

Market Commentary

- The SGD swap curve bull-flattened yesterday, with the shorter tenors trading 2-5bps lower, while the belly and the longer tenors traded 5-8bps lower (with the exception of the 30-year tenor trading 18bps lower).
- The Bloomberg Barclays Asia USD IG Bond Index average OAS tightened 1bps to 264bps, and the Bloomberg Barclays Asia USD HY Bond Index average OAS tightened 39bps to 970bps. The HY-IG Index Spread tightened 39bps to 707bps.
- Flows in SGD corporates were heavy, with flows in STANLN 5.375%-PERPs, SOCGEN 6.125%-PERPs, CS 5.625%-PERPs, HSBC 4.7%-PERPs, ABNAV 4.75%'26s, DBSSP 3.98%-PERPs, STANLN 4.4%'26s, HSBC 5%-PERPs, OLAMSP 6%'22s, ARASP 5.2%-PERPs and HRINTH 3.8%'25s.
- 10Y UST Yields fell 12bps to 0.63% alongside S&P falling over 2% by the end of the day, due to very weak U.S. economic data and weak bank earnings which reflected the impact brought about by the global outbreak of COVID-19.

Credit Research

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Credit Summary:

- [City Developments Ltd \(“CDL”\)](#) | **Issuer Profile: Neutral (3):** Following the original proposed acquisition of 24%-effective stake in Sincere Property Group (“Sincere”) back in May 2019, CDL announced that the original agreement will be amended such that CDL will be acquiring 51.01%-effective stake in Sincere instead. A rationale for the acquisition is that the total consideration (RMB4.39bn) is lower than the original agreed amount (RMB5.5bn) while the stakes acquired will be more (at 51.01%) as opposed to a mere ~24% previously. After acquisition, the exposure to China will increase to 17% of total assets while net gearing will be expected to fall to 59% (from 61%) according to the company. Overall, we think the acquisition is credit negative to CDL given the net cash outlay as CDL may utilise its cash of SGD2.80bn (as of Dec 2019) and credit facilities to finance the purchase. Given that CDL’s results is likely to be significantly worse due to the outbreak of COVID-19, we are likely to downgrade CDL’s Issuer Profile should further significant acquisitions be made.
- [Singapore Airlines Ltd \(“SIA”\)](#) | **Issuer Profile: Neutral (5):** SIA reported its March 2020 operating data. On a group airline basis, passenger load factor had declined to 57.4%, lower than February 2020’s 69.1% (March 2019: 81.5%). On March 23 2020, SIA had announced a larger cut to capacity of 96%, heralding even lower operating numbers come April 2020. Separately, the listed shares of Virgin Airlines Holdings (“VAH”, Issuer profile: Unrated), a 20%-associate of SIA has been suspended from quotation, pending the release of an announcement regarding VAH’s financial assistance and restructuring alternatives. Reportedly, VAH had sought for financial assistance from its major shareholders (Etihad Airways, SIA, Nanshan Group, HNA and Virgin Group) via an equity injection with all but the Virgin Group opting out of the process. Assuming VAH fails, Qantas Airways Ltd (“QAN”, Issuer profile: Neutral (5)) would be the defacto “monopoly” in the domestic market. While Australia has a relatively strong business culture of being anti-monopoly, it is worth noting that the Australian federal government has yet to announce its decision with regards to VAH’s financial assistance request despite the tight liquidity situation that VAH is in.

Asian Credit Daily**Credit Headlines****City Developments Ltd (“CDL”) | Issuer Profile: Neutral (3)**

- Following the original [proposed acquisition of 24%-effective stake in Sincere Property Group \(“Sincere”\) back in May 2019](#), CDL announced that the original agreement will be amended such that CDL will be acquiring 51.01%-effective stake in Sincere instead for RMB4.39bn (SGD0.88bn). CDL will also receive a call option to acquire an extra 9% effective stake in Sincere for RMB0.77bn (SGD0.16bn).
- The acquisition will be done through the acquisition of 63.75%-stake in HCP Chongqing Property Development Co Ltd (“HCP”), which will have 80.01%-stake in Sincere following the transaction. With this acquisition, the initial loan of RMB2.75bn by CDL to HCP will be repaid. As such, the net outlay for the acquisition will be RMB1.64bn (~SGD335mn).
- A rationale for the acquisition is that the total consideration (RMB4.39bn) is lower than the original agreed amount (RMB5.5bn) while the stakes acquired will be more (at 51.01%) as opposed to a mere ~24% previously. The acquisition values Sincere at RMB8.6bn while its net asset value is RMB16.48bn.
- The exposure to China will increase to 17% of total assets (from 13% as of Dec 2019).
- The other stakeholders in the group will see their effective stakes diluted, including Mr Wu Xu (from 60% to 29%), who is Sincere Property’s Chairman and Founder and Greenland Holdings Group Co Ltd (from 40% to 19.99%).
- We note that the CDL will jointly control Sincere with Mr Wu Xu post the transaction.
- Post-acquisition, CDL projects that its reported net gearing will in fact decline to 59% (from 61%). We think gearing remains the same despite the cash outlay due to gains arising from negative goodwill of SGD867mn by acquiring significantly below Sincere’s net asset value. We think Sincere may not be consolidated on CDL’s balance sheet.
- Overall, we think the acquisition is credit negative to CDL even though there may not be changes to headline gearing given the net cash outlay. We think CDL may utilise its cash of SGD2.80bn (as of Dec 2019) and credit facilities to finance the purchase.
- Given that CDL’s results, especially contribution from Millennium & Copthorne, is likely to be significantly worse arising from the outbreak of COVID-19, we are likely to downgrade CDL’s Issuer Profile should further significant acquisitions be made. (Company, OCBC)

