

Market Commentary

- The SGD swap curve fell last Friday, with the shorter tenors trading 1-2bps lower while the belly and the longer tenors traded around 2bps lower.
- The Bloomberg Barclays Asia USD IG Bond Index average OAS tightened 3bps to 249bps, and the Bloomberg Barclays Asia USD HY Bond Index average OAS widened 1bps to 962bps. The HY-IG Index Spread widened 4bps to 713bps.
- Flows in SGD corporates were heavy, with flows in SOCGEN 6.125%-PERPs, UOBSP 3.58%-PERPs, HSBC 4.7%-PERPs, CMZB 4.875%'27s, HRINTH 3.2%'21s, CS 5.625%-PERPs and HSBC 5%-PERPs.
- 10Y UST Yields gained 2bps to 0.64%, driven by surging oil prices and claims of COVID-19 antibody development.

Credit Research

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Credit Summary:

- [OUE Limited \(“OUE”\)](#) | **Issuer Profile: Unrated:** OUE has changed to half-yearly reporting rather than quarterly reporting although had shared an interim update for 1Q2020. Revenue increased 26.4% y/y driven by contribution from the recognition of sales from OUE Twin Peaks on deferred payment scheme while the Mandarin Gallery retail property was consolidated, on the completion of OUE Commercial REIT and OUE Hospitality Trust’s combination in September 2019. Earnings before interest and tax was also up, by 75.9% y/y, from higher contribution from share of income from associates and joint ventures. As at 31 March 2020, OUE’s unadjusted net gearing was 0.56x, lower than the 0.59x as at 31 December 2019.
- [Ascott Residence Trust \(“ART”\)](#) | **Issuer Profile: Neutral (4):** In November 2019, ART announced that it will join City Developments Limited (“CDL”) and CapitaLand Limited (“CAPL”, ART’s Sponsor) to redevelop the Liang Court site into an integrated development. ART had signed a put and call option agreement with CDL to sell part of its land site at Liang Court to CDL and on 14 May 2020, ART and the purchaser had entered into an amendment and restatement agreement to amend certain terms of the put and call option agreement mainly to delay the exercise of the options. Concurrently, CDL Hospitality Trusts (hospitality trusts sponsored by CDL) had announced that the divestment of Novotel Singapore Clarke Quay (owned by CDL Hospitality Trusts) which is also situated on the proposed Liang Court redevelopment site had been postponed to July 2020.
- [Sembcorp Industries Ltd \(“SCI”\)](#) | **Issuer Profile: Neutral (5):** SCI has announced the redemption of the SCISP 3.7%-PERP which faces first call date in June 2022. The perpetual’s outstanding amount is SGD200mn. Earlier, SCI had announced that it will call SCISP 4.75%-PERP, with an outstanding amount of SGD600mn, which will kick into effect on 20 May 2020. When the effective call date kicks in for both, this means there would be no more outstanding perpetuals at SCI as we think the funding for the call had come from its cash balance and/or additional bank borrowings. SCISP’s credit metrics are likely to have weakened on account of its lower equity buffer, higher debt levels while ~61%-owned subsidiary Sembcorp Marine Ltd had been negatively affected by the fallout in crude oil prices

Asian Credit Daily**Credit Headlines****OUE Limited (“OUE”) | Issuer Profile: Unrated**

- OUE has changed to half-yearly reporting rather than quarterly reporting although had shared an interim update for 1Q2020.
- Revenue increased 26.4% y/y to SGD186.2mn, driven by contribution from the recognition of sales from OUE Twin Peaks (where units were earlier sold) on deferred payment scheme while the Mandarin Gallery retail property was consolidated, on the completion of OUE Commercial REIT (“OUE-CT”) and OUE Hospitality Trust (“OUE-HT”)’s combination in September 2019. This was partly offset by weaker hospitality performance and absence of revenue from the service apartment at OUE Downtown which was sold in 4Q2019 (negative SGD25mn impact from the Hospitality segment).
- Earnings before interest and tax though was up by 75.9% y/y to SGD109.1mn from higher contribution from share of income from associates and joint ventures.
- As at 31 March 2020, unadjusted net gearing was 0.56x, lower than the 0.59x as at 31 December 2019. Development properties had come down to SGD93mn following the handover of units from SGD152mn as at 31 December 2019.
- Excluding debt at its Sponsored and consolidated REIT, OUE-CT and ~64.4%-owned subsidiary OUE Lippo Healthcare Ltd (“OUE-LH”), OUE faced SGD641mn of short term debt due. However, post quarter end, SGD300mn in SGD-denominated bonds had been redeemed while the company is in the midst of negotiating with banks over the refinancing of SGD264mn into a 3 year bank loan. The remaining SGD77mn of short term debt is more than covered by OUE’s cash balance. (Company, OCBC)

