

Market Commentary

- The SGD swap curve was higher, with the shorter and belly tenors trading 1-2bps higher while the longer tenors traded 0-7bps higher.
- The Bloomberg Barclays Asia USD IG Bond Index average OAS widened 2bps to 207bps, and the Bloomberg Barclays Asia USD HY Bond Index average OAS widened 20bps to 808bps. The HY-IG Index Spread widened 18bps to 601bps.
- Flows in SGD corporates were heavy, with flows in SOCGEN 6.125%-PERPs, STANLN 5.375%-PERPs, OLAMSP 5.5%-PERPs, SPHRSP 4.1%-PERPs, UBS 5.875%-PERPs and HSBC 5%-PERPs.
- 10Y UST Yields gained 3bps to 0.70%, on the back of stocks rebounding from their steepest drop in about three months.

Credit Research

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Credit Summary:

- [Keppel Corp Ltd \("KEP"\)](#) | **Issuer Profile: Neutral (4):** Alpha Investment Partners Limited ("Alpha", a wholly-owned subsidiary of Keppel Capital Holdings Pte Ltd, KEP's asset management arm), PT Asuransi Jiwa Manulife Indonesia (a subsidiary of Manulife Financial Corporation) and PT Mega Manunggal Property Tbk have entered into a new venture which will focus on Indonesia's logistics property sector. The venture will have an initial target size of USD200mn (~SGD279mn) to jointly acquire and manage logistics properties in Indonesia. We see the transaction as credit neutral given the small size.
- [OUE Limited \("OUE"\)](#) | **Issuer Profile: Neutral (5):** OUE announced that it has reached an agreement with the seller of Jakarta land to vary the aggregate consideration payable to the seller from ~SGD163.7mn to ~SGD132.3mn and that the transaction has reached completion on 12 June 2020. As a recap, OUE entered into an agreement to buy a piece of land in Jakarta which is intended for mixed development. No cash is paid on the land but the development when it starts is likely to lead to cash outflow.
- [Perennial Real Estate Holdings Ltd \("PREH"\)](#) | **Issuer Profile: Negative (6):** Primero Investment Holdings Pte. Ltd, as Offeror ("Primero") announced that it intends to make a voluntary conditional cash offer for all shares in PREH for SGD0.95 in cash per share. This represents a 37.7% premium to PREH's last traded price per share prior to the offer announcement. Primero is an investment holding company incorporated in Singapore in May 2020 which is owned by five consortium members, comprising of PREH's current major shareholders and HOPU Fund Management Company Limited, a private equity asset manager.
- [Westpac Banking Corporation \("WSTP"\)](#) | **Issuer Profile: Positive (2):** Australia's financial crimes intelligence agency ('AUSTRAC') may amend its statement of claim with regards to WSTP's alleged systemic breaches under the Anti-Money Laundering and Counter-Terrorism Financing Act. Separately, AUSTRAC has countered WSTP's position in its admission that it has an established anti-money laundering policy saying that AUSTRAC believes one did not exist. WSTP and AUSTRAC are currently pursuing a dual track process to resolve AUSTRAC's statement of claim with settlement negotiations continuing alongside a court process. We continue to monitor developments – it has been reported that AUSTRAC is seeking a settlement in the range of AUD1.5bn while Westpac has set aside AUD900mn in provisions for settlement costs.

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Credit Headlines

Keppel Corp Ltd (“KEP”) | Issuer Profile: Neutral (4)

- Alpha Investment Partners Limited (“Alpha”, a wholly-owned subsidiary of Keppel Capital Holdings Pte Ltd, KEP’s asset management arm), PT Asuransi Jiwa Manulife Indonesia (a subsidiary of Manulife Financial Corporation (“Manulife”)) and PT Mega Manunggal Property Tbk (“MMP”) have entered into a new venture which will focus on Indonesia’s logistics property sector.
- The venture will have an initial target size of USD200mn (~SGD279mn) to jointly acquire and manage logistics properties in Indonesia. Alpha, will be the investment manager while MMP, a listed and leading logistics space provider in Indonesia, will be the strategic advisor to Alpha and property manager of the logistics properties. Initial capital commitments will be approximately USD93 million (~SGD130mn) from venture partners, including PT Asuransi Jiwa Manulife Indonesia. As an initial portfolio, stakes in four logistics properties will be acquired from MMP.
- We see the transaction as credit neutral given the small size, though marks an interesting development for its asset management arm. (Company, OCBC)

