

Market Commentary

- The SGD swap curve steepened yesterday, with the shorter and the belly tenors trading 1-4bps lower while the longer tenors (>15yrs) traded 1-5bps higher.
- The Bloomberg Barclays Asia USD IG Bond Index average OAS tightened 4bps to 245bps, and the Bloomberg Barclays Asia USD HY Bond Index average OAS tightened 5bps to 957bps. The HY-IG Index Spread tightened 2bps to 712bps.
- Flows in SGD corporates were heavy, with flows in HSBC 4.7%-PERPs, EBIUH 3.05%'30s, EBIUH 4.75%'28s, UBS 5.875%-PERPs, STANLN 5.375%-PERPs, ADENVX 0.875%'25s, OLAMSP 6%'22s, CS 5.625%-PERPs, UBS 4.85%-PERPs, BENAU Float%'22s, SOCGEN 6.125%-PERPs, TPNZ 6.95%'20s and MAPLSP 3.95%-PERPs.
- 10Y UST Yields gained 8bps to 0.73%, as risk-on sentiment rose with news on the development of a possible vaccine.

Credit Research

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Credit Summary:

- [Singapore Telecommunications Ltd \(“SingTel”\)](#) | **Issuer Profile: Positive (2)**: SingTel announced that it will recognise up to SGD357mn of provisions. According to SingTel, this is as part of its share of Airtel, which recognised Rs. 56.4bn (SGD1.1bn) as an exceptional charge on account of reassessment of regulatory costs based on a recent judgement on a one time spectrum charge related matter.
- [Perennial Real Estate Holdings Ltd \(“PREH”\)](#) | **Issuer Profile: Negative (6)**: PREH announced that its substantial shareholders are reviewing the options in relation to their holdings in PREH, noting the increasing share price of PREH (+14.9%) yesterday. However, they have yet to make a decision.
- [Sembcorp Industries Ltd \(“SCI”\)](#) | **Issuer Profile: Neutral (5)**: SCI shared an update on the impact on COVID-19 on its business. Per SCI it expects to maintain positive operating cash flow in 2020 driven by its long term contracts and diversified businesses. However, lower energy demand and prices is expected to negatively impact SCI’s merchant power operations with Singapore, India and the UK already seeing power demand fall in April by 10%-25% y/y.
- [First Real Estate Investment Trust \(“FIRT”\)](#) | **Issuer Profile: Negative (6)**: FIRT has announced an update in relation to the subsidence issue (collapse in building foundations) in Surabaya which has led to delays in the construction of the new Surabaya Hospital. The proposed new Surabaya Hospital was intended to replace the existing Siloam Hospitals Surabaya owned by FIRT. In the update, FIRT shared that the subsidence had seriously impacted the development works and work is no longer progressing. FIRT has the right to terminate the agreement in the event the works remain uncompleted by 28 June 2020.

Asian Credit Daily**Credit Headlines****Singapore Telecommunications Ltd (“SingTel”) | Issuer Profile: Positive (2)**

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Perennial Real Estate Holdings Ltd (“PREH”) | Issuer Profile: Negative (6)

- PREH announced that its substantial shareholders are reviewing the options in relation to their holdings in PREH, noting the increasing share price of PREH (+14.9%) yesterday. However, the substantial shareholders have yet to make a decision.
- As a recap, the substantial holders are:
 - Mr Kuok Khoon Hong (36.5% effective interest), who is the Chairman of PREH as well as Co-Founder and CEO of Wilmar International Ltd (“WIL”).
 - Mr Ron Sim (15.5%), who is the Vice Chairman of PREH as well as Chairman and CEO of V3 Group Ltd (the holding company for several brands including OSIM and TWG Tea).
 - WIL (20%), which is an agribusiness company, with businesses including oil palm plantation, edible oils refining and oilseeds crushing. WIL is listed on the SGX with a market cap of SGD24.5bn.
 - Mr Pua Seck Guan (10.4%), who is the CEO of PREH as well as Chief Operating Officer and Executive Director of WIL. (Company, OCBC)

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

- SCI shared an update on the impact on COVID-19 on its business. Per SCI it expects to maintain positive operating cash flow in 2020 driven by its long term contracts and diversified businesses. The company reiterated that its underlying performance of the Energy business was expected to be lower than 2019 due to the absence of contribution from assets that have been divested, absence of one-off income and potential impact from the virus outbreak.
- Lower energy demand and prices is expected to negatively impact SCI’s merchant power operations with Singapore, India and the UK already seeing power demand fall in April by 10%-25% y/y. Net profit for the Energy business is also expected to effect a currency translation loss and a reduction in net realisable value of its gasoil reserves in Singapore.
- SCI expects a lower demand or delayed launches for some of its integrated developments and properties in its Urban segment.
- For the Marine segment, business volume had been low and expected to be low for the rest of 2020, apart from the repairs and upgrades sub-segment. The Marine segment’s priority is to ensure it has adequate liquidity to sustain operations and ride through the downturn. This segment is expected to be loss making in the near term. (Company, OCBC)

