

Market Commentary

- The SGD swap curve bull-flattened last Friday, with the shorter and the belly tenors trading 5-8bps lower while the longer tenors traded around 8bps lower (with the exception of the 20-year trading around 1bp higher).
- The Bloomberg Barclays Asia USD IG Bond Index average OAS tightened 2bps to 255bps, and the Bloomberg Barclays Asia USD HY Bond Index average OAS tightened 11bps to 991bps. The HY-IG Index Spread tightened 9bps to 736bps.
- Flows in SGD corporates were heavy, with flows in HSBC 4.7%-PERPs, FPLSP 4.98%-PERPs, LBBW 3.75%'27s, BAERVX 5.75%-PERPs, CMZB 4.875%'27s, SIASP 3.13%'27s, SOCGEN 6.125%-PERPs and HRINTH 3.8%'25s.
- 10Y UST Yields gained 4bps to 0.69%, mainly due to optimism that various economies are easing lockdown measures. The drop in U.S. payrolls of 20.5mn in April were better than median market expectations.

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

zhiquiseow@ocbc.com

Credit Summary:

- [Frasers Hospitality Trust \("FHREIT"\)](#) | **Issuer Profile: Neutral (4)**: FHREIT announced their quarterly financials for the quarter ended March 2020 ("2QFY2020"). Gross revenue was down 41.5% y/y while net property income ("NPI") was down 52.0% y/y. Reported aggregate leverage was 36.0% as at 31 March 2020 which is manageable in our view and provides more than 20% buffer to asset values before breaching MAS' aggregate leverage cap which had been raised to 50%. There is no short term debt due in 2020 though FHREIT faces first call on its perpetual in May 2021. FHREIT reduced its dividend payout ratio to 20% from policy of distributing at least 90% of its distributable income to conserve capital and support its property in Melbourne. For perpetual holders, the lower interest rate environment coupled with a stressed period for the travel and hospitality industry means that the perpetuals are economically less likely to be called at first call, and the perpetuals are more likely to be used as an "equity buffer" in our view especially if COVID-19 extends beyond May 2021.
- [China Aoyuan Property Group Limited \("CAPG"\)](#) | **Issuer Profile: Unrated**: CAPG has announced that for April 2020, it has achieved unaudited property contracted sales of ~RMB8.73bn (m/m up by 20%) and down 9% on a y/y basis. For 4M2020, accumulated unaudited property contracted sales were down 18.7% y/y.

Asian Credit Daily

Credit Headlines

Frasers Hospitality Trust (“FHREIT”) | Issuer Profile: Neutral (4)

- FHREIT announced their quarterly financials for the quarter ended March 2020 (“2QFY2020”). Gross revenue down 41.5% y/y to SGD20.2mn while net property income (“NPI”) was down 52.0% y/y to SGD12.1mn. The fall was driven by all of FHREIT’s markets except Germany, which is under a master lease agreement with a third party.
- The significantly weaker income generation was driven by the swift developments affecting the travel and hospitality industry. While January 2020 occupancy numbers were within historical range, February 2020 started showing signs of compression with a large fall in March 2020 with governments globally closing borders (including domestically between states) and other social distancing measures in a bid to contain the virus.
- Helping to buffer income for 2QFY2020, three of FHREIT’s properties in Australia (two in Sydney and one in Melbourne) and one in Singapore has been selected by local government agencies to house returning residents serving quarantine and stay home notices. In Australia, FHREIT’s largest market (44% contribution to 2QFY2020 NPI) saw occupancies fall to 45.1% in March 2020 (above 80% in both January and February 2020) though encouragingly average daily rates had held up at AUD240. In Singapore, InterContinental Singapore is being used for such purposes. In 2QFY2020, Singapore (FHREIT’s second largest market) contributed 18% to NPI. Singapore occupancy for January 2020 was decent at 81% though by February 2020 this had crashed to 48.7% (though in line with broader market) and by March 2020 this was 44%. However, there is no certainty that such alternative income arrangements will persist in the coming quarter and is still a developing situation. Providing a downside buffer, FHREIT receives ~SGD49mn per year from its Sponsor, Frasers Property Limited (“FPL”, issuer profile Neutral (4)). Fixed rent is useful in covering interest expenses and perpetual distribution by 2.0x even if it is insufficient to cover all property operating expenses.
- EBITDA (based on our calculation) was SGD9.8mn in 2QFY2020 (SGD22.2mn in 2QFY2019) while interest expense was SGD4.8mn, resulting in EBITDA/Interest coverage ratio of 2.0x. FHREIT has SGD100mn of perpetual outstanding and assuming SGD4.45mn p.a (SGD1.1mn per quarter) of perpetual distribution is paid out and taking 50% of this, we find EBITDA/(Interest plus 50% perpetual distribution) at 1.8x.
- Reported aggregate leverage was 36.0% as at 31 March 2020 (35.5% as at 31 December 2019) which is manageable in our view and provides more than 20% buffer to asset values before breaching MAS’ aggregate leverage cap which had been raised to 50%. We note that independent valuers are still assessing the situation in terms of impact to book value of assets. There is no short term debt due in 2020 though faces first call on its perpetual in May 2021.
- FHREIT reduced its dividend payout ratio to 20% from policy of distributing at least 90% of its distributable income to conserve capital and support its property in Melbourne which has no third party master lease protection (nor under a fixed rent arrangement with Sponsor). For perpetual holders, the lower interest rate environment coupled with a stressed period for the travel and hospitality industry means that the perpetuals are economically less likely to be called at first call, and the perpetuals are more likely to be used as an “equity buffer” in our view especially if COVID-19 extends beyond May 2021. Nonetheless, we continue to see FHREIT’s ability to pay the perpetual distribution as manageable given the fixed rents that it receives. We maintain FHREIT at an issuer profile of Neutral (4). (Company, OCBC)

