

Market Commentary

- The SGD swap curve flattened yesterday, with the shorter tenors trading 0-3bps higher while the belly and the longer tenors traded 0-4bps lower.
- The Bloomberg Barclays Asia USD IG Bond Index average OAS remained mostly unchanged at 252bps, and the Bloomberg Barclays Asia USD HY Bond Index average OAS widened 3bps to 961bps. The HY-IG Index Spread widened 4bps to 709bps.
- Flows in SGD corporates were heavy, with flows in HSBC 5%-PERPs, UBS 4.85%-PERPs, FPLSP 4.98%-PERPs, SOCGEN 6.125%-PERPs, UOBSP 3.58%-PERPs, CTRAIJ 4.85%'21s, ARASP 5.2%-PERPs, HSBC 4.7%-PERPs, STHSP 3.95%-PERPs and UBS 5.875%-PERP.
- 10Y UST Yields fell 3bps to 0.62% despite the S&P index closing higher by the end of the day, after another round of bad jobless claims data, with investors worried about a second wave of infections after economies gradually reopen.

Credit Research

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Credit Summary:

- [Singapore Airlines Ltd \("SIA"\)](#) | **Issuer Profile: Neutral (5):** SIA announced their fourth quarter ("4QFY2020") and full year results for the financial year ended 31 March 2020 ("FY2020"). SIA's total revenue fell 21.9% y/y in 4QFY2020, dragged by the global outbreak of COVID-19. SIA's results were dragged by a SGD709.8mn in ineffective fuel hedging. The sharp fall in fuel prices and anticipated cuts in capacity has led to the company being in an over-hedged position. SIA reported net loss for 4QFY2020 of SGD721.0mn and net loss of SGD169.4mn for the full year. As at 31 March 2020, SIA's unadjusted net gearing was 0.9x, up from 0.6x as at 31 December 2019. In addition to additional debt, the company took a SGD2.8bn hit to book value equity. This was mainly from net fair value changes in cash flow hedges (forward fuel prices have declined versus the prices which the fuel hedges were entered into).

Asian Credit Daily**Credit Headlines****Singapore Airlines Ltd (“SIA”) | Issuer Profile: Neutral (5)**

- SIA announced their fourth quarter (“4QFY2020”) and full year results for the financial year ended 31 March 2020 (“FY2020”).
- SIA’s total revenue fell 21.9% y/y to SGD3.2bn in 4QFY2020, dragged by the global outbreak of COVID-19 where demand dampened against global travel restrictions and border controls. Similar to other airlines, SIA had progressively cut its capacity and accelerating post quarter end.
- Despite lower non-fuel costs from the decline in operating activities, including a large pullback in staff costs to SGD273.6mn in 4QFY2020 (SGD715.8mn in 4QFY2019 and SGD773.6mn in 3QFY2020), SIA reported an operating loss of SGD802.5mn (4QFY2019: SGD253.5mn) while it reported a full year operating profit of SGD59.1mn. SIA’s results were dragged by a SGD709.8mn in ineffective fuel hedging. The sharp fall in fuel prices and anticipated cuts in capacity has led to the company being in an over-hedged position. SIA reported net loss for 4QFY2020 of SGD721.0mn (buffered by a tax credit) and net loss of SGD169.4mn for the full year.
- EBITDA (based on our calculation, excluding the fuel ineffectiveness) was down 7.5% y/y to SGD578.8mn, resulting in an EBITDA/Interest coverage of 11.3x, still manageable though down from 22.3x in 4QFY2019. Interest expense had rose mainly from the higher average debt at SIA, mainly as SIA had been funding capex with debt.
- As at 31 March 2020, SIA’s unadjusted net gearing was 0.9x, up from 0.6x as at 31 December 2019. In addition to additional debt, the company took a SGD2.8bn hit to book value equity. This was mainly from net fair value changes in cash flow hedges (forward fuel prices have declined versus the prices which the fuel hedges were entered into).
- Despite expectations of a weak operating environment going into FY2021, we maintain our issuer profile of SIA at Neutral (5) as SIA is in the midst of shoring up its equity base via a proposed equity and mandatory convertible bond issue. SIA’s major shareholder Temasek would effectively be “underwriting” the transactions as it will be taking up any unsubscribed portions. (Company, OCBC)

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Key Market Movements

	15-May	1W chg (bps)	1M chg (bps)		15-May	1W chg	1M chg
iTraxx Asiax IG	121	3	2	Brent Crude Spot (\$/bbl)	31.30	1.07%	13.04%
iTraxx SovX APAC	68	0	1	Gold Spot (\$/oz)	1,732.46	1.75%	0.90%
iTraxx Japan	83	5	-3	CRB	123.12	0.44%	-0.41%
iTraxx Australia	123	4	4	GSCI	279.94	3.17%	3.32%
CDX NA IG	95	4	7	VIX	32.61	3.72%	-20.15%
CDX NA HY	93	-2	-3	CT10 (%)	0.622%	-6.13	-0.98
iTraxx Eur Main	90	4	6				
iTraxx Eur XO	539	28	53	AUD/USD	0.646	-1.16%	2.17%
iTraxx Eur Snr Fin	109	2	5	EUR/USD	1.080	-0.34%	-0.99%
iTraxx Eur Sub Fin	239	10	9	USD/SGD	1.424	-0.77%	-0.02%
iTraxx Sovx WE	29	-3	-3	AUD/SGD	0.919	0.40%	-2.13%
USD Swap Spread 10Y	-3	1	-10	ASX 200	5,367	-0.45%	-1.83%
USD Swap Spread 30Y	-48	2	-11	DJIA	23,625	-1.05%	0.51%
US Libor-OIS Spread	34	-5	-72	SPX	2,853	-1.00%	2.48%
Euro Libor-OIS Spread	22	-1	1	MSCI Asiax	597	-0.97%	1.61%
				HSI	23,835	-1.63%	-1.29%
China 5Y CDS	55	6	13	STI	2,534	-2.23%	-2.74%
Malaysia 5Y CDS	112	4	9	KLCI	1,402	1.80%	1.01%
Indonesia 5Y CDS	206	-3	-1	JCI	4,514	-2.06%	-2.42%
Thailand 5Y CDS	66	3	-6	EU Stoxx 50	2,760	-4.18%	-1.71%
Australia 5Y CDS	29	2	-1				

Source: Bloomberg

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New Issues

- Zhenro Properties Group Limited priced a USD200mn 3.8NCNP2.8 bond at 8.35% (yield to put), tightening from IPT of 8.9% area (yield to put).

Date	Issuer	Size	Tenor	Pricing
14-May-20	Zhenro Properties Group Limited	USD200mn	3.8NCNP2.8	8.35% (yield to put)
12-May-20	REC Ltd	USD500mn	3-year	4.86%
12-May-20	NWD (MTN) Ltd. (Guarantor: New World Development Co.)	USD600mn	10-year	T+380bps
12-May-20	International Islamic Liquidity Management Corp.	USD300mn USD300mn	1-month 3-month	0.33% 0.5%
12-May-20	Tuan Sing Holdings Limited	SGD65mn	2NC1	7.75%
12-May-20	City Developments Limited	SGD200mn	5-year	2.3%
11-May-20	PT Indonesia Asahan Aluminium (Persero)	USD1bn USD1bn USD500mn	5-year 10-year 30-year	4.975% 5.75% 6.325%
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

Source: OCBC, Bloomberg

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