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Credit Headlines

First Real Estate Investment Trust (“FIRT”) | Issuer Profile: Negative (6)

- FIRT has announced an update in relation to the subsidence issue (collapse in building foundations) in Surabaya which has led to [delays in the construction](#) of the new Surabaya Hospital.
- The proposed new Surabaya Hospital was intended to replace the existing Siloam Hospitals Surabaya owned by FIRT, with FIRT legally buying over the new hospital for SGD90mn when it completes.
- The developer of the new hospital is an indirect wholly-owned subsidiary of PT Lippo Karawaci Tbk.
- As part of the arrangement entered into in 4Q2015, FIRT would be paying the SGD90mn as progress payments for the new hospital (whilst earning 6% p.a). As at end-2019, SGD27mn has been paid cumulatively, with SGD63mn still outstanding.
- In the update, FIRT shared that the subsidence had seriously impacted the development works and work is no longer progressing. FIRT has the right to terminate the agreement in the event the works remain uncompleted by 28 June 2020. FIRT intends for the development works to be terminated and is in discussions with the various stakeholders on reaching a resolution. (Company, OCBC)

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Key Market Movements

	19-May	1W chg (bps)	1M chg (bps)		19-May	1W chg	1M chg
iTraxx Asiax IG	114	-2	-3	Brent Crude Spot (\$/bbl)	35.33	17.85%	25.82%
iTraxx SovX APAC	65	-2	-1	Gold Spot (\$/oz)	1,739.68	2.17%	2.60%
iTraxx Japan	84	5	4	CRB	129.09	5.23%	4.27%
iTraxx Australia	119	1	-2	GSCI	296.36	7.05%	9.53%
CDX NA IG	90	-2	-3	VIX	29.3	6.27%	-23.20%
CDX NA HY	94	0	0	CT10 (%)	0.709%	4.43	6.77
iTraxx Eur Main	84	0	-1				
iTraxx Eur XO	499	-4	-6	AUD/USD	0.652	0.82%	2.97%
iTraxx Eur Snr Fin	103	1	-5	EUR/USD	1.091	0.57%	0.44%
iTraxx Eur Sub Fin	228	8	-5	USD/SGD	1.419	-0.08%	0.15%
iTraxx Sovx WE	30	-1	-4	AUD/SGD	0.926	-0.82%	-2.72%
USD Swap Spread 10Y	-2	2	-8	ASX 200	5,568	3.05%	1.47%
USD Swap Spread 30Y	-47	2	-9	DJIA	24,597	1.55%	1.46%
US Libor-OIS Spread	32	-6	-72	SPX	2,954	0.81%	2.76%
Euro Libor-OIS Spread	20	-2	-2	MSCI Asiax	600	-0.30%	0.29%
				HSI	24,513	1.10%	0.55%
China 5Y CDS	51	2	5	STI	2,590	0.07%	-0.96%
Malaysia 5Y CDS	109	1	2	KLCI	1,422	3.02%	1.02%
Indonesia 5Y CDS	196	-11	-11	JCI	4,588	-0.01%	-1.01%
Thailand 5Y CDS	59	-2	-9	EU Stoxx 50	2,912	0.98%	0.82%
Australia 5Y CDS	29	1	0				

Source: Bloomberg

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New Issues

- Industrial Investment Overseas Limited (Guarantor: New & High (HK) Limited; Provider of Keepwell and Liquidity Support Deed and Deed of Equity Interest Purchase Undertaking: Nanjing Jiangbei New Area Industrial Investment Group) priced a USD300mn 364-day bond at 3.8%, tightening from IPT of 4.15% area.
- Scentre Group Limited arranged investor calls commencing 18 May for its proposed USD bond offering.

Date	Issuer	Size	Tenor	Pricing
15-May-20	Industrial Investment Overseas Limited (Guarantor: New & High (HK) Limited; Provider of Keepwell and Liquidity Support Deed and Deed of Equity Interest Purchase Undertaking: Nanjing Jiangbei New Area Industrial Investment Group)	USD300mn	364-day	3.8%
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

Source: OCBC, Bloomberg

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