

Market Commentary

- The SGD swap curve flattened yesterday, with the shorter tenors trading 0-1bps higher while the belly and longer tenors remained mostly unchanged.
- The Bloomberg Barclays Asia USD IG Bond Index average OAS remained mostly unchanged at 117bps, and the Bloomberg Barclays Asia USD HY Bond Index average OAS tightened 5bps to 439bps. The HY-IG Index tightened 5bps to 322bps.
- Flows in SGD corporates were heavy, with flows in SPHSP 3.2%’30s, UBS 4.85%-PERPs, ARASP 5.6%-PERPs, WINGTA 3.68%’30s, CS 5.625%-PERPs, CATHAY 3.375%’23s, SOCGEN 6.125%-PERPs, CMZB 4.2%’28s, STANLN 5.375%-PERPs, UBS 5.875%-PERPs, EREIT 4.6%-PERPs and SPHSP 4.0%-PERPs.
- 10Y UST Yields gained by 2bps to close at 1.81%, following positive bank earnings and optimistic economic data such as firm December retail sales data and better-than-expected increase in the January Philadelphia Fed business outlook index.

Credit Research

Andrew Wong

+65 6530 4736

WongVKAM@ocbc.com

Ezien Hoo, CFA

+65 6722 2215

EzienHoo@ocbc.com

Wong Hong Wei, CFA

+65 6722 2533

WongHongWei@ocbc.com

Seow Zhi Qi, CFA

+65 6530 7348

zhiqiseow@ocbc.com

Credit Summary:

- [BreadTalk Group Ltd \(“BGL”\)](#) | **Issuer Profile: Neutral (5):** BGL issued negative profit guidance with the expectation of a net loss for FY2019. As such, losses in 4Q2019 are likely very significant given that 9M2019 net profit was SGD5.3mn. According to BGL, the expected net loss is due to widening losses (1) from the Bakery business in China and Thailand as well as (2) challenging operating environment from the 4orth Division, which includes Wu Pao Chun, Song Fa, Tai Gai and Nayuki. BGL also cited on-going issues in HKSAR. We are reviewing BGL’s Issuer Profile for a downgrade, pending the full release of the full year results.
- [GuocoLand Ltd \(“GUOL”\)](#) | **Issuer Profile : Neutral (5):** GUOL reported 2QFY2020 results for the quarter ending Dec 2019. Revenue rose 110% y/y to SGD299.6mn, mainly due to strong property sales in the quarter. As a result, net profit for the quarter surged to SGD26.4mn (2QFY2018: SGD7.4mn). However, we note that EBITDA margins fell q/q to 22.5% (1QFY2020: 26.6%), likely due to lower margins from sale of newer launches. Net gearing rose q/q to 97% (1QFY2020: 81%) mainly due to the purchase of a residential site at Tan Quee Lan Street for SGD800.2mn.

Asian Credit Daily**Credit Headlines****BreadTalk Group Ltd (“BGL”) | Issuer Profile: Neutral (5)**

- BGL issued negative profit guidance with the expectation of a net loss for FY2019. As such, losses in 4Q2019 are likely very significant given that 9M2019 net profit was SGD5.3mn.
- According to BGL, the expected net loss is due to widening losses (1) from the Bakery business in China and Thailand as well as (2) challenging operating environment from the 4orth Division, which includes Wu Pao Chun, Song Fa, Tai Gai and Nayuki. BGL also cited on-going issues in HKSAR contributing to poorer performance for Bakery and Food Atrium. In November 2019, HKSAR retail sales value fell 23.6% y/y based on census and statistics department data.
- We are reviewing BGL’s Issuer Profile for a downgrade, pending the full release of the full year results. As we mentioned in our [Credit Outlook 2020](#), Bakery has already not been contributing positively to profits and credit metrics may deteriorate post acquisition of Food Junction. (Company, OCBC)

GuocoLand Ltd (“GUOL”) | Issuer Profile: Neutral (5)

- GUOL reported 2QFY2020 results for the quarter ending Dec 2019. Revenue rose 110% y/y to SGD299.6mn, mainly due to strong property sales in the quarter, including Martin Modern (33 units for SGD86mn), Wallich Residence (7 units for SGD23.0mn), Midtown Bay (38 units for SGD66.7mn) and Meyer Mansion (8 units for SGD26.6mn). As a result, net profit for the quarter surged to SGD26.4mn (2QFY2018: SGD7.4mn).
- However, we note that EBITDA margins fell q/q to 22.5% (1QFY2020: 26.6%), likely due to lower margins from sale of newer launches including Midtown Bay and Meyer Mansion.
- Net gearing rose q/q to 97% (1QFY2020: 81%) mainly due to the purchase of a residential site at Tan Quee Lan Street for SGD800.2mn. Due to this purchase, short term debt rose to SGD776.6mn (1QFY2020: SGD299.9mn), which exceeds cash of SGD690.4mn. That said, we are still comfortable with GUOL’s credit profile given the healthy pace of residential sales and recurring income from investment properties which should generate ~SGD120mn recurring income p.a. We continue to hold GUOL at a Neutral (5) Issuer Profile. (Company, OCBC)