Ascott Residence Trust (“ART”) | Issuer Profile: Neutral (4)

- In November 2019, ART announced that it will join City Developments Limited (“CDL”) and CapitaLand Limited (“CAPL”, ART’s Sponsor) to [redevelop the Liang Court site into an integrated development](#).
- ART had signed a put and call option agreement with CDL to sell part of its land site at Liang Court to CDL. ART currently owns Somerset Liang Court Singapore which is situated on the site and following the sale, Somerset Liang Court will be torn down, with the site redeveloped.
- On 14 May 2020, ART and the purchaser had entered into an amendment and restatement agreement to amend certain terms of the put and call option agreement mainly to delay the exercise of the options to 15 July 2020 or other such date as may be mutually agreed.
- Concurrently, CDL Hospitality Trusts (hospitality trusts Sponsored by CDL) had announced that the divestment of Novotel Singapore Clarke Quay (owned by CDL Hospitality Trusts) which is also situated on the proposed Liang Court redevelopment site had been postponed to July 2020.
- We think a two month delay of the transaction is manageable for ART and as such are maintaining our issuer profile of Neutral (4) on ART. (Company, OCBC)

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Credit Headlines

Sembcorp Industries Ltd (“SCI”) | Issuer Profile: Neutral (5)

- SCI has announced the redemption of the SCISP 3.7%-PERP which faces first call date in June 2022. The perpetual’s outstanding amount is SGD200mn.
- Earlier, SCI had announced that it will call SCISP 4.75%-PERP, which will kick into effect on 20 May 2020. This perpetual has an outstanding amount of SGD600mn.
- When the effective call date kicks in for both, this means there would be no more outstanding perpetuals at SCI as we think the funding for the call had come from its cash balance and/or additional bank borrowings.
- While we have held an underweight call on the perpetual asset class since 10 March 2020 on account of the large compression of rates and likely issuers preference to exercise prudence by not calling, we had held both SCISP’s perpetuals at Neutral. The reset dates for both does not coincide with their respective call dates which means that even after the first call dates there would be no cost savings for SCISP (ie: the perpetuals do not reset to a lower distribution rate despite the rate compression).
- SCISP’s credit metrics are likely to have weakened on account of its lower equity buffer, higher debt levels while ~61%-owned subsidiary Sembcorp Marine Ltd (“SMM”) had been negatively affected by the fallout in crude oil prices though for now we maintain SCISP’s issuer profile at Neutral (5). (Company, OCBC)

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Key Market Movements

	18-May	1W chg (bps)	1M chg (bps)		18-May	1W chg	1M chg
iTraxx Asiax IG	119	2	1	Brent Crude Spot (\$/bbl)	33.66	13.60%	19.87%
iTraxx SovX APAC	68	1	2	Gold Spot (\$/oz)	1,761.87	3.77%	3.91%
iTraxx Japan	83	5	4	CRB	124.75	0.01%	0.77%
iTraxx Australia	120	2	-1	GSCI	285.15	4.03%	5.39%
CDX NA IG	95	3	2	VIX	31.89	13.97%	-16.41%
CDX NA HY	93	-2	-1	CT10 (%)	0.644%	-6.55	0.27
iTraxx Eur Main	90	6	5				
iTraxx Eur XO	542	35	37	AUD/USD	0.645	-0.62%	1.78%
iTraxx Eur Snr Fin	110	7	2	EUR/USD	1.083	0.18%	-0.33%
iTraxx Eur Sub Fin	238	15	5	USD/SGD	1.424	-0.46%	-0.19%
iTraxx Sovx WE	30	0	-3	AUD/SGD	0.918	0.16%	-1.93%
USD Swap Spread 10Y	-2	4	-8	ASX 200	5,479	0.33%	-0.15%
USD Swap Spread 30Y	-47	4	-9	DJIA	23,685	-2.65%	-2.30%
US Libor-OIS Spread	33	-6	-71	SPX	2,864	-2.26%	-0.38%
Euro Libor-OIS Spread	20	-1	-2	MSCI Asiax	597	-1.77%	-0.16%
				HSI	23,845	-3.08%	-2.19%
China 5Y CDS	54	6	8	STI	2,537	-2.85%	-2.98%
Malaysia 5Y CDS	114	9	8	KLCI	1,408	1.87%	0.06%
Indonesia 5Y CDS	205	0	-1	JCI	4,490	-3.21%	-3.13%
Thailand 5Y CDS	61	-1	-6	EU Stoxx 50	2,771	-4.73%	-4.07%
Australia 5Y CDS	29	0	0				

Source: Bloomberg

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New Issues

- Hongkong Land Holdings Ltd arranged investor calls commencing 18 May for a possible USD bond offering.

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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