

Market Commentary

- The SGD swap curve bull-flattened yesterday, with the shorter tenors trading 0-4bps lower, while the belly and the longer tenors traded 2-4bps lower.
- The Bloomberg Barclays Asia USD IG Bond Index average OAS widened 17bps to 208bps, and the Bloomberg Barclays Asia USD HY Bond Index average OAS widened 75bps to 879bps. The HY-IG Index Spread widened 59bps to 671bps.
- Flows in SGD corporates were heavy, with flows in SOCGEN 6.125%-PERPs, SPHSP 4%-PERPs, DBSSP 3.98%-PERPs, HSBC 4.7%-PERPs and OLAMSP 5.5%-PERPs.
- 10Y UST Yields fell 24bps to 0.72%, but still above the all-time lows last week, as the Fed and global central banks acted aggressively. President Trump now acknowledges the gravity of the outbreak of COVID-19 and advised Americans to avoid gathering in groups of more than 10 people.

Credit Research

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Credit Summary:

- **Industry Outlook – Airlines:** The airline industry in the US represented by Airlines of America (a trade group) is requesting for more than USD50bn in federal assistance amidst the COVID-19 outbreak which has led to decrease in passenger volumes from travel bans imposed by various countries globally and dampening in demand. Among the request for assistance, the airline industry is seeking for (1) grants which can provide immediate assistance (2) unsecured loans/loan guarantees and (3) tax relieves. US airports as well as Boeing are also reportedly asking for federal assistance. Meanwhile, Qantas Airways Ltd (Issuer profile: Neutral (4)) announced that it will be cutting 90% of its international flights. Singapore Airlines Ltd (Issuer profile: Neutral (4)), on a group airlines basis, reported that passenger load factor had declined to 69.1% (February 2019: 81.2%). For Cathay Pacific Airways Ltd (Issuer profile: Unrated), Cathay Pacific (the main carrier) and Cathay Dragon on a combined basis saw passenger load factor declined to 53.1% (February 2019: 81.7%) and its unaudited monthly loss for February 2020 was HKD2bn.

Asian Credit Daily**Credit Headlines****Industry Outlook – Airlines:**

- The airline industry in the US represented by Airlines of America (a trade group) is requesting for more than USD50bn in federal assistance amidst the COVID-19 outbreak which has led to decrease in passenger volumes from travel bans imposed by various countries globally and dampening in demand.
 - Among the request for assistance, the airline industry is seeking for (1) grants to compensate for reduced liquidity which can provide immediate assistance (2) unsecured loans/loan guarantees where the Federal Reserve would purchase financial instruments from or provide zero interest unsecured loans or zero interest unsecured loan guarantees to assist in medium to long term liquidity measures and (3) tax relieves including a rebate on federal excise taxes that have been remitted in 1Q2020 to the government and temporary repeal of all federal excise taxes. No decision and/or commentary has been made yet by the US government on this matter, although we expect a conditional financial package to be extended.
 - US airports, facing their own losses from lack of passenger volume as well as Boeing, the defense contractor, aircraft maker and largest US exporter by dollar value, are also reportedly asking for federal assistance.
- Qantas Airways Ltd (“QANAU”, Issuer profile: Neutral (4)) announced that it will be cutting 90% of its international flights. For the six months ended December 2020 (“1H FY2021”), Group International (including Qantas and Jetstar’s international business) contributed around AUD200mn in earnings before interest and tax (“EBIT”), making up ~20% of total EBIT. With QANAU’s main contributor being its domestic business and its loyalty business providing a more defensive income stream, we maintain comfortable in keeping our issuer profile of QANAU at Neutral (4).
- Singapore Airlines Ltd (“SIA”, Issuer profile: Neutral (4)) reported its February 2020 operating data. On a group airlines basis, passenger load factor had declined to 69.1% (February 2019: 81.2%). Singapore has implemented stay-at-home notices to a broader group of regions which in our view deters international visitors to the country. Combining with the travel restrictions imposed at destination countries and Singapore travel advisory to defer all non-essential travel for the next 30 days, we expect SIA’s March passenger load factors to decline further. On the back of SIA’s access to banking facilities, we maintain comfortable in keeping our issuer profile of SIA at Neutral (4). We had on 2 March [lowered our issuer profile on SIA to Neutral \(4\)](#) from Neutral (3).
- Cathay Pacific Airways Ltd (“CATHAY”, Issuer profile: Unrated)) reported its February 2020 operating data. Cathay Pacific (the main carrier) and Cathay Dragon on a combined basis saw passenger load factor declined to 53.1% (February 2019: 81.7%). CATHAY added that in February 2020, its unaudited monthly loss was HKD2bn. The company would also operate only a bare skeleton passenger flight schedule for April 2020 with a capacity reduction of up to 90% which could be extended into May 2020. In our view, it appears increasingly likely that CATHAY could seek financial support from its major shareholders and/or financial assistance from the government during this challenging period for the airline industry. (Bloomberg, Washington Post, Company, OCBC)

