

Market Commentary

- Last Friday, the SGD swap curve traded relatively unchanged.
- The Bloomberg Barclays Asia USD IG Bond Index average OAS tightened 1bps to 116bps, and the Bloomberg Barclays Asia USD HY Bond Index average OAS tightened 2bps to 437bps. The HY-IG Index tightened 1bps to 320bps.
- Flows in SGD corporates were heavy, with flows in SPHSP 3.2%'30s, CATHAY 3.375%'23s, UBS 4.85%-PERPs, FPLSP 3.95%-PERPs and HSBC 4.7%-PERPs.
- 10Y UST Yields gained by 1bps to close at 1.82%, following strong housing data and upbeat corporate earnings.

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:

- [Olam International Ltd \("OLAM"\)](#) | **Issuer Profile: Neutral (5)**: The company has announced that it will be re-organising its businesses into two operating groups, one focusing on Food Ingredients ("Olam Food Ingredients") and the other focusing on the agri-businesses ("Olam Global Agri"). OLAM will continue to hold the two new operating groups while continuing to develop gestating businesses and incubate new businesses. Over the longer term, OLAM may consider potential carve-outs and capital raising options. For now, we are maintaining OLAM's issuer profile at Neutral (5) given that OLAM still holds 100% of its businesses though expect the re-organisation to facilitate a decrease in ownership of OLAM in these businesses (eg: via an IPO).
- [Sembcorp Industries Ltd \("SCI"\)](#) | **Issuer Profile : Neutral (5)**: SCI announced that ongoing legal proceedings related to alleged discharge of off-specification wastewater by its China joint venture are at a final stage. SCI's share for both the fine and civil claims would total SGD54mn and this was provided for fully in 9M2019 per company (SGD50mn was provided for by end-September 2018). Given that SCI had taken this hit onto its income statement previously, we see this as a credit neutral development.
- [Mapletree North Asia Commercial Trust \("MNACT"\)](#) | **Issuer Profile : Neutral (4)**: MNACT reported its third quarter results for the financial year ending 31 Mar 2020 ("3QFY2020") results. Gross revenue slipped 36.3% y/y to SGD67.3mn, while net property income ("NPI") was down by 40.0% y/y to SGD50.8mn. Portfolio occupancy fell to 96.3% from 98.9% in the preceding quarter. EBITDA/Interest has fallen from 4.1x a year ago to 2.4x. Aggregate leverage was stable at 37.1%. Debt maturity is well-staggered with only SGD117mn of bank debt and SGD95mn of bonds due in FY2020. Although MNACT has SGD136mn cash and bank balances as at 31 Dec 2019 which is insufficient to cover the upcoming maturities, 89% of its total assets remain unencumbered.

Asian Credit Daily**Credit Headlines****Olam International Ltd (“OLAM”) | Issuer Profile: Neutral (5)**

- As part of OLAM’s strategic review, the company has announced that it will be re-organising its businesses into two operating groups, one focusing on Food Ingredients (“Olam Food Ingredients”) and the other focusing on the agri-businesses (“Olam Global Agri”).
- OLAM, the SGD-bond issuer will continue to hold the two new operating groups while continuing to develop gestating businesses and incubate new businesses. With this announcement, OLAM has completed its one year strategic review exercise which was endorsed by its board and undertaken with input from external financial advisors.
- Olam Food Ingredients would consist of OLAM’s cocoa, coffee, edible nuts, spices and dairy business and will be under the purview of Mr. A. Shekhar who had been appointed as the CEO of Olam Food Ingredients. Mr. Shekhar, an OLAM veteran and shareholder would step down as his role as Group Chief Operating Officer of OLAM with immediate effect. In our view, this arm consists mostly of businesses where OLAM already has a leadership position in and would be what we deem as stable though lower growth.
- Olam Global Agri would consist of Grains and Animal Feed, Edible Oils, Rice, Cotton and Commodity Financial Services. In our view, this arm comprises of mostly gestating and new businesses. Mr. Sunny Verghese, the current group CEO of OLAM would also be the CEO of Olam Global Agri.
- Over the longer term, OLAM may consider potential carve-outs and capital raising options. Already we had seen OLAM monetising various parts of its business through 2019. Most recently, OLAM announced that its 40.5%-owned associate company Gabon Special Economic Zone (“GSEZ”) was re-organising its infrastructure and logistics business into three verticals, namely ARISE Port & Logistics (“ARISE Ports”), ARISE Industrial Zones (“ARISE IZ”) and ARISE Infrastructure Services (“ARISE IS”) and that OLAM had sold 10% of its 40.5%-stake in ARISE IZ to the Africa Finance Corporation for USD59mn (~SGD80mn) in cash consideration.
- For now, we are maintaining OLAM’s issuer profile at Neutral (5) given that OLAM still holds 100% of its businesses though expect the re-organisation to facilitate a decrease in ownership of OLAM in these businesses (eg: via an IPO). Should such an event happen, SGD bond holders would face structural subordination of the OLAM’s businesses and assets although this would need to be weighed with the potential benefits from the introduction of capital providers at the operating level. For now, major shareholders, Temasek, Mitsubishi Corporation and Kewalram Group still continue to hold their equity interest in the company at the OLAM level. (Company, OCBC)