OUE Limited (“OUE”) | Issuer Profile: Neutral (5)

- OUE announced that it has reached an agreement with the seller of Jakarta land to vary the aggregate consideration payable to the seller from ~SGD163.7mn to ~SGD132.3mn and that the transaction has reached completion on 12 June 2020.
- As a recap, OUE entered into an agreement to buy a piece of land in Jakarta which is intended to be developed into a mixed development (office and hotel), targeted for completion in 2026. No cash is paid on the land as the consideration was in the form of a promissory note held by OUE (ie: recognised as an asset on OUE’s balance sheet). The development when it starts is likely to lead to cash outflow during the construction phase. For now we maintain OUE’s issuer profile at Neutral (5). (Company, OCBC)

Perennial Real Estate Holdings Ltd (“PREH”) | Issuer Profile: Negative (6)

- Primero Investment Holdings Pte. Ltd, as Offeror (“Primero”) announced that it intends to make a voluntary conditional cash offer for all shares in PREH for SGD0.95 in cash per share. This represents a 37.7% premium to PREH’s last traded price per share prior to the offer announcement.
- Primero is an investment holding company incorporated in Singapore in May 2020 which is owned by five consortium members, comprising of PREH’s current major shareholders and HOPU Fund Management Company Limited (“HOPU”), a private equity asset manager.
- There is another 90.9mn outstanding options which are exercisable into 90.9mn shares. Primero intends to make an appropriate proposal or offer to the options holders. Details will be set out in the offer document which will be available at a later date.
- Primero’s stake is held as follows: A company wholly-owned by Mr Kuok Khoon Hong (current Chairman of PREH) at ~36.5%, a wholly-owned subsidiary of Wilmar International Limited at ~20.0% (Wilmar is separately listed on the SGX where Mr Kuok is a significant shareholder), a company wholly-owned by Mr Ron Sim (current Vice-Chairman) at ~15.5%, a company wholly-owned by Mr Phua Seck Guan (current CEO) at ~10.4% and an entity managed or advised by HOPU or its affiliates at ~17.6%. We are reviewing the transaction announcement and will be providing an update in due course. (Company, OCBC)

Asian Credit Daily**Credit Headlines****Westpac Banking Corporation (“WSTP”) | Issuer Profile: Positive (2)**

- Australia’s financial crimes intelligence agency ('AUSTRAC') may amend its statement of claim with regards to WSTP’s alleged systemic breaches under the Anti-Money Laundering and Counter-Terrorism Financing Act. This follows [WSTP recently announcing findings](#) from an internal investigation on the matter as well as its admission in mid-May that it breached anti-money laundering laws over 19mn times and did not sufficiently monitor certain high risk accounts linked to suspected child abuse.
- Driving the amendment is WSTP’s additional disclosures in December as it reviewed its processes following initial proceedings from AUSTRAC in November of additional ‘Suspicious Matter Reports’ that could be connected to potential child exploitation.
- Separately, AUSTRAC has countered WSTP’s position in its admission that it has an established anti-money laundering policy saying that AUSTRAC believes one did not exist.
- WSTP and AUSTRAC are currently pursuing a dual track process to resolve AUSTRAC’s statement of claim with settlement negotiations continuing alongside a court process which may only be decided in 2021.
- WSTP has a history of taking matters to court including formal civil proceedings in 2016 by the Australian Securities and Investment Commission ('ASIC') related to the alleged manipulation of the bank-bill swap rate (Australia’s equivalent of LIBOR). Only Westpac elected to contest the charges while CBA, ANZ and NAB settled. [This resulted in a lower court approved fine in 2018](#) for WSTP against much higher court approved settlement amounts for Commonwealth Bank of Australia ('CBA'), National Australia Bank Ltd ('NAB'), and Australia and New Zealand Banking Group Ltd ('ANZ').
- We continue to monitor developments – it has been reported that AUSTRAC is seeking a settlement in the range of AUD1.5bn while Westpac has set aside AUD900mn in provisions for settlement costs. (Company, Bloomberg, OCBC)

