

Market Commentary

- The SGD swap curve flattened last Friday, with the shorter and the belly tenors trading 1-3bps higher, while tenors beyond 10Y traded 1-4bps lower.
- The Bloomberg Barclays Asia USD IG Bond Index average OAS tightened 3bps to 259bps, and the Bloomberg Barclays Asia USD HY Bond Index average OAS tightened 22bps to 951bps. The HY-IG Index Spread tightened 19bps to 692bps.
- Flows in SGD corporates were heavy yesterday, with flows seen in OLAMSP 6%'22s, UBS 4.85%-PERPs, HSBC 4.7%-PERPs, CMZB 4.875%'27s and CS 5.625%-PERPs.
- 10Y UST Yields gained 2bps to 0.64% by the end of the day, with the U.S. stock indices rallying, due to news that the outbreak of COVID-19 was slowing and President Trump's plans to reopen the U.S. economy in phases.

Credit Research

Andrew Wong

+65 6530 4736

WongVKAM@ocbc.com

Ezien Hoo, CFA

+65 6722 2215

EzienHoo@ocbc.com

Wong Hong Wei, CFA

+65 6722 2533

WongHongWei@ocbc.com

Seow Zhi Qi, CFA

+65 6530 7348

zhiqiseow@ocbc.com

Credit Summary:

- **[First Real Estate Investment Trust \("FIRT"\)](#) | Issuer Profile: Negative (6):** FIRT has announced an update that one of the residents at Pacific Healthcare Nursing Home II @ Bukit Panjang, a nursing home owned by FIRT has tested positive for COVID-19. The three nursing homes in Singapore contribute a small proportion of FIRT's total rent amounting to 3.5% (or SGD4.0mn) in 2019.
- **[Keppel Corp Limited \("KEP"\)](#) | Issuer Profile: Neutral (4):** KEP's asset management arm, Keppel Capital Holdings Pte Ltd announced that its USD1bn (SGD1.4bn) Keppel Asia Infrastructure Fund, together with the fund's co-investment vehicles has achieved its second closing with aggregate commitments of USD420mn (~SGD597mn). The Asian Infrastructure Investment Bank ("AIIB") has announced that they have approved their commitment of USD100mn (~SGD142mn) to the fund as well as co-investment of up to USD50mn (~SGD71mn). With the second closing and commitments from AIIB, the fund and its co-investment vehicles will achieve a total aggregate capital commitment of USD570mn (~SGD810mn).
- **[National Australia Bank Ltd \("NAB"\)](#) | Issuer Profile: Positive (2):** Following on from Westpac Banking Corporation's recent announcement of AUD1.43bn in extra-ordinary impacts to its 1H FY2020 earnings, NAB has similarly announced a AUD1.14bn after tax impact to 1H FY2020 earnings. This includes customer remediation charges, software capitalisation changes and a write-down against wealth manager MLC. The expected impact represents around 40% of average half yearly reported net income for the preceding 4 half years through FY2018 and FY2019 and is before contemplating COVID-19 impacts. We think that one part of the rationale for recognition of such large one-offs now is that 1H FY2020 could present a good opportunity to clean up any outstanding items while there was still around 4-5 months of a relatively normal operating environment results and before COVID-19 really hit the economy and bank performance. NAB will announce its 1H FY2020 results on May 7 in which it will give guidance on the COVID-19 impacts on earnings, capital and dividends.

Credit Headlines**First Real Estate Investment Trust ("FIRT") | Issuer Profile: Negative (6)**

- FIRT has announced an update that one of the residents at Pacific Healthcare Nursing Home II @ Bukit Panjang, located at 21 Senja Road, a nursing home owned by FIRT (and operated by Pacific Healthcare, a third party) has tested positive for COVID-19.
- The nursing home has since conducted thorough cleaning and disinfection of the ward and affected areas, and has also increased the frequency of cleaning and stepped up all its precautionary measures. Pacific Healthcare has also executed all precautionary measures at the Home in line with the COVID-19 advisories issued by MOH and the Agency for Integrated Care ("AIC") since the outbreak.
- The three nursing homes in Singapore contribute a small proportion of FIRT's total rent amounting to 3.5% (or SGD4.0mn) in 2019.
- Indonesia is the largest contributor of rents at 95.7% (SGD110.4mn) in 2019. The main operator of hospitals owned by FIRT, namely Siloam International Hospitals Tbk ("Siloam"), has officially designated two hospitals (in Banten and South Jakarta outside of the FIRT ownership) with a combined capacity of more than 630 beds for COVID-19 patients. For these two hospitals, Siloam would be funding the gap between the Health Ministry's funding and the actual costs without charging patients. In the event the outbreak extends in Indonesia, we do not preclude the possibility that certain of FIRT's owned hospitals may be designated as well for COVID-19 patients. We will monitor the situation. (Company, OCBC)

