

### Market Commentary

- The SGD swap curve bull steepened yesterday, with the shorter tenors trading 2bps lower while the longer tenors traded 0-1bps lower.
- The Bloomberg Barclays Asia USD IG Bond Index average OAS tightened 1bps to 204bps, and the Bloomberg Barclays Asia USD HY Bond Index average OAS tightened 12bps to 791bps. The HY-IG Index Spread tightened 11bps to 587bps.
- Flows in SGD corporates were heavy, with flows in CMZB 4.875%'27s, OUECT 4%'25s, CS 5.625%-PERPs, UBS 5.875%-PERPs, FPLSP 4.98%-PERPs, MAPLSP 3.95%-PERPs, OLAMSP 5.5%-PERPs, GUOLSP 4.6%-PERPs and CAPLSP 3.65%-PERPs.
- 10Y UST Yields fell 2bps to 0.74%, as the resurgence of COVID-19 and rising regional geopolitical tensions in Asia boosted demand for safe assets.

### Credit Research

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### Credit Summary:

- [HSBC Holdings PLC \("HSBC"\)](#) | **Issuer Profile: Neutral (3):** HSBC has announced a significant overhaul in February centred around a re-orienting of businesses for better returns and USD4.5bn in cost reductions. The rapid COVID-19 impact delayed these plans but as banks enter 2H2020 with a little more certainty on the outlook then not only will restructuring resume but will likely be accelerated and amplified. HSBC is now planning to resume the 35,000 job cuts (or 15% of its global workforce) as part of the February announcement. Cuts are expected to be fully implemented by 2022.
- [Mapletree North Asia Commercial Trust \("MNACT"\)](#) | **Issuer Profile: Neutral (4):** MNACT announced that insurers have made a without prejudice interim payment of HKD45mn (~SGD8mn) as partial payment on account of the estimated claims relating to property damage. Assessment of the full quantum of revenue loss and property damage recoverable from insurance claims remain underway and MNACT continues to pursue the insurance claims.
- [Mapletree Investments Pte Ltd \("MAPL"\)](#) | **Unrated:** MAPL has announced full year results for financial year ended 31 March 2020 ("FY2020"). Throughout the year, MAPL has managed to reduce gearing and has shared that it will continue to do so in FY2021 in order to strengthen its balance sheet. MAPL also shared that it is currently exploring the possibility of launching more funds or REIT platforms over the next couple of years.
- [Keppel Corp Ltd \("KEP"\)](#) | **Issuer Profile: Neutral (4):** KEP's 40%-owned associate KrisEnergy Ltd ("KrisEnergy", issuer profile: Unrated) disclosed updates from its second informal investor meeting. KrisEnergy has entered into a USD87mn (~SGD121.3mn) project financing loan agreement with KEP (through Kepinvest Singapore Pte. Ltd. ("Kepinvest", a subsidiary of KEP)) as lender for the development of an offshore oil and gas asset in the Khmer Basin. Separately, KEP and Mitsubishi Heavy Industries have agreed to jointly explore a hydrogen powered tri-generation plant concept for data centres in Singapore

## Asian Credit Daily

### Credit Headlines

#### HSBC Holdings PLC (“HSBC”) | Issuer Profile: Neutral (3)

- In our recent [Credit Update on Commerzbank AG](#), we mentioned that banks in the midst of restructurings have been caught in a shifting sands moment, needing to revisit strategic plans to adjust to a changed operating landscape and combat already challenged underlying fundamentals that existed before the crisis.
- HSBC is no different [announcing a significant overhaul in February](#) centred around a re-orienting of businesses for better returns and USD4.5bn in cost reductions. The rapid COVID-19 impact delayed these plans but as banks enter 2H2020 with a little more certainty on the outlook then not only will restructuring resume but will likely be accelerated and amplified.
- HSBC is now planning to resume the 35,000 job cuts (or 15% of its global workforce) as part of the February announcement. According to a memo by CEO Noel Quinn yesterday, the planned cost cuts of USD4.5bn are now even more necessary. This view is consistent in our view with the operating environment now materially weaker than first expected in early 2020. Cuts are expected to be fully implemented by 2022.
- We lowered our issuer profile to Neutral (3) from Positive (2) in March to reflect that (1) the already challenging environment has gotten tougher for HSBC as the COVID-19 impact amplified pre-existing conditions; and (2) strategy uncertainty could delay anticipated benefits and add additional pressure to earnings performance going forward. (Company, Bloomberg, OCBC)

#### Mapletree North Asia Commercial Trust (“MNACT”) | Issuer Profile: Neutral (4)

- MNACT announced that insurers have made a without prejudice interim payment of HKD45mn (~SGD8mn) as partial payment on account of the estimated claims relating to property damage. Assessment of the full quantum of revenue loss and property damage recoverable from insurance claims remain underway and MNACT continues to pursue the insurance claims.
- From 1 October to 31 December 2018 (before social unrest and COVID-19 pandemic happened), revenue from Festival Walk per month was ~SGD21.7mn while net property income (“NPI”) was ~SGD17.2mn. The interim payment received roughly made up ~37% of monthly revenue and 47% of monthly NPI. (Company, OCBC)