Key Market Movements

	17-Jan	1W chg (bps)	1M chg (bps)		17-Jan	1W chg	1M chg
iTraxx Asiax IG	51	-3	-5	Brent Crude Spot (\$/bbl)	64.62	-1.15%	-1.10%
iTraxx SovX APAC	26	-1	-2	Gold Spot (\$/oz)	1,550.40	-0.76%	5.03%
iTraxx Japan	44	-1	0	CRB	182.25	-0.72%	-1.64%
iTraxx Australia	46	-1	-4	GSCI	425.84	-1.11%	-1.83%
CDX NA IG	44	0	-2	VIX	12.32	-1.75%	0.24%
CDX NA HY	110	0	0	CT10 (%)	1.823%	0.35	-5.70
iTraxx Eur Main	43	0	-2				
iTraxx Eur XO	208	2	-4	AUD/USD	0.690	-0.04%	0.69%
iTraxx Eur Snr Fin	52	2	0	EUR/USD	1.114	0.15%	-0.11%
iTraxx Eur Sub Fin	111	3	2	USD/SGD	1.347	0.14%	0.63%
iTraxx Sovx WE	12	0	0	AUD/SGD	0.929	0.22%	-0.04%
USD Swap Spread 10Y	-5	0	0	ASX 200	7,075	2.11%	3.33%
USD Swap Spread 30Y	-32	0	-3	DJIA	29,298	1.18%	3.65%
US Libor-OIS Spread	26	-1	-8	SPX	3,317	1.29%	3.89%
Euro Libor-OIS Spread	6	0	1	MSCI Asiax	710	0.98%	3.97%
				HSI	28,883	1.13%	3.73%
China 5Y CDS	31	-2	-2	STI	3,278	0.94%	2.41%
Malaysia 5Y CDS	34	-2	-3	KLCI	1,588	-0.49%	0.69%
Indonesia 5Y CDS	60	-3	-6	JCI	6,286	0.18%	0.67%
Thailand 5Y CDS	21	-2	-4	EU Stoxx 50	3,774	-0.57%	0.77%
Australia 5Y CDS	17	0	0				

Source: Bloomberg

Asian Credit Daily

New Issues

- China Evergrande Group priced a USD1bn 3-year bond (guaranteed by Certain Restricted Subsidiaries incorporated outside the PRC) at 11.5% and a USD1bn 4NC2 at 12.0%, tightening from IPT of 12.0% and 12.5% area.
- PT Bayan Resources Tbk priced a USD400mn 3-year bond (guaranteed by certain of the Issuer's subsidiaries) at 6.125%, tightening from IPT of 6.375% area.
- China Zhengtong Auto Services Holdings Limited priced a USD160mn 2-year bond (guaranteed by certain subsidiaries of the Company outside of the PRC) at 12.0%.
- Jollibee Worldwide Pte. Ltd priced a USD600mn PERPs NC5 note (guaranteed by Jollibee Foods Corporation) at 3.90%, tightening from IPT of 4.25% area.
- Medco Bell Pte. Ltd. priced a USD650mn 7NC4 bond (guaranteed by PT Medco Energi Internasional Tbk) at 6.625%, tightening from IPT of 7.0% area.
- Rugao Economic and Trade Development Company priced a USD160mn 3-year bond at 5.95%, tightening from IPT of 6.0% area.
- ZGC International Investment Ltd priced a USD300mn 3-year bond (Keepwell deed provider and deed of equity interest purchase undertaking provider: Zhongguancun Development Group Co) at T+137.5bps, tightening from IPT of T+175bps area.
- Jiayuan International Group Limited priced a USD30mn re-tap of its existing JIAYUA 13.75%'23s at 13.75%.