Keppel Corp Limited ("KEP") | Issuer Profile: Neutral (4)

- KEP's asset management arm, Keppel Capital Holdings Pte Ltd ("Keppel Capital") announced that its USD1bn (SGD1.4bn) Keppel Asia Infrastructure Fund, together with the fund's co-investment vehicles has achieved its second closing with aggregate commitments of USD420mn (~SGD597mn). The Asian Infrastructure Investment Bank ("AIIB") has announced that they have approved their commitment of USD100mn (~SGD142mn) to the fund as well as co-investment of up to USD50mn (~SGD71mn).
- With the second closing and commitments from AIIB, the fund and its co-investment vehicles will achieve a total aggregate capital commitment of USD570mn (~SGD810mn).
- As at end-2019, assets under management was ~SGD33bn (end-2018: SGD29bn), with Keppel Capital managing a portfolio that includes real estate, infrastructure and data centre assets. In end-2018, AUM was SGD29bn. (Company, OCBC)

Asian Credit Daily**Credit Headlines****National Australia Bank Ltd (“NAB”) | Issuer Profile: Positive (2)**

- Following on from [Westpac Banking Corporation's recent announcement of AUD1.43bn in extraordinary impacts](#) to its 1HFY2020 earnings, NAB has similarly announced a AUD1.14bn after tax impact to 1HFY2020 earnings. This includes AUD188mn in customer remediation charges, AUD742mn from software capitalisation changes and a AUD214mn write-down against wealth manager MLC. NAB has advised that the software capitalisation changes and write-down against wealth manager MLC will not impact NAB's CET 1 ratio but the customer remediation charges will reduce the CET1 ratio by around 6bps. [Per NAB's 1QFY2020 trading update](#) NAB's CET1 capital ratio improved 20bps q/q and is up 60bps y/y to 10.6% as at 31 December 2019 due to earnings and the 2HFY2019 dividend reinvestment plan and is now above APRA's minimum 10.5% CET1 benchmark for 'unquestionably strong' capital ratios in Australia's banking sector (came into force January 2020).
- The expected impact represents around 40% of average half yearly reported net income for the preceding 4 half years through FY2018 and FY2019 and is before contemplating COVID-19 impacts. NAB's exposure to small and medium sized businesses are relatively higher compared to peers.
- We think that one part of the rationale for recognition of such large one-offs now is that 1HFY2020 could present a good opportunity to clean up any outstanding items while there was still around 4-5 months of a relatively normal operating environment results and before COVID-19 really hit the economy and bank performance. The ability to make such adjustments would likely be difficult going forward.
- Last Friday, we assessed the virus and fundamentals for Australia's big 4 banks after the earnings announcements of large US banks provided a glimpse of what's in store for the upcoming reporting season. We think Australia's big 4 banks could be somewhat better positioned as (1) the curve has flattened in Australia and also New Zealand to the point where both governments are openly considering the prospect of opening certain parts of the economy; and (2) underlying fundamentals could be less impacted as a result. That said, Australian and New Zealand governments are likely to continue to take a conservative stance towards starting their economy who are weighing up the benefits of restarting their economies with the threat of a secondary wave of new infections. There seems increasing consensus that starting of economies can only be done carefully and slowly in stages making any economic recovery a long and arduous process.
- NAB will announce its 1HFY2020 results on May 7 in which it will give guidance on the COVID-19 impacts on earnings, capital and dividends. (Company, OCBC)

