

### Market Commentary

- The SGD swap curve mostly traded 0-3bps higher apart from the longer end (20yr was 2bps lower and 30yr was around 4bps higher).
- The Bloomberg Barclays Asia USD IG Bond Index average OAS tightened 1bps to 270bps, and the Bloomberg Barclays Asia USD HY Bond Index average OAS tightened 24bps to 1060bps. The HY-IG Index Spread tightened 22bps to 790bps.
- Flows in SGD corporates were light yesterday, with flows seen in UOBSP 3.58%-PERPs.
- 10Y UST Yields gained 5bps to 0.77% due to a major agreement to cut global oil output and signs that the COVID-19 outbreak may be nearing a peak in the U.S.

### Credit Research

**Andrew Wong**

+65 6530 4736

[WongVKAM@ocbc.com](mailto:WongVKAM@ocbc.com)

**Ezien Hoo, CFA**

+65 6722 2215

[EzienHoo@ocbc.com](mailto:EzienHoo@ocbc.com)

**Wong Hong Wei, CFA**

+65 6722 2533

[WongHongWei@ocbc.com](mailto:WongHongWei@ocbc.com)

**Seow Zhi Qi, CFA**

+65 6530 7348

[zhiquiseow@ocbc.com](mailto:zhiquiseow@ocbc.com)

### Credit Summary:

- [Ascott Residence Trust \("ART"\)](#) | **Issuer Profile: Neutral (4):** ART announced an update on COVID-19 and its impact on ART. Per ART, lower occupancies and room rates have been observed across all of ART's markets. In our view, this refers to markets where ART has more hotels vis-à-vis serviced apartments. Per ART, properties catering to the longer stay segment were less impacted. ART said it has the financial capacity to weather the downturn and it does not foresee any issues in refinancing debt maturing in 2020.
- [Sembcorp Industries Ltd \("SCI"\)](#) | **Issuer Profile: Neutral (5):** SCI has announced that it would redeem all of the SCISP 4.75%-PERP at first call date on 20 May 2020 at par. This is a positive development for holders of the SCISP 4.75%-PERP as despite many companies' rush towards cash conservation, SCI has opted to call the perpetual instead. On a separate development, SCI launched a renewable energy certificate, an aggregator platform which is Singapore's first to manage RECs from its own sources and enables customers to transact RE100-recognised RECs to meet their green energy requirements.
- [First Real Estate Investment Trust \("FIRT"\)](#) | **Issuer Profile: Negative (6):** FIRT announced that the temporary closure of Lippo Plaza Kupang and Lippo Plaza Buton (except for essential services) has been extended until 28 April 2020. The temporary closures only affect retail assets which comprise a small proportion of assets within FIRT's portfolio. On a separate note, the main operator of hospitals owned by FIRT, Siloam International Hospitals Tbk, has officially designated two hospitals for COVID-19 patients. The Indonesian Health Ministry has announced that the government will cover the costs of medical treatment for all COVID-19 patients but this would be insufficient to cover the costs spent by private hospitals.
- [Westpac Banking Corporation \("Westpac"\)](#) | **Issuer Profile: Positive (2):** Westpac has announced AUD1.43bn in extra-ordinary impacts to its 1H2020 earnings. Westpac has also indicated an unknown but likely material impact to impairment provisions from COVID-19 in its 1H2020 earnings. The estimated impact on CET1 ratios of the extra-ordinary items is expected to be a decline of around 30bps. The reduction in the capital ratio is not the primary concern for Westpac as long as the ratio remains above the minimum 8.0% requirement. However, half year earnings for all Australian banks will likely be materially altered compared to historical performance given the anticipated impact of COVID-19 on the economy.

**Asian Credit Daily****Credit Headlines****Ascott Residence Trust (“ART”) | Issuer Profile: Neutral (4)**

- ART announced an update on COVID-19 and its impact on ART. Per ART, lower occupancies and room rates have been observed across all of its markets, with properties predominantly catering to the transient segments being the most impacted namely Australia, Japan, Europe and the USA which has experienced a greater decline in occupancy in March 2020.
- In our view, this refers to markets where ART has more hotels vis-à-vis serviced apartments. Per ART, properties catering to the longer stay segment in countries like China, Vietnam and Singapore were less impacted.
- 15 out of their 88 properties have temporarily closed, either in response to government mandates and health recommendations or to optimise resources. ART expect occupancies to remain under pressure in the near term as more governments impose tighter measures to curb the spread of the virus.
- Per ART, it has the financial capacity to weather the downturn with a relatively low aggregate leverage of 33.6%, well-staggered debt maturity profile, sufficient cash on hand to meet current operating requirements and unutilised credit facilities which can be drawn down in times of need. ART does not foresee any issues in refinancing debt maturing in 2020 while lenders continue to be supportive.
- On 9 April 2020, we [have lowered our issuer profile of ART to Neutral \(4\)](#), on account of an increasingly uncertain income generation amidst the COVID-19 outbreak. The lowering to Neutral (4) also brings ART in line with actions taken on other hospitality names. (Company, OCBC)

