

Market Commentary

- The SGD swap curve bull flattened yesterday, with the 1Y to 15Y part of the curve trading 1-3bps lower while 20Y and 30Y traded 3bps and 6bps higher respectively.
- The Bloomberg Barclays Asia USD IG Bond Index average OAS widened 2bps to 204bps, and the Bloomberg Barclays Asia USD HY Bond Index average OAS widened 12bps to 781bps. The HY-IG Index Spread widened 10bps to 577bps.
- Flows in SGD corporates were heavy, with flows in CMZB 4.2%'28s, SOCGEN 6.125%-PERPs, HSBC 4.7%-PERPs, CATHAY 3.375%'22s, UBS 4.85%-PERPs, SPHSP 4%-PERPs, UBS 5.875%-PERPs, FPLSP 3.95%-PERPs and BACR 3.75%'/30s.
- 10Y UST Yields fell 10bps to 0.73%, as the Federal Reserve repeated its promise of continued extraordinary support for the economy and did not change the size of its bond purchase programme.

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Credit Summary:

- [Wing Tai Properties Ltd \(“WTP”\)](#) | **Issuer Profile: Neutral (4)**: WTP announced that it may report a loss for 1H2020 ended 30 Jun 2020. This is due mainly to potential write-down in fair value of investment properties and financial instruments. WTP also reported that COVID-19 has impacted its business. We think WTP is likely to see lower property sales, softer rentals and occupancy of investment properties and hospitality assets it manages.
- [Keppel Corporation Limited \(“KEP”\)](#) | **Issuer Profile: Neutral (4)**: KEP announced an update in relation to discussions with Brazilian authorities with regards to Operation Car Wash. As a recap in 2017, Keppel Offshore and Marine (wholly-owned subsidiary of KEP) reached a global resolution with the criminal authorities in the USA, Brazil and Singapore on transactions concerning various projects with Petrobras and Sete Brazil. Fines amounting to ~USD422.2mn (~SGD570mn) were paid/payable and allocated between the three jurisdictions.
- **Industry Outlook** - [Credit Suisse Group AG \(“CS”\)](#) | **Issuer Profile: Neutral (4)**, [Société Générale \(“SocGen”\)](#) | **Issuer Profile: Neutral (4)**, [Commerzbank AG \(“CMZB”\)](#) | **Issuer Profile: Neutral (4)**, [HSBC Holdings PLC \(“HSBC”\)](#) | **Issuer Profile: Neutral (3)**, [Standard Chartered PLC \(“StanChart”\)](#) | **Issuer Profile: Neutral (4)**, [ABN Amro Bank N.V. \(“ABN”\)](#) | **Issuer Profile: Neutral (3)**, [JPMorgan Chase & Co](#) | **Issuer Profile: Unrated**, [Bank of America Corp.](#) | **Issuer Profile: Unrated** and [Deutsche Bank AG](#) | **Issuer Profile: Unrated**: In Goldman Sachs’ European Financial Services conference, several banks have sounded positive for 2Q2020 results and the 2H2020 outlook. What this indicates in our view in the context of market optimism on economies reopening and the COVID-19 trajectory despite growing infections in some parts of the world is that (1) the worst is behind us; (2) provisioning assumptions from earlier this year done under a cloud of elevated uncertainty now appear adequate, and (3) as a consequence capital positions appear sufficient. This explains the market rally for financial names in recent weeks.

Asian Credit Daily**Credit Headlines****Wing Tai Properties Ltd (“WTP”) | Issuer Profile: Neutral (4)**

- WTP announced that it may report a loss for 1H2020 ended 30 Jun 2020. This is due mainly to potential write-down in fair value of investment properties and financial instruments.
- WTP also reported that COVID-19 has impacted its business. We think WTP is likely to see lower property sales, softer rentals and occupancy of investment properties and hospitality assets it manages.
- That said, WTP affirms that its financial, business and trading positions remain healthy with the above-mentioned write-downs not having an impact on cashflows.
- We remain comfortable with WTP and continue holding it at Neutral (4) Issuer Profile, in view of its healthy credit metrics with net gearing of ~10% and sufficient cash on balance sheet to repay debt maturing till 2021. (Company, OCBC)

Keppel Corporation Limited (“KEP”) | Issuer Profile: Neutral (4)