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Key Market Movements

	20-Apr	1W chg (bps)	1M chg (bps)		20-Apr	1W chg	1M chg
iTraxx Asiax IG	115	-8	-68	Brent Crude Spot (\$/bbl)	27.71	-12.70%	2.71%
iTraxx SovX APAC	64	-6	-26	Gold Spot (\$/oz)	1,677.55	-2.20%	11.94%
iTraxx Japan	78	-9	-73	CRB	123.80	-3.14%	-0.07%
iTraxx Australia	116	-21	-96	GSCI	270.57	-3.41%	3.44%
CDX NA IG	87	3	-60	VIX	38.15	-8.45%	-42.23%
CDX NA HY	96	-1	9	CT10 (%)	0.639%	-13.27	-20.68
iTraxx Eur Main	82	3	-35				
iTraxx Eur XO	484	15	-193	AUD/USD	0.635	-0.52%	9.75%
iTraxx Eur Snr Fin	101	8	-33	EUR/USD	1.087	-0.45%	1.66%
iTraxx Eur Sub Fin	223	11	-65	USD/SGD	1.424	-0.60%	1.86%
iTraxx Sovx WE	32	4	3	AUD/SGD	0.904	-0.10%	-6.97%
USD Swap Spread 10Y	7	0	15	ASX 200	5,414	0.49%	12.39%
USD Swap Spread 30Y	-37	-1	28	DJIA	24,242	2.21%	26.43%
US Libor-OIS Spread	103	-10	-6	SPX	2,875	3.04%	24.71%
Euro Libor-OIS Spread	22	-2	9	MSCI Asiax	598	3.05%	12.60%
				HSI	24,304	0.02%	6.57%
China 5Y CDS	45	2	-25	STI	2,609	1.62%	8.22%
Malaysia 5Y CDS	101	-2	-74	KLCI	1,426	5.14%	9.40%
Indonesia 5Y CDS	201	-5	-53	JCI	4,595	-0.63%	9.53%
Thailand 5Y CDS	66	-12	-38	EU Stoxx 50	2,888	1.30%	13.33%
Australia 5Y CDS	28	-6	-23				

Source: Bloomberg

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New Issues

- Lenovo Group Limited priced a USD650mn 5-year bond at 5.875%, tightening from IPT of 6.125% area.

Date	Issuer	Size	Tenor	Pricing
17-Apr-20	Lenovo Group Limited	USD650mn	5-year	5.875%
16-Apr-20	Sunny Express Enterprises Corp. (Guarantor: China National Travel Service Group Corporation Limited)	USD300mn USD600mn	5-year 10-year	T+230bps T+255bps
15-Apr-20	Kingdom of Saudi Arabia	USD2.5bn USD1.5bn USD3.9bn	5.5-year 10.5-year 40-year	T+260bps T+270bps T+327bps
14-Apr-20	Petronas	USD2.25bn USD2.75bn USD1bn	10-year 30-year 40-year	T+290bps 4.55% 4.8%
14-Apr-20	Sumcowry Co. Ltd	USD200mn	3-year	2.69%
13-Apr-20	Keppel Corp Ltd	SGD250mn	5-year	2.25%
07-Apr-20	Qatar	USD2bn USD3bn USD5bn	5-year 10-year 30-year	T+300bps T+305bps 4.4%
07-Apr-20	Korea Development Bank	USD500mn	3-year	3m-US LIBOR+145bps
06-Apr-20	Republic of Indonesia	USD1.65bn USD1.65bn USD1bn	10.5-year 30.5-year 50-year	3.9% 4.25% 4.5%
06-Apr-20	Mitsubishi UFJ Lease & Finance Co Ltd	USD450mn USD350mn	5-year 10-year	3m-US LIBOR+320bps 3m-US LIBOR+330bps
01-Apr-20	Baidu Inc	USD600mn USD400mn	5-year 10-year	T+275bps T+285bps
31-Mar-20	Guizhou Shuanglong Airport Development & Investment (Group) Co. Ltd.	USD26mn	2-year 354-day	4%
31-Mar-20	AIA Group Limited	USD1bn	10-year	T+275bps
26-Mar-20	State Bank of India of London	USD100mn	2-year	3m-US LIBOR+80bps

Source: OCBC, Bloomberg

Treasury Research & Strategy

Macro Research

Selena Ling

Head of Research & Strategy

LingSSSelena@ocbc.com

Howie Lee

Thailand, Korea &

Commodities

HowieLee@ocbc.com

Tommy Xie Dongming

Head of Greater China

Research

XieD@ocbc.com

Carie Li

Hong Kong & Macau

carierli@ocbcwh.com

Wellian Wiranto

Malaysia & Indonesia

WellianWiranto@ocbc.com

Dick Yu

Hong Kong & Macau

dicksnyu@ocbcwh.com

Terence Wu

FX Strategist

TerenceWu@ocbc.com

Credit Research

Andrew Wong

Credit Research Analyst

WongVKAM@ocbc.com

Ezien Hoo

Credit Research Analyst

EzienHoo@ocbc.com

Wong Hong Wei

Credit Research Analyst

WongHongWei@ocbc.com

Seow Zhi Qi

Credit Research Analyst

ZhiQiSeow@ocbc.com

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