

Market Commentary

- The SGD swap curve bear-steepened yesterday, with the shorter tenors trading 10-26bps higher, while the belly and the longer tenors traded 29-35bps higher.
- The Bloomberg Barclays Asia USD IG Bond Index average OAS widened 11bps to 227bps, and the Bloomberg Barclays Asia USD HY Bond Index average OAS widened 58bps to 1006bps. The HY-IG Index Spread widened 47bps to 779bps.
- Flows in SGD corporates were heavy, with flows in UOBSP 3.58%-PERPs, MAPLSP 3.95%-PERPs, SOCGEN 6.125%-PERPs, CAPLSP 3.65%-PERPs, UBS 4.85%-PERPs, STANLN 5.375%-PERPs, SINTEC 5%-PERPs, HSBC 5%-PERPs, MAPLSP 4.5%-PERPs and OLAMSP 5.5%-PERPs.
- 10Y UST Yields gained 11bps to 1.2% despite U.S. equities plunging, possibly implying again a rush to liquidate assets.

Credit Research

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Credit Summary:

- [Aspial Corp Ltd \(“Aspial”\)](#) | **Issuer Profile: Negative (6)**: In supportive signs for the SGD bond market, Aspial Corp Ltd announced yesterday that it would redeem the outstanding SGD177.3mn of its SGD200mn ASPSP 5.3% '20s on 1st April. (Company, OCBC).
- [Industry Outlook – Financial Institutions](#): Banks remain in focus amidst a credit squeeze with customers needing liquidity and banks needing the funds to do it. The situation can become critical for banks when all clients want to draw lines hence government measures to restore confidence in economies and support the banks role in helping governments do so. Where bank credit profiles land ultimately depends on the quantum and quality of state intervention and how that impacts bank balance sheets rather than any path to recovery from COVID-19. COVID-19 comes at a time when the European banking industry was in somewhat of a recovery mode so fundamentals are delicately balanced at the moment as the shakeout from COVID-19 dilutes prior year improvements. Still some banks have voiced confidence to sail through this period. With many moving parts, we continue to watch how developments unfold. While we do not have sector outlooks in our methodology, we see rising downside for bank credit profiles.

Asian Credit Daily

Credit Headlines

Asial Corp Ltd (“Aspial”) | Issuer Profile: Negative (6)

- In supportive signs for the SGD bond market, Aspial Corp Ltd announced yesterday that it would redeem the outstanding SGD177.3mn of its SGD200mn ASPSP 5.3% '20s on 1st April. (Company, OCBC).

Industry Outlook – Financial Institutions

- Banks remain in focus amidst a credit squeeze with customers needing liquidity and banks needing the funds to do it. The situation can become critical for banks when all clients want to draw lines hence government measures to restore confidence in economies and support the banks role in helping governments do so. Measures so far have included (but are not limited to):
 - The European Central Bank freeing up around EUR100bn of bank capital from reduced capital requirements, providing long term loans for short term liquidity, EUR120bn for additional private sector asset purchases and more favourable terms on the Targeted longer-term refinancing operations targeted loan program.
 - France guaranteeing as much as EUR300bn of bank loans to companies - almost a third of the EUR1tr of drawn credit outstanding at French businesses at the end of January according to the Bank of France - and giving repayment support through delaying tax payments and social security contributions. France's loan guarantees come in addition to plans already announced to expand guarantees for loans to small businesses using the state investment bank BPI. Per the Straits Times, the EUR1tr in drawn credit comprises EUR429bn for real estate activities, EUR32bn for accommodation and food services, around EUR50bn in transportation and storage sectors, EUR135bn for industrials and EUR140bn for wholesale and retail businesses.
 - Italy approving a package of guarantees and financing for around EUR340bn to freeze loan repayments by small and medium-sized companies until Sept 30, an additional EUR1bn for a state guarantee fund for small and medium enterprises and state lender Cassa Depositi e Prestiti guaranteeing around EUR10bn in loans.
 - The UK government providing GBP330mn in state-backed loans to businesses through the banking system with assistance from the Bank of England.
 - The Australian Government co-ordinating with Australia's big 4 banks to ensure an expected 25bps rate cut and expected quantitative easing will be passed on through the banks to affected borrowers.
- Where bank credit profiles land ultimately depends on the quantum and quality of state intervention and how that impacts bank balance sheets rather than any path to recovery from COVID-19. We have previously mentioned that the consequence of the GFC is stronger capital and better quality balance sheets but the damage from COVID-19 will still be material in our view.

