

Market Commentary

- The SGD swap curve steepened, with all tenors trading 1bp lower while the 20-year traded 5bps higher and the 30-year traded 3bps lower.
- The Bloomberg Barclays Asia USD IG Bond Index average OAS remained mostly unchanged at 200bps, and the Bloomberg Barclays Asia USD HY Bond Index average OAS widened 5bps to 747bps. The HY-IG Index Spread widened 5bps to 547bps.
- There were no flows in SGD corporates last Friday.
- 10Y UST Yields gained 3bps to 0.65% as optimism about antiviral drug to treat COVID-19 ebbed concerns about the impact of rising coronavirus cases in the US.

Credit Research

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Credit Summary:

- [Singapore Airlines Ltd \(“SIA”\)](#) | **Issuer Profile: Neutral (5)**: SIA announced that the company will adopt semi-annual financial reporting for the financial year ending 31 March 2021 (“FY2021”) onwards. The next financial results announcement will be for the half-year period ending 30 September 2020. The company will provide voluntary quarterly business updates to shareholders for the first and third quarters of the financial year. Additionally, the parent airline SIA, regional arm SilkAir and Scoot will operate ~7% of its scheduled capacity in August (~6% in July 2020).
- [City Developments Ltd \(“CDL”\)](#) | **Issuer Profile: Neutral (3)**: CDL reported profit guidance for 1H2020, which appears largely negative. Excluding the gains arising from negative goodwill arising from the acquisition of Sincere, CDL expects pre-tax profit for 1H2020 to reduce substantially y/y. This is driven by significant impacts to its hotel operations segment, property development segment and investment properties. That said, we continue to maintain CDL at a Neutral (3) Issuer Profile and remain comfortable with this issuer given that it still has ample liquidity with cash and undrawn committed credit facilities of SGD5.0bn
- [Ascott Residence Trust \(“ART”\)](#) | **Issuer Profile: Neutral (4)**: ART has announced a negative profit guidance. ART would conduct property valuation on an annual basis rather than semi-annually which means that fair value losses (which we think is likely) would only be taken into account in 2H2020 and FY2020 results rather than in 1H2020 results. We expect ART’s credit profile to be weaker within 12 months and are likely to downgrade the issuer profile if there are no material changes to the reopening of international borders in the near term.

Asian Credit Daily

Credit Headlines

Singapore Airlines Ltd (“SIA”) | Issuer Profile: Neutral (5)

- SIA announced that the company will adopt semi-annual financial reporting for the financial year ending 31 March 2021 (“FY2021”) onwards. The next financial results announcement will be for the half-year period ending 30 September 2020 (historically quarterly results of the quarter ending 30 September is announced in November).
- The company will provide voluntary quarterly business updates to shareholders for the first and third quarters of the financial year.
- Additionally, the parent airline SIA, regional arm SilkAir and Scoot will operate ~7% of its scheduled capacity in August (~6% in July 2020). (Company, OCBC)

City Developments Ltd (“CDL”) | Issuer Profile: Neutral (3)

- CDL reported profit guidance for 1H2020, which appears largely negative. Excluding the [gains arising from negative goodwill arising from the acquisition of Sincere](#), CDL expects pre-tax profit for 1H2020 to reduce substantially y/y.
- This is driven by significant impacts to its hotel operations segment, property development segment and investment properties.
 - Hotel operations: Millennium & Copthorne Hotels Ltd (“M&C”) is expected to contribute significant losses (pre-tax loss expectations: SGD120mn to SGD140mn) due to the outbreak of COVID-19, with RevPar for 1H2020 expected to decline by 50-60%. The outlook continues to be uncertain for hotel operations.
 - Development property: Decline in revenue of 10% y/y is expected, and margins may decline as projects contributing in 1H2020 (e.g. The Tapestry, Whistler Grand, Amber Park) have lower margins than projects in the prior year (e.g. New Futura, Gramercy Park).
 - Investment Properties: Revenue may decline as SGD30mn of property tax and rental rebates are given to tenants, though this is offset by SGD197mn of pre-tax gain from closure of Profit Participation Securities 2 platform.
- That said, we continue to maintain CDL at a Neutral (3) Issuer Profile and remain comfortable with this issuer given that it still has ample liquidity with cash and undrawn committed credit facilities of SGD5.0bn. (Company, OCBC)

Asian Credit Daily

Credit Headlines

Ascott Residence Trust (“ART”) | Issuer Profile: Neutral (4)