**Sembcorp Industries Ltd (“SCI”) | Issuer Profile: Neutral (5)**

- SCI has issued a notice that the company would redeem all of the SCISP 4.75%-PERP at first call date on 20 May 2020. This perpetual would be redeemed at par.
- This is a positive development for holders of the SCISP 4.75%-PERP as despite many companies’ rush towards cash conservation, SCI has opted to call the perpetual instead.
- We had on [10 March 2020 opined that resets not coinciding with call dates were looking favourable](#) in an environment of lower rates. The SCISP 4.75%-PERP reset/step-up date occurs in May 2025 and does not coincide with the 20 May 2020 call date which meant that the distribution rate on the SCISP 4.75%-PERP if not called would stay at 4.75% p.a, which is possibly higher than what SCI would be able to replace the perpetual at.
- On a separate development, SCI launched a renewable energy certificate (“REC”), an aggregator platform which is Singapore’s first to manage RECs from its own sources and enables customers to transact RE100-recognised RECs to meet their green energy requirements (eg: for RE100 companies looking to buy RECs to offset their carbon footprint while sellers are guaranteed a sale of their RECs).
- RE100 is a global initiative of companies committed to 100% renewable electricity to power their businesses by year 2050. Companies which part of RE100 includes Johnson & Johnson, General Motors, AEON, IKEA and DBS among others.
- While this is an interesting development for SCI, the company has not shared volume nor financial targets in relation to this new business stream. (Company, OCBC)

## Asian Credit Daily

### Credit Headlines

#### First Real Estate Investment Trust ("FIRT") | Issuer Profile: Negative (6)

- FIRT announced that the temporary closure of Lippo Plaza Kupang and Lippo Plaza Buton (except for essential services) has been extended until 28 April 2020 and may be further extended depending on measures taken by local authorities.
- FIRT historically does not break down the segmental contribution from retail though per FIRT, the temporary closures only affect retail assets which comprise a small proportion of assets within FIRT's portfolio.
- The main operator of hospitals owned by FIRT, namely Siloam International Hospitals Tbk ("Siloam"), has officially designated two hospitals (in Banten and South Jakarta outside of the FIRT ownership) with a combined capacity of more than 630 beds for COVID-19 patients.
- The Indonesian Health Ministry has announced that the government will cover the costs of medical treatment for all COVID-19 patients but this would be insufficient to cover the costs spent by private hospitals. For these two hospitals, Siloam would be funding the gap between the Health Ministry's funding and the actual costs without charging patients. (Jakarta Globe, Company, OCBC)

#### Westpac Banking Corporation ("Westpac") | Issuer Profile: Positive (2)

- Westpac has announced AUD1.43bn in extra-ordinary impacts to its 1H2020 earnings. These items are broken down into:
  - AUD1.03bn for potential fines related to ongoing [AUSTRAC proceedings](#) for breaches of the Anti-Money Laundering and Counter-Terrorism Financing Act';
  - AUD260mn after tax for customer refunds, repayments and litigation;
  - AUD70mn for asset writedowns; and
  - AUD70mn for costs in group life insurance.
  - Westpac has also indicated an unknown but likely material impact to impairment provisions from COVID-19 in its 1H2020 earnings.
- The estimated impact on CET1 ratios of the extra-ordinary items is expected to be around 30bps. Its CET1 capital ratio of 10.8% as at 31 December 2019 rose 20bps from FY2019 (30 September 2019) due to the AUD2.8bn capital raising in November 2019 that offset dividend payments and risk weighted asset growth from movements in interest rate risk and operational risk.
- The reduction in the capital ratio is not the primary concern for Westpac given that the Australian Prudential Regulation Authority has relaxed its minimum 10.5% CET1 capital ratio benchmark for 'unquestionably strong' capital ratios as long as the ratio remains above the minimum 8.0% requirement. And based on average half year earnings, Westpac can absorb the additional provisions. However, half year earnings for all Australian banks will likely be materially altered compared to historical performance given the anticipated impact of COVID-19 on the economy. Although infection rates have slowed on social distancing measures and the trends are positive for virus containment, it is likely that social distancing measures will remain in place for some time resulting in an ongoing impact to economic activity. According to the National Australia Bank business survey, business confidence in Australia has fallen to its lowest on record due to virus containment actions that superseded government support packages.
- We continue to have Westpac's Positive (2) issuer profile under review. (Company, Bloomberg, OCBC)

