August 2019 while Floatel’s publicly traded bonds were already trading at distressed levels since September 2019. Both of these occurred before the pre-conditional partial offer was announced on 21 October 2019 while Temasek has been a long time investor in the offshore space.
- In our view, a termination of the pre-conditional partial offer at this point may have been opportune given changes in macroeconomic environment conditions beyond that at KEP alone. The challenging conditions has hit numerous economic sectors and corporates globally.
- Our issuer profile for KEP had historically been on a standalone basis without factoring Temasek uplift and this would have been kept as such even assuming a successful partial takeover. As such, we maintain KEP’s issuer profile at Neutral (4). (Company, OCBC)

## Asian Credit Daily

### Credit Headlines

#### **Qantas Airways Limited (“Qantas”) | Issuer Profile: Neutral (5)**

- Qantas announced the completion of its non-underwritten share purchase plan (“SPP”) from existing retail shareholders. The SPP raised ~AUD71.7mn, representing a participation rate of only ~5% from eligible shareholders. The SPP was intended to raise up to AUD500mn.
- The SPP comes on the back of the completion of an institutional placement, which successfully raised ~AUD1.36bn of new equity in June 2020.
- Qantas is targeted to announced its full year results for the financial year ended 30 June 2020 on 20 August 2020 and we will review its results then. (AFR, Company, OCBC)

#### **AIMS APAC REIT (“AAREIT”) | Issuer Profile: Unrated**

- AAREIT announced that it has entered into an agreement to buy 7 Bulim Street, an industrial property located in the Jurong West Logistics Cluster for a purchase consideration of SGD129.6mn. Total acquisition costs is targeted at ~SGD135.5mn including transaction costs of ~SGD5.9mn.
- The property will be fully leased to KWE-Kintetsu World Express (S) Pte Ltd (“KWE”) on an initial net property income yield (“NPI”) of 7.07%, on the purchase consideration. Initial NPI yield would be 6.76% on the total acquisition costs including transaction costs. KWE is a wholly-owned subsidiary of a Japan based freight forwarding and logistics group. AAREIT will be taking over the existing master lease.
- The Proposed acquisition is proposed to be funded mainly from [net proceeds from the issuance of AAREIT perpetuals](#) and the remainder by debt funding. On 6 August 2020, AAREIT had priced SGD125mn in a first time perpetual issue at 5.65% (tightening from initial price guidance of 5.75%). (Company, OCBC)

## Asian Credit Daily

### Key Market Movements

	11-Aug	1W chg (bps)	1M chg (bps)		11-Aug	1W chg	1M chg
iTraxx Asiax IG	67	-2	-12	<b>Brent Crude Spot (\$/bbl)</b>	45.02	1.33%	4.12%
iTraxx SovX APAC	38	-2	-5	<b>Gold Spot (\$/oz)</b>	2,023.61	0.22%	12.25%
iTraxx Japan	61	1	1	<b>CRB</b>	147.58	0.55%	4.29%
iTraxx Australia	69	-4	-12	<b>GSCI</b>	348.77	1.18%	3.22%
CDX NA IG	66	-1	-9	<b>VIX</b>	22.13	-8.86%	-18.91%
CDX NA HY	105	2	5	<b>CT10 (%)</b>	0.572%	6.53	-7.25
iTraxx Eur Main	54	-3	-7				
iTraxx Eur XO	347	-7	-22	<b>AUD/USD</b>	0.715	-0.08%	3.08%
iTraxx Eur Snr Fin	64	-3	-9	<b>EUR/USD</b>	1.173	-0.61%	3.41%
iTraxx Eur Sub Fin	137	-5	-15	<b>USD/SGD</b>	1.374	-0.07%	1.19%
iTraxx Sovx WE	15	-1	-4	<b>AUD/SGD</b>	0.983	0.02%	-1.84%
<b>USD Swap Spread 10Y</b>	2	2	4	<b>ASX 200</b>	6,118	1.33%	3.36%
<b>USD Swap Spread 30Y</b>	-38	5	9	<b>DJIA</b>	27,791	4.23%	6.58%
<b>US Libor-OIS Spread</b>	18	0	-2	<b>SPX</b>	3,360	2.00%	5.51%
<b>Euro Libor-OIS Spread</b>	-1	-1	-4	<b>MSCI Asiax</b>	709	-0.45%	1.50%
				<b>HSI</b>	24,377	-0.33%	-5.25%
<b>China 5Y CDS</b>	41	-1	-3	<b>STI</b>	2,546	0.62%	-4.04%
<b>Malaysia 5Y CDS</b>	54	-3	-11	<b>KLCI</b>	1,572	-0.06%	-1.27%
<b>Indonesia 5Y CDS</b>	109	-4	-14	<b>JCI</b>	5,158	3.03%	2.52%
<b>Thailand 5Y CDS</b>	40	-1	-2	<b>EU Stoxx 50</b>	3,260	0.35%	-1.11%

Source: Bloomberg

## Asian Credit Daily

### New Issues

- YUNDA Holding Investment Limited (Guarantor: YUNDA Holding Co., Ltd.) has arranged investor calls commencing 10 August 2020 for its proposed USD bond offering.

Date	Issuer	Size	Tenor	Pricing
7-Aug-20	BPHL Capital Management Limited (Guarantor: Beijing Properties (Holdings) Limited)	USD150mn	BEIPRO 5.95%'23s	6.00%
7-Aug-20	E-House (China) Enterprise Holdings Limited (Guarantors: Fangyou Information Technology Holdings Ltd and Hong Kong Fangyou Software Technology Co Ltd)	USD100mn	EHOUSE 7.625%'22s	8.375%
6-Aug-20	Huatong International Investment Holdings Co. (Guarantor: Qingdao China Prosperity State-owned Capital Operation (Group) Co., Ltd)	USD200mn	3-year	3.35%
6-Aug-20	AIMS APAC REIT Management Limited	SGD125mn	PerpNC5	5.65%
5-Aug-20	CMB International Leasing Management Limited	USD800mn USD400mn	5-year 10-year	T+170bps T+228bps
5-Aug-20	Central China Real Estate Ltd	USD300mn	4NC2	7.35%
5-Aug-20	China South City Holdings Limited	USD200mn	364-day	13.5%
5-Aug-20	Seazen Group Ltd	USD250mn	4-year	6%
5-Aug-20	Yuzhou Group Holdings Co Ltd	USD300mn	6NC4	7.85%
5-Aug-20	Zhongtai International Finance (BVI) Company Limited (Guarantor: Zhongtai Financial International Limited)	USD300mn	3-year	3.85%
5-Aug-20	Industrial and Commercial Bank of China Limited of Luxembourg	USD100mn	3-year	3m-US LIBOR+75bps
5-Aug-20	Export-Import Bank of Korea priced a USD150mn 2-year bond at 0.617%.	USD150mn	2-year	0.617%
5-Aug-20	Aspial Treasury Pte. Ltd. (Guarantor: Aspial Corp Ltd)	SGD55mn	ASPSP 6.25%'21s	6.25%
4-Aug-20	Chouzhou International Investment Limited (Guarantor: Yiwu State-owned Capital Operation Co., Ltd.)	USD500mn	3-year	3.15%
4-Aug-20	Melco Resorts Finance Ltd	USD350mn	MPEL 5.75%'28s	5.75%

Source: OCBC, Bloomberg

# Treasury Research & Strategy

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