(to be continued)

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Credit Headlines

Industry Outlook – Financial Institutions *(continued)*

- Regulator willingness to be supportive is also apparent with proposals to provide aid and lower minimum capital requirements in order to assist their borrowers. This is in line with our prior expectations that regulators in the face of systemic stress will be pragmatic rather than strictly follow the aim of existing banking regulations to limit bail outs of Financial Institutions. As an example, Germany and France have cut the countercyclical capital buffer requirements for their banks to 0%. According to Bloomberg, this will release around EUR5bn and EUR8bn of capital respectively.
- COVID-19 comes at a time when the European banking industry was in somewhat of a recovery mode so fundamentals are delicately balanced at the moment as the shakeout from COVID-19 dilutes prior year improvements. Still some banks have voiced confidence to sail through this period. Both UBS Group AG and Societe Generale SA have taken comfort from their current capital positions whilst also noting a rise in drawdowns in credit lines in a 'relatively irrational' way according to Societe Generale SA CEO Frederic Oudea.
- With many moving parts, we continue to watch how developments unfold. While we do not have sector outlooks in our methodology, we see rising downside for bank credit profiles. (Straits Times, BBC, Bloomberg, OCBC)

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Key Market Movements

	19-Mar	1W chg (bps)	1M chg (bps)		19-Mar	1W chg	1M chg
iTraxx Asiax IG	152	21	104	Brent Crude Spot (\$/bbl)	26.73	-19.54%	-54.79%
iTraxx SovX APAC	89	4	62	Gold Spot (\$/oz)	1,483.19	-5.90%	-7.97%
iTraxx Japan	143	29	101	CRB	120.34	-18.58%	-31.43%
iTraxx Australia	176	31	129	GSCI	251.02	-16.45%	-37.81%
CDX NA IG	140	0	95	VIX	76.45	41.84%	431.64%
CDX NA HY	91	-2	-18	CT10 (%)	1.225%	42.04	-34.15
iTraxx Eur Main	141	19	99				
iTraxx Eur XO	718	153	506	AUD/USD	0.558	-10.50%	-16.39%
iTraxx Eur Snr Fin	164	15	117	EUR/USD	1.091	-2.46%	0.97%
iTraxx Eur Sub Fin	351	48	254	USD/SGD	1.450	-2.77%	-3.79%
iTraxx Sovx WE	44	15	34	AUD/SGD	0.809	8.65%	15.11%
USD Swap Spread 10Y	-12	-8	-6	ASX 200	4,868	-8.23%	-31.86%
USD Swap Spread 30Y	-70	-5	-37	DJIA	19,899	-15.52%	-32.20%
US Libor-OIS Spread	93	35	79	SPX	2,398	-12.52%	-29.18%
Euro Libor-OIS Spread	9	7	4	MSCI Asiax	524	-10.35%	-23.80%
				HSI	21,971	-9.62%	-20.56%
China 5Y CDS	70	-21	36	STI	2,407	-10.14%	-25.10%
Malaysia 5Y CDS	177	12	142	KLCI	1,222	-13.94%	-20.37%
Indonesia 5Y CDS	233	14	175	JCI	4,154	-15.15%	-29.93%
Thailand 5Y CDS	90	13	64	EU Stoxx 50	2,386	-17.89%	-38.27%
Australia 5Y CDS	47	0	31				

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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