### Key Market Movements

	14-Apr	1W chg (bps)	1M chg (bps)		14-Apr	1W chg	1M chg
iTraxx Asiax IG	123	-12	-22	Brent Crude Spot (\$/bbl)	32.25	-2.42%	-4.73%
iTraxx SovX APAC	70	-5	-13	Gold Spot (\$/oz)	1,723.78	4.62%	13.85%
iTraxx Japan	86	-23	-53	CRB	127.94	-0.02%	-9.16%
iTraxx Australia	137	-24	-26	GSCI	280.12	3.10%	-6.13%
CDX NA IG	83	-29	-42	VIX	41.17	-12.03%	-28.81%
CDX NA HY	98	5	4	CT10 (%)	0.768%	5.59	-19.22
iTraxx Eur Main	79	-16	-43				
iTraxx Eur XO	469	-71	-146	AUD/USD	0.642	4.10%	5.00%
iTraxx Eur Snr Fin	93	-18	-51	EUR/USD	1.094	0.44%	-2.17%
iTraxx Eur Sub Fin	0	-38	-95	USD/SGD	1.415	0.57%	0.40%
iTraxx Sovx WE	28	1	-7	AUD/SGD	0.909	-3.41%	-4.36%
USD Swap Spread 10Y	7	1	3	ASX 200	5,414	6.83%	-8.85%
USD Swap Spread 30Y	-37	1	16	DJIA	23,391	11.11%	0.88%
US Libor-OIS Spread	114	-10	45	SPX	2,762	10.97%	1.87%
Euro Libor-OIS Spread	24	7	16	MSCI Asiax	580	0.28%	-0.35%
				HSI	24,403	5.02%	-3.90%
China 5Y CDS	43	-8	-35	STI	2,621	6.08%	-0.50%
Malaysia 5Y CDS	103	-10	-54	KLCI	1,361	-0.64%	1.22%
Indonesia 5Y CDS	206	-24	-8	JCI	4,637	-3.63%	-5.51%
Thailand 5Y CDS	78	-9	-3	EU Stoxx 50	2,893	7.60%	-0.59%
Australia 5Y CDS	35	-6	-19				

Source: Bloomberg

## Asian Credit Daily

### New Issues

- Keppel Corp Ltd priced a SGD250mn 5-year bond at 2.25%.

Date	Issuer	Size	Tenor	Pricing
13-Apr-20	Keppel Corp Ltd	SGD250mn	5-year	2.25%
07-Apr-20	Qatar	USD2bn USD3bn USD5bn	5-year 10-year 30-year	T+300bps T+305bps 4.4%
07-Apr-20	Korea Development Bank	USD500mn	3-year	3m-US LIBOR+145bps
06-Apr-20	Republic of Indonesia	USD1.65bn USD1.65bn USD1bn	10.5-year 30.5-year 50-year	3.9% 4.25% 4.5%
06-Apr-20	Mitsubishi UFJ Lease & Finance Co Ltd	USD450mn USD350mn	5-year 10-year	3m-US LIBOR+320bps 3m-US LIBOR+330bps
01-Apr-20	Baidu Inc	USD600mn USD400mn	5-year 10-year	T+275bps T+285bps
31-Mar-20	Guizhou Shuanglong Airport Development & Investment (Group) Co. Ltd.	USD26mn	2-year 354-day	4%
31-Mar-20	AIA Group Limited	USD1bn	10-year	T+275bps
26-Mar-20	State Bank of India of London	USD100mn	2-year	3m-US LIBOR+80bps
25-Mar-20	Binjiang Guotou Limited (Guarantor: Taizhou Xinbinjiang Development Co Ltd)	USD219mn	3-year	7.0%
25-Mar-20	HSBC Holdings PLC	USD2.5bn	10-year	T+415bps
25-Mar-20	SATS Ltd	SGD200mn	5-year	2.88%
23-Mar-20	Maybank Singapore Limited	SGD500mn	10-year	3.7%

Source: OCBC, Bloomberg

# Treasury Research & Strategy

## Macro Research

### Selena Ling

Head of Research & Strategy

[LingSSSelena@ocbc.com](mailto:LingSSSelena@ocbc.com)

### Howie Lee

Thailand, Korea &

Commodities

[HowieLee@ocbc.com](mailto:HowieLee@ocbc.com)

### Tommy Xie Dongming

Head of Greater China

Research

[XieD@ocbc.com](mailto:XieD@ocbc.com)

### Carie Li

Hong Kong & Macau

[carierli@ocbcwh.com](mailto:carierli@ocbcwh.com)

### Wellian Wiranto

Malaysia & Indonesia

[WellianWiranto@ocbc.com](mailto:WellianWiranto@ocbc.com)

### Dick Yu

Hong Kong & Macau

[dicksnyu@ocbcwh.com](mailto:dicksnyu@ocbcwh.com)

### Terence Wu

FX Strategist

[TerenceWu@ocbc.com](mailto:TerenceWu@ocbc.com)

## Credit Research

### Andrew Wong

Credit Research Analyst

[WongVKAM@ocbc.com](mailto:WongVKAM@ocbc.com)

### Ezien Hoo

Credit Research Analyst

[EzienHoo@ocbc.com](mailto:EzienHoo@ocbc.com)

### Wong Hong Wei

Credit Research Analyst

[WongHongWei@ocbc.com](mailto:WongHongWei@ocbc.com)

### Seow Zhi Qi

Credit Research Analyst

[ZhiQiSeow@ocbc.com](mailto:ZhiQiSeow@ocbc.com)

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