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

- SCI announced that ongoing legal proceedings related to alleged discharge of off-specification wastewater by its China joint venture are at a final stage. In 4Q2019, the China joint venture was fined SGD10mn while a civil settlement agreement is expected to be finalised in February 2020.
- SCI’s share for both the fine and civil claims would total SGD54mn and this was provided for fully in 9M2019 per company (SGD50mn was provided for by end-September 2018). Given that SCI had taken this hit onto its income statement previously, we see this as a credit neutral development. (Company, Business Times, OCBC)

Credit Headlines

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

- MNACT reported its third quarter results for the financial year ending 31 Mar 2020 (“3QFY2020”) results. Gross revenue slipped 36.3% y/y to SGD67.3mn, while net property income (“NPI”) was down by 40.0% y/y to SGD50.8mn. This was primarily due to lower revenue from (1) Festival Walk (due to rent relief granted to tenants and the closure of the mall since 13 Nov 2019), (2) one of the Japan properties due to expiry of the single tenancy for the building and conversion into multi-tenancies, (3) Gateway Plaza due to lower average occupancy and (4) lower average rate of HKD and RMB against SGD.
- Festival Walk has since re-opened and rental collection has resumed on 16 Jan 2020. The duration of the mall closure was for a total period of 64 days. Although the loss of revenue as well as property damage sustained are covered under the insurance policies, the assessment of the quantum recoverable is still underway and the timing of receiving the claims has yet to be determined. Festival Walk remains fully occupied, though both footfall and retail sales for 9MFY2020 was down by 5.1%y/y and 8.7%y/y respectively. Management has guided that performance of Festival Walk is expected to be lower than a year ago going forward and will continue to actively engage and support its tenants (including selective rental concessions) during this period.
- Portfolio occupancy fell to 96.3% from 98.9% in the preceding quarter. All of its properties saw lower occupancies with the exception of Festival Walk. Gateway Plaza’s occupancy fell to 91.6% from 96.5% in 2QFY2020 while its Japan properties saw occupancy fall to 97.1% from full occupancy. Of the 7.9% of leases expiring in the remaining of FY2020, 4.8% has already been renewed or re-let.
- EBITDA/Interest based on our calculation has fallen from 4.1x a year ago to 2.4x, on the back of a 42.0% y/y decline in EBITDA. Aggregate leverage was stable at 37.1%. Debt maturity is well-staggered with only SGD117mn of bank debt and SGD95mn of bonds due in FY2020. Although MNACT has SGD136mn cash and bank balances as at 31 Dec 2019 which is insufficient to cover the upcoming maturities, 89% of its total assets remain unencumbered.
- We continue to hold MNACT at a Neutral (4) Issuer Profile in view of the manageable credit metrics though may lower this should the decline in HKSAR retail environment emerges as a structural issue. (Company, OCBC)

Asian Credit Daily

Key Market Movements

	20-Jan	1W chg (bps)	1M chg (bps)		20-Jan	1W chg	1M chg
iTraxx Asiax IG	50	-3	-3	Brent Crude Spot (\$/bbl)	65.73	2.38%	-0.62%
iTraxx SovX APAC	25	-1	-2	Gold Spot (\$/oz)	1,557.60	0.63%	5.37%
iTraxx Japan	43	-1	0	CRB	182.89	-0.68%	-1.17%
iTraxx Australia	47	0	0	GSCI	426.91	-0.75%	-1.47%
CDX NA IG	44	0	-1	VIX	12.1	-3.66%	-3.28%
CDX NA HY	110	0	0	CT10 (%)	1.822%	-2.44	-9.56
iTraxx Eur Main	43	-1	-1				
iTraxx Eur XO	207	-1	2	AUD/USD	0.688	-0.38%	-0.32%
iTraxx Eur Snr Fin	51	0	-2	EUR/USD	1.110	-0.35%	0.14%
iTraxx Eur Sub Fin	109	2	-2	USD/SGD	1.348	-0.07%	0.56%
iTraxx Sovx WE	11	0	0	AUD/SGD	0.927	0.29%	0.87%
USD Swap Spread 10Y	-4	1	1	ASX 200	7,088	2.67%	3.99%
USD Swap Spread 30Y	-31	1	-2	DJIA	29,348	1.82%	3.14%
US Libor-OIS Spread	24	-2	-13	SPX	3,330	1.97%	3.37%
Euro Libor-OIS Spread	6	0	0	MSCI Asiax	714	0.27%	4.34%
				HSI	29,056	1.46%	4.25%
China 5Y CDS	29	-1	-2	STI	3,281	0.77%	2.14%
Malaysia 5Y CDS	33	-1	-2	KLCI	1,596	0.27%	-0.89%
Indonesia 5Y CDS	60	-1	-4	JCI	6,292	0.27%	0.12%
Thailand 5Y CDS	21	-1	-3	EU Stoxx 50	3,808	0.49%	0.84%
Australia 5Y CDS	17	-1	0				

Source: Bloomberg

Asian Credit Daily

New Issues

- Sun Hung Kai Properties (Capital Market) Limited priced a USD300mn tap of its 2030s at T+106.5bps, tightening from IPT of T+130bps area.
- Industrial and Commercial Bank of China Limited (ICBC) of Singapore priced two USD100mn 3-year FRN at 3m-US LIBOR+58bps.
- CPI Property Group S.A. priced a SGD150mn PERP NC5.5 at 5.8%.