- KEP announced an update in relation to discussions with Brazilian authorities with regards to Operation Car Wash.
- As a recap in 2017, Keppel Offshore and Marine (wholly-owned subsidiary of KEP) reached a global resolution with the criminal authorities in the USA, Brazil and Singapore on transactions concerning various projects with Petrobras and Sete Brazil. Fines amounting to ~USD422.2mn (~SGD570mn) were paid/payable and allocated between the three jurisdictions. As part of the global resolution, KOM accepted a Conditional Warning from the Corrupt Practices Investigation Bureau (“CPIB”) in Singapore, and entered into a Deferred Prosecution Agreement (“DPA”) with the U.S. Department of Justice (“DOJ”), while Keppel FELS Brasil S.A. (“Keppel FELS”), a wholly owned subsidiary of KOM, entered into a Leniency Agreement with the Public Prosecutor’s Office in Brazil, the Ministerio Publico Federal (“MPF”) which became effective in April 2018. A further USD52.8mn payable has been included as accrued expenses since FY2017 (ie: already hit book value of equity), will be payable to CPIB within three years (or an extended period as approved by CPIB and DOJ) from the date of the Conditional Warning (less any penalties that KOM may pay to specified Brazilian authorities during this for which discussions with the specified authorities are ongoing).
- KEP announced that the Office of the Comptroller General of Brazil (“CGU”) has published a notice to the effect that it has initiated an administrative enforcement procedure against KOM, Prismatic Services Ltd., Keppel Fels Ltd., Keppel FELS, and BrasFELS S.A., in relation to alleged irregularities under the Brazilian Anti-Corruption Statute. The CGU is a branch of the Brazil federal government tasked with defending public assets. The CGU would carry out further internal investigations, and the panel has to thereafter decide whether any summons is to be served. (Company, OCBC)

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Industry Outlook - Credit Suisse Group AG (“CS”) | Issuer Profile: Neutral (4), Société Générale (“SocGen”) | Issuer Profile: Neutral (4), Commerzbank AG (“CMZB”) | Issuer Profile: Neutral (4), HSBC Holdings PLC (“HSBC”) | Issuer Profile: Neutral (3), Standard Chartered PLC (“StanChart”) | Issuer Profile: Neutral (4), ABN Amro Bank N.V. (“ABN”) | Issuer Profile: Neutral (3), JPMorgan Chase & Co | Issuer Profile: Unrated, Bank of America Corp. | Issuer Profile: Unrated and Deutsche Bank AG | Issuer Profile: Unrated

- In Goldman Sachs’ European Financial Services conference, several banks have sounded positive for 2Q2020 results and the 2H2020 outlook. CS have indicated that client activity has increased which has been supportive for trading as well as refinancing and investments. Other banks with a positive view on performance include JPMorgan Chase & Co and Bank of America Corp with Deutsche Bank AG CEO Christian Sewing indicating that the positive trading momentum seen in 1Q2020 has continued into 2Q2020. While [SocGen reported a 1Q2020 net loss of EUR326mn](#) against a net profit of EUR686mn in 1Q2019 due to a material rise in the net cost of risk and a 16.5% y/y fall in net banking income and indicated that 2Q2020 performance reflects continued weakness in trading and a slow recovery in market conditions, they have flagged the potential of an exceptional dividend payment following the cancellation and deferral of European bank dividends a few months back on the request of the European Central Bank.
- What this indicates in our view in the context of market optimism on economies reopening and the COVID-19 trajectory despite growing infections in some parts of the world is that (1) the worst is behind us; (2) provisioning assumptions from earlier this year done under a cloud of elevated uncertainty now appear adequate, and (3) as a consequence capital positions appear sufficient. This explains the market rally for financial names in recent weeks that allowed both ABN and CMZB to receive large order books for their euro-denominated Additional Tier 1 issues given the lack of deals done since the outbreak and the high-coupons. However, while both deals received around 8-10x the issuance amounts, they have traded below par in the secondary market.
- That said, shareholders have recently voiced some unhappiness for a variety of reasons.
 - CMZB confirmed this week that its supervisory board received a letter from U.S. investor Cerberus Capital Management LP seeking immediate management and strategy changes and board seats. Cerberus has around a 5% in CMZB and has long been a critic of the board and management. Per Bloomberg. CMZB shares have lost around 60% of its value since Cerberus invested. While management have acknowledged the concern of a key investor and that share price and earnings performance have been unsatisfactory, they are continuing to work on the implementation of its Commerzbank 5.0 strategy program and are expected to give an update on its progress during 2Q2020 results announcements. [We published a Credit Update on CMZB a few days back.](#)
 - Following on from HSBC and StanChart’s support of HKSAR’s security law, the chief investment officer at Aviva Investors, which is one of the largest shareholders in HSBC and StanChart, voiced uneasiness at their decisions to publicly support the proposed new national security law in HKSAR “without knowing the details of the law or how it will operate in practice.” He also mentioned that “if companies make political statements, they must accept the corporate responsibilities that follow” and “We expect both companies to confirm that they will also speak out publicly if there are any future abuses of democratic freedoms connected to this law.” This comes after US Secretary of State Mike Pompeo criticized HSBC for publicly supporting the law.