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### Credit Headlines

#### Mapletree Investments Pte Ltd (“MAPL”) | Unrated

- MAPL has announced full year results for financial year ended 31 March 2020 (“FY2020”). Revenue rose 1% y/y to SGD3.88bn, with recurring earnings up by ~5% y/y to SGD752mn. Net profit (after tax and non-controlling interests) though was down by 18% y/y to SGD1.78bn due to lower asset revaluation and disposal gains.
- EBIT (including share of operating profit or loss of associated companies and joint ventures, excluding residential profits, incentive fee from private funds’ divestment, revaluation gains or losses, divestment gains or losses, foreign exchange and derivatives gains or losses) was up 10%y/y to SGD2.3bn, largely due to the stable performance of MAPL’s four S-REITs<sup>1</sup>, contributions from Europe and US logistics and data centre businesses as well as fees from the capital management business.
  - MAPL has acquired commercial assets totalling ~SGD1bn in Australia, Ireland and Poland, added two Purpose-Built Student Accommodation (“PBSA”) and a PBSA development to its United Kingdom portfolio, 27 China logistics developments and expanded data centre operations in North America.
  - MAPL has also exited two Mapletree-managed private funds, generating a net internal rate of return (after expenses, taxes and base management fee but before carried interest) of ~13.6% and 23.7% each. In addition, syndicated Mapletree Australia Commercial Private Trust (“MASCOT”) which raised AUD654mn (~SGD592mn) in equity in November 2019 and Mapletree US & EU Logistics Private Trust (“MUSEL”) with equity raised of USD1.8bn (~SGD2.5bn) in March 2020.
- Throughout the year, MAPL has managed to reduce gearing and has shared that it will continue to do so in FY2021 in order to strengthen its balance sheet. While gearing in FY2020 was not disclosed in the announcement, we note that FY2019’s gearing was 0.83x (FY2018: 0.70x)
- In relation to the COVID-19 pandemic, logistics and data centres which make up ~35% of portfolio valuation is less affected. We note that portfolio valuation has grown to SGD60.5mn from SGD55.7bn a year ago, on the back of MAPL’s growing presence in US and Europe.
- MAPL also shared that it is currently exploring the possibility of launching more funds or REIT platforms over the next couple of years, including a private fund comprising the current European commercial portfolio which they have already acquired. (Company, OCBC)

<sup>1</sup> MAPL’s four S-REITs are Mapletree Commercial Trust (Issuer Profile: Neutral (3)), Mapletree Logistics Trust (Issuer Profile: Neutral (3)), Mapletree Industrial Trust (Issuer Profile: Neutral (3)), and Mapletree North Asia Commercial Trust (Issuer Profile: Neutral (4)).

**Asian Credit Daily****Credit Headlines****Keppel Corp Ltd (“KEP”) | Issuer Profile: Neutral (4)**

- KEP’s 40%-owned associate KrisEnergy Ltd (“KrisEnergy”, issuer profile: Unrated) disclosed updates from its second informal investor meeting.
- Per KrisEnergy, since the first informal investor meeting in September 2019, developments in 2020 have been impacted by COVID-19, volatile oil prices and heightened uncertainty. Among the updates, KrisEnergy has entered into a USD87mn (~SGD121.3mn) project financing loan agreement with KEP (through Kepinvest Singapore Pte. Ltd. (“Kepinvest”, a subsidiary of KEP)) as lender for the development of an offshore oil and gas asset in the Khmer Basin. It was disclosed that there was a corporate buyout option although consideration offered under this option was insufficient, required significant impairment of secured debt and no recoveries for other stakeholders. This option would also not allow existing stakeholders to benefit from future developments of the company’s assets. As at 31 March 2020, unrestricted cash was USD1.6mn (~SGD2.2mn) with another USD3.3mn (~SGD4.6mn) under a revolving credit facility remaining undrawn.
- KrisEnergy’s restructuring proposal is cross-conditional and involves the following:
  - Secured revolver: Maturity extended by four years to 2024
  - Secured zero coupon note: 55% of amount outstanding extended by around one year to December 2025 (KEP is a major holder of such notes). 45% converted into 57.5% of post-restructuring equity
  - Unsecured SGD-bonds (the KRISSP 4.0% ‘22s and KRISSP 4.0% ‘23s), unsecured term loans and other unsecured creditors: All equitized into 35% of post-restructuring equity
  - Existing shareholders: Diluted to 7.5% of post-restructuring equity
- In maintaining our issuer profile of Neutral (4) on KEP, we had written-off KEP’s investment in KrisEnergy (including the proposed project financing loan to be extended) and taken into account the economic exposure of KEP on SGD274.3mn of revolving credit facility that was extended by a bank to KrisEnergy. KEP may need to make-whole the bank on this amount.
- Separately, KEP and Mitsubishi Heavy Industries has agreed to jointly explore a hydrogen powered tri-generation plant concept for data centres in Singapore. One of the possible data centre projects that might benefit from the hydrogen powered tri-generation plant concept is the floating data centre park project in Singapore that KEP is currently pursuing.
- We continue maintaining our Neutral (4) issuer profile on KEP, albeit with a cautious outlook. (Company, OCBC)