Date	Issuer	Size	Tenor	Pricing
17-Jan-20	Sun Hung Kai Properties (Capital Market) Limited	USD300mn	SUNHUN 2.875%'30s	T+106.5bps
17-Jan-20	Industrial and Commercial Bank of China Limited (ICBC) of Singapore	USD100mn USD100mn	3-year 3-year	3m-US LIBOR+58bps 3m-US LIBOR+58bps
17-Jan-20	CPI Property Group S.A.	SGD150mn	PERP NC5.5	5.8%
16-Jan-20	China Evergrande Group	USD1bn USD1bn	3-year 4NC2	11.5% 12.0%
16-Jan-20	PT Bayan Resources Tbk	USD400mn	3-year	6.125%
16-Jan-20	China Zhengtong Auto Services Holdings Limited	USD160mn	2-year	12.0%
16-Jan-20	Jollibee Worldwide Pte. Ltd	USD600mn	PERPs NC5	3.90%
16-Jan-20	Medco Bell Pte. Ltd.	USD650mn	7NC4	6.625%
16-Jan-20	Rugao Economic and Trade Development Company	USD160mn	3-year	5.95%
16-Jan-20	ZGC International Investment Ltd	USD300mn	3-year	T+137.5bps
16-Jan-20	Jiayuan International Group Limited	USD30mn	JIAYUA 13.75%'23s	13.75%
15-Jan-20	Bank of Communications Co., Ltd. Hong Kong Branch	USD1.3bn	3-year	3m-US LIBOR+58bps
15-Jan-20	PT Bank Tabungan Negara (Persero) Tbk	USD300mn	5-year	4.2%

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

This publication is solely for information purposes only and may not be published, circulated, reproduced or distributed in whole or in part to any other person without our prior written consent. This publication should not be construed as an offer or solicitation for the subscription, purchase or sale of the securities/instruments mentioned herein. Any forecast on the economy, stock market, bond market and economic trends of the markets provided is not necessarily indicative of the future or likely performance of the securities/instruments. Whilst the information contained herein has been compiled from sources believed to be reliable and we have taken all reasonable care to ensure that the information contained in this publication is not untrue or misleading at the time of publication, we cannot guarantee and we make no representation as to its accuracy or completeness, and you should not act on it without first independently verifying its contents. The securities/instruments mentioned in this publication may not be suitable for investment by all investors. Any opinion or estimate contained in this report is subject to change without notice. We have not given any consideration to and we have not made any investigation of the investment objectives, financial situation or particular needs of the recipient or any class of persons, and accordingly, no warranty whatsoever is given and no liability whatsoever is accepted for any loss arising whether directly or indirectly as a result of the recipient or any class of persons acting on such information or opinion or estimate. This publication may cover a wide range of topics and is not intended to be a comprehensive study or to provide any recommendation or advice on personal investing or financial planning. Accordingly, they should not be relied on or treated as a substitute for specific advice concerning individual situations. Please seek advice from a financial adviser regarding the suitability of any investment product taking into account your specific investment objectives, financial situation or particular needs before you make a commitment to purchase the investment product. OCBC Bank, its related companies, their respective directors and/or employees (collectively "Related Persons") may or might have in the future interests in the investment products or the issuers mentioned herein. Such interests include effecting transactions in such investment products, and providing broking, investment banking and other financial services to such issuers. OCBC Bank and its Related Persons may also be related to, and receive fees from, providers of such investment products.

This report is intended for your sole use and information. By accepting this report, you agree that you shall not share, communicate, distribute, deliver a copy of or otherwise disclose in any way all or any part of this report or any information contained herein (such report, part thereof and information, "Relevant Materials") to any person or entity (including, without limitation, any overseas office, affiliate, parent entity, subsidiary entity or related entity) (any such person or entity, a "Relevant Entity") in breach of any law, rule, regulation, guidance or similar. In particular, you agree not to share, communicate, distribute, deliver or otherwise disclose any Relevant Materials to any Relevant Entity that is subject to the Markets in Financial Instruments Directive (2014/65/EU) ("MiFID") and the EU's Markets in Financial Instruments Regulation (600/2014) ("MiFIR") (together referred to as "MiFID II"), or any part thereof, as implemented in any jurisdiction. No member of the OCBC Group shall be liable or responsible for the compliance by you or any Relevant Entity with any law, rule, regulation, guidance or similar (including, without limitation, MiFID II, as implemented in any jurisdiction).