(to be continued in the next page ...)

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- Finally, HSBC is involved in another restructure of a commodity trader with Phoenix Commodities Pvt Ltd., which is based in Dubai and Singapore and distributes rice and grains globally, reportedly collapsing after derivatives contracts were negatively impacted during market volatility earlier this year. StanChart is also among the lenders. No details on absolute exposure appears available although per Bloomberg, Phoenix Commodities Pvt Ltd. had drawn USD105mn from a StanChart credit line and USD41mn from an HSBC facility at end September 2019. (Bloomberg, OCBC)

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Key Market Movements

	11-Jun	1W chg (bps)	1M chg (bps)		11-Jun	1W chg	1M chg
iTraxx Asiax IG	86	-5	-31	Brent Crude Spot (\$/bbl)	40.58	1.48%	36.96%
iTraxx SovX APAC	44	-3	-22	Gold Spot (\$/oz)	1,729.40	0.90%	1.85%
iTraxx Japan	59	-6	-19	CRB	139.22	3.12%	13.49%
iTraxx Australia	86	-6	-32	GSCI	327.43	3.62%	19.46%
CDX NA IG	73	1	-19	VIX	27.57	7.44%	0.00%
CDX NA HY	102	1	8	CT10 (%)	0.717%	-10.69	0.66
iTraxx Eur Main	67	3	-18				
iTraxx Eur XO	374	0	-133	AUD/USD	0.693	-0.13%	6.84%
iTraxx Eur Snr Fin	78	4	-26	EUR/USD	1.135	0.11%	5.03%
iTraxx Eur Sub Fin	165	1	-58	USD/SGD	1.389	0.68%	2.04%
iTraxx Sovx WE	19	-2	-12	AUD/SGD	0.963	0.81%	-4.51%
USD Swap Spread 10Y	1	1	6	ASX 200	5,986	0.75%	9.61%
USD Swap Spread 30Y	-46	3	6	DJIA	26,990	2.74%	11.43%
US Libor-OIS Spread	24	-1	-14	SPX	3,190	2.15%	8.87%
Euro Libor-OIS Spread	11	-1	-11	MSCI Asiax	655	2.68%	7.85%
				HSI	24,791	1.74%	0.77%
China 5Y CDS	47	-1	-2	STI	2,731	0.87%	4.57%
Malaysia 5Y CDS	70	-4	-35	KLCI	1,560	1.39%	12.85%
Indonesia 5Y CDS	118	-14	-88	JCI	4,896	-0.43%	5.53%
Thailand 5Y CDS	41	-3	-21	EU Stoxx 50	3,294	0.74%	14.22%
Australia 5Y CDS	26	-1	-1				

Source: Bloomberg

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New Issues

- China Mengniu Dairy Company Limited priced a USD500mn 5-year bond at T+160bps, tightening from IPT of T+240bps area and another USD300mn 10-year bond at T+175bps, tightening from IPT of 255bps area.
- Radiance Capital Investments Limited (Guarantor: Radiance Group Co., Ltd.) priced a USD250mn 3.25NCNP2 bond at 9.25%, tightening from IPT of 9.5% area.
- International Container Terminal Services Inc. priced a USD400mn 10-year bond at 4.8%, tightening from IPT of 5.25% area.
- Powerlong Real Estate Holdings Limited priced a USD250mn re-tap of its PWRLNG 6.95%'23s at 7%, tightening from IPT of 7.5% area.
- Zhengzhou Airport Economy Zone Xinggang Investment Group Co., Ltd. priced a USD300mn 3-year bond at 3.4%, tightening from IPT of 4% area.

Date	Issuer	Size	Tenor	Pricing
10-Jun-20	China Mengniu Dairy Company Limited	USD500mn USD300mn	5-year 10-year	T+160bps T+175bps
10-Jun-20	Radiance Capital Investments Limited (Guarantor: Radiance Group Co., Ltd.)	USD250mn	3.25NCNP2	9.25%
10-Jun-20	International Container Terminal Services Inc.	USD400mn	10-year	4.8%
10-Jun-20	Powerlong Real Estate Holdings Limited	USD250mn	3-year	7%
10-Jun-20	Zhengzhou Airport Economy Zone Xinggang Investment Group Co., Ltd.	USD300mn	3-year	3.4%
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%

Source: OCBC, Bloomberg

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