- ART has announced a negative profit guidance:
 - ART’s available income for distribution for the six months ended 30 June 2020 (“1H2020”) expected to reduce by 55-65% based on management’s preliminary estimates from the SGD74.6mn for 1H2019.
 - ART’s distribution per stapled security for 1H2020 expected to reduce by 65-75% from the 3.43 Singapore cents recorded for 1H2019.
 - ART’s total return for 1H 2020 is expected to reduce by 80%-90% from the SGD212.5mn recorded for 1H 2019. In 1H 2019, ART recorded fair value gains of SGD140.6mn (after tax and minority interest), which included a realised fair value gain of SGD135.0mn arising from the divestment of Ascott Raffles Place Singapore.
- ART would conduct property valuation on an annual basis rather than semi-annually which means that fair value losses (which we think is likely) would only be taken into account in 2H2020 and FY2020 results rather than in 1H2020 results.
- We expect ART’s credit profile to be weaker within 12 months and are likely to downgrade the issuer profile if there are no material changes to the reopening of international borders in the near term. (Company, OCBC)

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Key Market Movements

	13-Jul	1W chg (bps)	1M chg (bps)		13-Jul	1W chg	1M chg
iTraxx Asiax IG	81	1	-7	Brent Crude Spot (\$/bbl)	42.92	-0.42%	10.82%
iTraxx SovX APAC	44	1	-6	Gold Spot (\$/oz)	1,800.77	0.90%	4.38%
iTraxx Japan	62	4	-2	CRB	141.52	0.66%	5.36%
iTraxx Australia	83	2	-12	GSCI	337.90	1.52%	7.52%
CDX NA IG	74	2	3	VIX	27.29	-1.41%	-24.38%
CDX NA HY	100	0	-2	CT10 (%)	0.625%	-5.09	-7.84
iTraxx Eur Main	64	2	-6				
iTraxx Eur XO	377	22	-24	AUD/USD	0.694	-0.43%	0.35%
iTraxx Eur Snr Fin	77	5	-5	EUR/USD	1.131	-0.03%	-0.15%
iTraxx Eur Sub Fin	159	12	-9	USD/SGD	1.391	0.05%	0.03%
iTraxx Sovx WE	18	0	-2	AUD/SGD	0.966	0.49%	-0.34%
USD Swap Spread 10Y	-2	1	-1	ASX 200	5,919	-1.59%	1.22%
USD Swap Spread 30Y	-46	4	3	DJIA	26,075	0.96%	1.83%
US Libor-OIS Spread	20	-1	-4	SPX	3,185	1.76%	4.73%
Euro Libor-OIS Spread	3	0	-8	MSCI Asiax	698	0.63%	9.29%
				HSI	25,727	1.40%	5.87%
China 5Y CDS	46	1	-9	STI	2,653	0.61%	-5.28%
Malaysia 5Y CDS	67	2	-13	KLCI	1,592	2.52%	2.96%
Indonesia 5Y CDS	126	6	-13	JCI	5,031	1.16%	3.09%
Thailand 5Y CDS	43	2	-3	EU Stoxx 50	3,296	0.06%	4.52%

Source: Bloomberg

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New Issues

- There were no issues or mandates last Friday.

Date	Issuer	Size	Tenor	Pricing
09-Jul-20	Shandong Energy Australia Pty (Guarantor: Shandong Energy Group Co.)	USD100mn	3-year	4.2%
09-Jul-20	Yankuang Group (Cayman) Limited (Guarantor: Yankuang Group Company Limited)	USD400mn	3-year	4.2%
09-Jul-20	PTT Treasury Center Co. (Guarantor: PTT Public Co.)	USD700mn	50-year	3.7%
09-Jul-20	ZhongAn Online P&C Insurance Company Limited	USD600mn	5-year	T+285bps
09-Jul-20	HFI International (HK) Limited (Guarantor: Hangzhou Finance And Investment Group Co. Ltd.)	USD260mn	5-year	3.2%
08-Jul-20	Kaisa Group Holdings Ltd.	USD400mn USD300mn	3.2NC2.2 4.75NC2.75	10% 11.5%
08-Jul-20	Overseas Chinese Town (Asia) Holdings Limited (Guarantor: Overseas Chinese Town Enterprises Limited Company)	USD500mn	Perp-NC3	4.5%
08-Jul-20	Yango Justice International Limited (Guarantor: Yango Group Co., Ltd.)	USD300mn	3.75NCNP2.25	7.85%
08-Jul-20	Inventive Global Investments Ltd. (Guarantor: ABC International Holdings Ltd.)	USD450mn	3-year	T+140bps
08-Jul-20	Studio City Finance Limited	USD500mn USD500mn	5NC2 7.5NC3	6% 6.5%
07-Jul-20	TCL Technology Investments Limited	USD300mn	5-year	T+157.5bps
07-Jul-20	Bocom Leasing Management Hong Kong Company Limited	USD350mn USD450mn	3-year 5-year	T+165bps 3m-US LIBOR+170bps
07-Jul-20	Royal Capital BV (Guarantor: International Container Terminal Services Inc.)	USD300mn	Perp-NC 2026	5.2%
07-Jul-20	Metropolitan Bank & Trust Company	USD500mn	5.5-year	T+200bps
07-Jul-20	Greentown China Holdings Ltd.	USD300mn	5NC3Y	5.65%
06-Jul-20	Shinhan Financial Group Co Ltd	USD500mn	5.5-year	T+105bps

Source: OCBC, Bloomberg

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