Date	Issuer	Size	Tenor	Pricing
16-Jan-20	China Evergrande Group	USD1bn USD1bn	3-year 4NC2	11.5% 12.0%
16-Jan-20	PT Bayan Resources Tbk	USD400mn	3-year	6.125%
16-Jan-20	China Zhengtong Auto Services Holdings Limited	USD160mn	2-year	12.0%
16-Jan-20	Jollibee Worldwide Pte. Ltd	USD600mn	PERPs NC5	3.90%
16-Jan-20	Medco Bell Pte. Ltd.	USD650mn	7NC4	6.625%
16-Jan-20	Rugao Economic and Trade Development Company	USD160mn	3-year	5.95%
16-Jan-20	ZGC International Investment Ltd	USD300mn	3-year	T+137.5bps
16-Jan-20	Jiayuan International Group Limited	USD30mn	JIAYUA 13.75%'23s	13.75%
15-Jan-20	Bank of Communications Co., Ltd. Hong Kong Branch	USD1.3bn	3-year	3m-US LIBOR+58bps
15-Jan-20	PT Bank Tabungan Negara (Persero) Tbk	USD300mn	5-year	4.2%

Source: OCBC, Bloomberg

Treasury Research & Strategy

Macro Research

Selena Ling

Head of Research & Strategy

LingSSSelena@ocbc.com

Howie Lee

Thailand, Korea &

Commodities

HowieLee@ocbc.com

Tommy Xie Dongming

Head of Greater China

Research

XieD@ocbc.com

Carie Li

Hong Kong & Macau

carierli@ocbcwh.com

Wellian Wiranto

Malaysia & Indonesia

WellianWiranto@ocbc.com

Dick Yu

Hong Kong & Macau

dicksnyu@ocbcwh.com

Terence Wu

FX Strategist

TerenceWu@ocbc.com

Credit Research

Andrew Wong

Credit Research Analyst

WongVKAM@ocbc.com

Ezien Hoo

Credit Research Analyst

EzienHoo@ocbc.com

Wong Hong Wei

Credit Research Analyst

WongHongWei@ocbc.com

Seow Zhi Qi

Credit Research Analyst

ZhiQiSeow@ocbc.com

This publication is solely for information purposes only and may not be published, circulated, reproduced or distributed in whole or in part to any other person without our prior written consent. This publication should not be construed as an offer or solicitation for the subscription, purchase or sale of the securities/instruments mentioned herein. Any forecast on the economy, stock market, bond market and economic trends of the markets provided is not necessarily indicative of the future or likely performance of the securities/instruments. Whilst the information contained herein has been compiled from sources believed to be reliable and we have taken all reasonable care to ensure that the information contained in this publication is not untrue or misleading at the time of publication, we cannot guarantee and we make no representation as to its accuracy or completeness, and you should not act on it without first independently verifying its contents. The securities/instruments mentioned in this publication may not be suitable for investment by all investors. Any opinion or estimate contained in this report is subject to change without notice. We have not given any consideration to and we have not made any investigation of the investment objectives, financial situation or particular needs of the recipient or any class of persons, and accordingly, no warranty whatsoever is given and no liability whatsoever is accepted for any loss arising whether directly or indirectly as a result of the recipient or any class of persons acting on such information or opinion or estimate. This publication may cover a wide range of topics and is not intended to be a comprehensive study or to provide any recommendation or advice on personal investing or financial planning. Accordingly, they should not be relied on or treated as a substitute for specific advice concerning individual situations. Please seek advice from a financial adviser regarding the suitability of any investment product taking into account your specific investment objectives, financial situation or particular needs before you make a commitment to purchase the investment product. OCBC Bank, its related companies, their respective directors and/or employees (collectively "Related Persons") may or might have in the future interests in the investment products or the issuers mentioned herein. Such interests include effecting transactions in such investment products, and providing broking, investment banking and other financial services to such issuers. OCBC Bank and its Related Persons may also be related to, and receive fees from, providers of such investment products.

This report is intended for your sole use and information. By accepting this report, you agree that you shall not share, communicate, distribute, deliver a copy of or otherwise disclose in any way all or any part of this report or any information contained herein (such report, part thereof and information, "Relevant Materials") to any person or entity (including, without limitation, any overseas office, affiliate, parent entity, subsidiary entity or related entity) (any such person or entity, a "Relevant Entity") in breach of any law, rule, regulation, guidance or similar. In particular, you agree not to share, communicate, distribute, deliver or otherwise disclose any Relevant Materials to any Relevant Entity that is subject to the Markets in Financial Instruments Directive (2014/65/EU) ("MiFID") and the EU's Markets in Financial Instruments Regulation (600/2014) ("MiFIR") (together referred to as "MiFID II"), or any part thereof, as implemented in any jurisdiction. No member of the OCBC Group shall be liable or responsible for the compliance by you or any Relevant Entity with any law, rule, regulation, guidance or similar (including, without limitation, MiFID II, as implemented in any jurisdiction).