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Key Market Movements

	15-Jun	1W chg (bps)	1M chg (bps)		15-Jun	1W chg	1M chg
iTraxx Asiax IG	91	10	-28	Brent Crude Spot (\$/bbl)	38.00	-6.86%	16.92%
iTraxx SovX APAC	48	7	-19	Gold Spot (\$/oz)	1,729.36	1.82%	-0.82%
iTraxx Japan	62	5	-21	CRB	134.32	-3.35%	7.67%
iTraxx Australia	92	10	-29	GSCI	314.28	-2.29%	10.21%
CDX NA IG	79	12	-17	VIX	36.09	47.19%	13.17%
CDX NA HY	101	-3	8	CT10 (%)	0.669%	-20.62	2.62
iTraxx Eur Main	70	8	-21				
iTraxx Eur XO	399	57	-143	AUD/USD	0.683	-2.71%	6.52%
iTraxx Eur Snr Fin	82	12	-29	EUR/USD	1.126	-0.34%	4.03%
iTraxx Eur Sub Fin	170	15	-69	USD/SGD	1.394	-0.42%	2.37%
iTraxx Sovx WE	19	1	-11	AUD/SGD	0.952	2.35%	-3.87%
USD Swap Spread 10Y	-1	1	1	ASX 200	5,833	-2.76%	7.92%
USD Swap Spread 30Y	-48	0	-1	DJIA	25,606	-5.55%	8.11%
US Libor-OIS Spread	23	0	-9	SPX	3,041	-4.78%	6.20%
Euro Libor-OIS Spread	11	1	-9	MSCI Asiax	639	-1.42%	7.05%
				HSI	24,117	-2.66%	1.34%
China 5Y CDS	51	7	-3	STI	2,642	-5.52%	4.71%
Malaysia 5Y CDS	77	13	-38	KLCI	1,522	-2.17%	8.48%
Indonesia 5Y CDS	134	24	-71	JCI	4,888	-3.60%	8.44%
Thailand 5Y CDS	45	6	-16	EU Stoxx 50	3,154	-6.81%	13.82%
Australia 5Y CDS	27	1	-2				

Source: Bloomberg

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New Issues

- Wynn Macau Ltd priced a USD750mn 5.5NC2 bond at 5.5%, in-line with IPG of 5.5% area.
- Industrial & Commercial Bank of China Limited of Hong Kong priced a USD100mn 3-year bond at 3m-US LIBOR+60bps.
- The Export-Import Bank of China priced a USD100mn 3-year bond at 0.9%.

Date	Issuer	Size	Tenor	Pricing
12-Jun-20	Wynn Macau Ltd	USD750mn	5.5NC2	5.5%
12-Jun-20	Industrial & Commercial Bank of China Limited of Hong Kong	USD100mn	3-year	3m-US LIBOR+60bps
12-Jun-20	The Export-Import Bank of China	USD100mn	3-year	0.9%
11-Jun-20	Thaioil Treasury Center Co Ltd (Guarantor: Thai Oil Pcl)	USD400mn USD600mn	10-year 30-year	T+185bps 3.75%
11-Jun-20	MGM China Holdings Ltd	USD500mn	5NC2	5.25%
11-Jun-20	Sinic Holdings (Group) Company Limited	USD210mn	2-year	11.375%
11-Jun-20	Changxing Communications Investment Group Co Ltd	USD110mn	3-year	4.1%
11-Jun-20	The Export-Import Bank of China	USD100mn	3-year	0.9%
11-Jun-20	Tianjin State-Owned Capital Investment And Management Co. Ltd	USD240mn	9.5-year	1.55%
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%

Source: OCBC, Bloomberg

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