Key Market Movements

	17-Mar	1W chg (bps)	1M chg (bps)		17-Mar	1W chg	1M chg
iTraxx Asiax IG	145	53	98	Brent Crude Spot (\$/bbl)	30.66	-17.62%	-46.84%
iTraxx SovX APAC	83	25	56	Gold Spot (\$/oz)	1,498.40	-9.15%	-5.23%
iTraxx Japan	139	51	96	CRB	132.71	-8.35%	-23.27%
iTraxx Australia	163	65	116	GSCI	279.00	-12.52%	-29.59%
CDX NA IG	125	22	81	VIX	82.69	51.84%	504.46%
CDX NA HY	93	-5	-16	CT10 (%)	0.766%	-3.75	-81.93
iTraxx Eur Main	122	21	81				
iTraxx Eur XO	615	155	404	AUD/USD	0.613	-5.78%	-8.71%
iTraxx Eur Snr Fin	144	28	98	EUR/USD	1.118	-0.90%	3.17%
iTraxx Eur Sub Fin	308	73	211	USD/SGD	1.420	-2.03%	-2.19%
iTraxx Sovx WE	35	12	25	AUD/SGD	0.871	3.97%	7.14%
USD Swap Spread 10Y	2	-1	8	ASX 200	5,169	-12.98%	-27.46%
USD Swap Spread 30Y	-53	-10	-21	DJIA	20,189	-15.36%	-31.33%
US Libor-OIS Spread	74	37	61	SPX	2,386	-13.12%	-29.41%
Euro Libor-OIS Spread	10	2	6	MSCI Asiax	550	-11.95%	-20.47%
				HSI	23,268	-8.37%	-16.78%
China 5Y CDS	77	15	44	STI	2,483	-12.34%	-22.72%
Malaysia 5Y CDS	157	56	122	KLCI	1,252	-12.48%	-18.55%
Indonesia 5Y CDS	214	65	154	JCI	4,476	-14.27%	-23.72%
Thailand 5Y CDS	81	20	54	EU Stoxx 50	2,450	-17.19%	-36.41%
Australia 5Y CDS	48	15	32				

Source: Bloomberg

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New Issues

- There were no new issues or mandates.

Date	Issuer	Size	Tenor	Pricing
13-Mar-20	Export-Import Bank of Korea	USD425mn	5-year	1.375%
13-Mar-20	PCGI Intermediate Limited (Guarantor: PCGI Ltd)	USD137.46mn	PCGIIN 4.75%'24s	4.75%
11-Mar-20	China Cinda (2020) I Management Ltd. (Guarantor: China Cinda (HK) Holdings Co.)	USD700mn USD500mn USD300mn USD500mn	3-year 5-year 7-year 10-year	T+160bps T+195bps T+240bps T+255bps
11-Mar-20	Beijing Capital Polaris Investment Co. Ltd. (Guarantor: Beijing Capital Group Co. Ltd.)	USD300mn	3-year	2.8%
11-Mar-20	Xiang Sheng Holding Limited (Guarantor: Shinsun Real Estate Group Co. Ltd.)	USD53mn	SHXREG 12.5%'22s	12.5%
10-Mar-20	Huantaihu International Investment Co., Ltd. (Guarantor: Huzhou Economic Development Group Co., Ltd.)	USD200mn	3-year	4.5%
09-Mar-20	Aspial Corporation Limited	SGD50mn	3-year	6.5%
09-Mar-20	PSA Treasury Pte. Ltd. (Guarantor: PSA International Pte Ltd)	SGD500mn	10-year	1.63%
06-Mar-20	Zensun Enterprises Limited	USD200mn	2.5-year	13%
06-Mar-20	Xi'an Aerospace Science & Technology Industry Company	USD200mn	3-year	6.5%
05-Mar-20	Industrial and Commercial Bank of China Limited of Luxembourg	USD150mn	3-year	3m-US LIBOR+50bps
05-Mar-20	Haitong International Finance Holdings 2015 Limited (Guarantor: Haitong Securities Co.,Ltd.)	USD670mn	5-year	T+142.5bps
05-Mar-20	MCC Holding (Hong Kong) Corporation Limited (Guarantor: Metallurgical Corporation of China Ltd.)	USD400mn	PERPNC3	3.25%

Source: OCBC, Bloomberg

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