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

- SIA reported its March 2020 operating data. On a group airline basis, passenger load factor had declined to 57.4%, lower than February 2020’s 69.1% (March 2019: 81.5%). Capacity in millions seat-kilometres on a group airline basis had declined 43.8% y/y to 8,272.7 million seat-kilometres in March 2020.
- On March 23 2020, SIA announced a larger cut to capacity of 96%, heralding even lower operating numbers come April 2020.
- The listed shares of Virgin Airlines Holdings (“VAH”, Issuer profile: Unrated), a 20%-associate of SIA has been suspended from quotation, pending the release of an announcement regarding VAH’s financial assistance and restructuring alternatives. Earlier [VAH had announced that it was seeking an AUD1.4bn loan from the Australian federal government](#) and we had opined that we do not expect SIA to extend further financial support to VAH.
- Reportedly, VAH had sought for financial assistance from its major shareholders (Etihad Airways, SIA, Nanshan Group, HNA and Virgin Group) via an equity injection with all but the Virgin Group has opted out of the process. Collectively, these five shareholders own ~91%-stake in VAH.
- Assuming VAH fails, [Qantas Airways Ltd \(“QAN”, Issuer profile: Neutral \(5\)\)](#) would be the defacto “monopoly” in the domestic market.
- While Australia has a relatively strong business culture of being anti-monopoly (ie: pro-consumer choice), it is worth noting that the Australian federal government has yet to announce its decision with regards to VAH’s financial assistance request despite the tight liquidity situation that VAH is in. In the event that this request fails, VAH would likely be put under voluntary administration with a hit taken by all parts of its capital structure. There are ~AUD2.9bn of outstanding bonds at VAH (denominated in USD and AUD). We are maintaining SIA’s issuer profile at Neutral (5). (Company, Australian Financial Review, OCBC)

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Key Market Movements

	16-Apr	1W chg (bps)	1M chg (bps)		16-Apr	1W chg	1M chg
iTraxx Asiax IG	119	-12	-26	Brent Crude Spot (\$/bbl)	28.58	-12.97%	-4.89%
iTraxx SovX APAC	67	-2	-17	Gold Spot (\$/oz)	1,715.82	1.91%	13.32%
iTraxx Japan	86	-13	-53	CRB	123.63	-3.38%	-6.85%
iTraxx Australia	119	-22	-44	GSCI	270.95	-2.21%	-2.88%
CDX NA IG	88	5	-37	VIX	40.84	-12.55%	-50.61%
CDX NA HY	95	-3	2	CT10 (%)	0.646%	-7.33	-7.24
iTraxx Eur Main	84	5	-38				
iTraxx Eur XO	487	19	-129	AUD/USD	0.629	-0.76%	2.86%
iTraxx Eur Snr Fin	104	10	-40	EUR/USD	1.088	-0.43%	-2.68%
iTraxx Eur Sub Fin	230	18	-78	USD/SGD	1.427	-0.67%	-0.40%
iTraxx Sovx WE	32	5	-3	AUD/SGD	0.898	0.10%	-3.14%
USD Swap Spread 10Y	7	-1	3	ASX 200	5,393	2.68%	7.82%
USD Swap Spread 30Y	-38	-3	14	DJIA	23,504	3.75%	16.42%
US Libor-OIS Spread	110	-4	32	SPX	2,783	4.66%	16.65%
Euro Libor-OIS Spread	21	-3	10	MSCI Asiax	587	1.09%	6.71%
				HSI	23,889	-1.50%	3.58%
China 5Y CDS	42	1	-35	STI	2,602	2.48%	4.27%
Malaysia 5Y CDS	103	5	-54	KLCI	1,380	0.77%	7.79%
Indonesia 5Y CDS	206	3	-7	JCI	4,585	-0.90%	-2.25%
Thailand 5Y CDS	72	-7	-9	EU Stoxx 50	2,808	0.44%	14.60%
Australia 5Y CDS	31	-3	-17				

Source: Bloomberg

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New Issues

- The Kingdom of Saudi Arabia acting through the ministry of finance priced a deal in 3 parts: (1) a USD2.5bn 5.5-year at T+260bps, (2) a USD1.5bn 10.5-year at T+270bps, and (3) a USD3.9bn 40-year at T+327bps, tightening from IPT of T+315bps, T+325bps, and 5.15% area respectively.
- China National Travel Service Group Corporation Limited has arranged investor calls commencing 15 April for its proposed USD bond offering.

Date	Issuer	Size	Tenor	Pricing
15-Apr-20	Kingdom of Saudi Arabia	USD2.5bn USD1.5bn USD3.9bn	5.5-year 10.5-year 40-year	T+260bps T+270bps T+327bps
14-Apr-20	Petronas	USD2.25bn USD2.75bn USD1bn	10-year 30-year 40-year	T+290bps 4.55% 4.8%
14-Apr-20	Sumcowry Co. Ltd	USD200mn	3-year	2.69%
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

Source: OCBC, Bloomberg

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