## Asian Credit Daily

## Key Market Movements

	18-Jun	1W chg (bps)	1M chg (bps)		18-Jun	1W chg	1M chg
iTraxx Asiax IG	84	-6	-30	Brent Crude Spot (\$/bbl)	40.71	-2.44%	25.26%
iTraxx SovX APAC	44	-3	-20	Gold Spot (\$/oz)	1,728.85	0.07%	-0.21%
iTraxx Japan	56	-6	-28	CRB	136.38	-2.04%	5.65%
iTraxx Australia	85	0	0	GSCI	321.63	-1.77%	8.53%
CDX NA IG	71	-11	-19	VIX	33.47	21.40%	14.23%
CDX NA HY	101	1	7	CT10 (%)	0.730%	6.08	0.41
iTraxx Eur Main	64	-7	-20				
iTraxx Eur XO	372	-31	-127	AUD/USD	0.688	0.39%	5.49%
iTraxx Eur Snr Fin	74	-9	-28	EUR/USD	1.125	-0.48%	3.04%
iTraxx Eur Sub Fin	158	-15	-69	USD/SGD	1.393	0.00%	1.81%
iTraxx Sovx WE	19	0	-10	AUD/SGD	0.959	-0.40%	-3.49%
USD Swap Spread 10Y	-3	-2	-1	ASX 200	5,985	0.41%	9.61%
USD Swap Spread 30Y	-51	-3	-3	DJIA	26,120	-3.22%	6.19%
US Libor-OIS Spread	23	1	-9	SPX	3,113	-2.40%	5.40%
Euro Libor-OIS Spread	11	0	-8	MSCI Asiax	644	0.28%	7.49%
				HSI	24,481	-2.27%	2.28%
China 5Y CDS	49	-3	-2	STI	2,670	-4.68%	5.13%
Malaysia 5Y CDS	69	-10	-40	KLCI	1,526	-3.11%	8.24%
Indonesia 5Y CDS	121	-16	-75	JCI	4,988	1.36%	10.57%
Thailand 5Y CDS	43	-1	-15	EU Stoxx 50	3,267	-0.80%	12.20%
Australia 5Y CDS	0	0	-2				

Source: Bloomberg

## Asian Credit Daily

### New Issues

- Standard Chartered PLC priced a USD1bn PerpNC5 AT1 at 6%, tightening from IPT of 6.5% area.
- Shengzhou Investment Holdings Co., Ltd. priced a USD250mn 3-year bond at 4.08%, tightening from IPT of mid 4% area.
- China Construction Bank Corporation priced a USD2bn 10NC5 T2 bond at T+215bps, tightening from IPT of T+250bps area.
- Bluestar Finance Holdings Limited (Guarantor: China National Bluestar (Group) Co., Ltd.) priced a USD500mn PerpNC3 bond at 3.875%, tightening from IPT of 4.4% area.
- Zhongliang Holdings Group Company Limited priced a USD250mn 364-day bond at 9.25%, tightening from IPT of 9.5% area.
- NEIJIANG INVESTMENT HOLDING GROUP CO., LTD. priced a USD95mn 3-year bond at 7.5%.
- Taiyuan Longcheng Development Investment Group Co., Ltd., Jollibee Worldwide and China Oilfield Services Limited have arranged investor calls commencing 17 June 2020 for their proposed USD bond offerings respectively.

Date	Issuer	Size	Tenor	Pricing
17-Jun-20	Standard Chartered PLC	USD1bn	PerpNC5	6.0%
17-Jun-20	Shengzhou Investment Holdings Co., Ltd.	USD250mn	3-year	4.08%
17-Jun-20	China Construction Bank Corporation	USD2bn	10NC5	T+215bps
17-Jun-20	Bluestar Finance Holdings Limited (Guarantor: China National Bluestar (Group) Co., Ltd.)	USD500mn	PerpNC3	3.875%
17-Jun-20	Zhongliang Holdings Group Company Limited	USD250mn	364-day	9.25%
17-Jun-20	NEIJIANG INVESTMENT HOLDING GROUP CO., LTD.	USD95mn	3-year	7.5%
16-Jun-20	Perusahaan Penerbit SBSN Indonesia III (Obligor: The Government of the Republic of Indonesia, represented by the Ministry of Finance)	USD750mn USD1bn USD750mn	5-year 10-year 30-year	2.30% 2.80% 3.80%
16-Jun-20	Xianyang Financial Holding Group Co., Ltd	USD100mn	3-year	3.8%
16-Jun-20	PLDT Inc.	USD300mn USD300mn	10-year 30-year	T+180bps T+195bps
16-Jun-20	CNPC Global Capital Limited (Guarantor: China National Petroleum Corporation)	USD600mn USD900mn USD500mn	3-year 5-year 10-year	T+90bps T+103bps T+133bps

Source: OCBC, Bloomberg

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