Asian Credit Daily

Credit Headlines

China Aoyuan Property Group Limited (“CAPG”) | Issuer Profile: Unrated

- CAPG has announced that for April 2020, it has achieved unaudited property contracted sales of ~RMB8.73bn (m/m up by 20%) and down 9% on a y/y basis.
- For 4M2020, accumulated unaudited property contracted sales were ~RMB23.03bn (4M2019: RMB28.31bn), down 18.7% y/y. (Company)

Key Market Movements

	11-May	1W chg (bps)	1M chg (bps)		11-May	1W chg	1M chg
iTraxx Asiax IG	118	-5	-5	Brent Crude Spot (\$/bbl)	30.50	12.13%	-3.11%
iTraxx SovX APAC	68	-3	-2	Gold Spot (\$/oz)	1,709.78	0.45%	-0.32%
iTraxx Japan	78	0	-8	CRB	124.74	6.05%	-2.41%
iTraxx Australia	119	-6	-18	GSCI	278.13	7.35%	0.62%
CDX NA IG	91	0	8	VIX	27.98	-24.76%	-32.85%
CDX NA HY	94	1	-3	CT10 (%)	0.702%	6.86	-1.69
iTraxx Eur Main	86	-1	7				
iTraxx Eur XO	511	-11	42	AUD/USD	0.656	2.04%	2.77%
iTraxx Eur Snr Fin	107	-1	14	EUR/USD	1.085	-0.54%	-0.60%
iTraxx Eur Sub Fin	0	-5	17	USD/SGD	1.412	0.36%	0.27%
iTraxx Sovx WE	32	1	4	AUD/SGD	0.926	-1.70%	-2.46%
USD Swap Spread 10Y	-4	-4	-11	ASX 200	5,453	2.50%	1.22%
USD Swap Spread 30Y	-50	-3	-14	DJIA	24,331	2.56%	2.58%
US Libor-OIS Spread	38	-7	-76	SPX	2,930	3.50%	5.02%
Euro Libor-OIS Spread	23	3	-1	MSCI Asiax	602	2.79%	3.62%
				HSI	24,746	4.79%	1.83%
China 5Y CDS	49	-2	6	STI	2,605	-0.72%	1.32%
Malaysia 5Y CDS	108	-4	5	KLCI	1,382	0.15%	1.83%
Indonesia 5Y CDS	209	-12	3	JCI	4,640	-1.62%	-0.20%
Thailand 5Y CDS	63	-5	-15	EU Stoxx 50	2,908	-0.68%	0.53%
Australia 5Y CDS	28	0	-5				

Source: Bloomberg

Asian Credit Daily

New Issues

- Tuan Sing Holdings Ltd has arranged investor calls commencing 11 May for a possible SGD bond offering.

Date	Issuer	Size	Tenor	Pricing
07-May-20	AMTD International Inc	USD50mn	PERPNC5	4.5%
07-May-20	Lenovo Group Ltd	USD350mn	LENOVO 5.875%'25s	5.64%
06-May-20	Sun Hung Kai Properties (Capital Market) Limited (Guarantor: Sun Hung Kai Properties Limited)	USD500mn	10-year	T+210bps
06-May-20	Sinopec Group Overseas Development (2018) Limited (Guarantor: China Petrochemical Corporation)	USD1bn USD1.5bn USD500mn	5-year 10-year 30-year	T+180bps T+205bps 3.35%
05-May-20	CK Hutchison International (20) Limited (Guarantor: CK Hutchison Holdings Limited)	USD750mn USD750mn	10-year 30-year	T+190bps T+210bps
05-May-20	PT Bank Mandiri (Persero) Tbk	USD500mn	5-year	T+455bps
05-May-20	QBE Insurance Group Limited	USD500mn	PERPNC5	5.875%
04-May-20	PT Hutama Karya (Persero) (Guarantor: The Government of the Republic of Indonesia)	USD600mn	10-year	3.8%
30-Apr-20	FCT MTN Pte. Ltd. (Guarantor: Frasers Centrepoint Trust)	SGD200mn	3-year	3.2%
29-Apr-20	Shuifa International Holdingsbvico. Ltd (Guarantor: Shuifa Group Co Ltd)	USD350mn	3-year	4.3%
29-Apr-20	Amber Treasure Ventures Limited (Guarantor: Nan Hai Corporation Limited)	USD500mn	2NC1	3.5%
29-Apr-20	SDSC International Development Limited (Guarantor: Shandong Shipping Corporation)	USD40mn	SDSHIP 5.9%'22s	5.9%
28-Apr-20	Wharf REIC Finance (BVI) Limited (Guarantor: Wharf Real Estate Investment Company Limited)	USD450mn USD300mn	5-year 10-year	T+205bps T+235bps
27-Apr-20	Republic of the Philippines	USD1bn USD1.35bn	10-year 25-year	T+180bps 3.375%

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).