

Market Commentary

- The SGD swap curve bear-steepened yesterday, with the shorter tenors trading 9-19bps higher, while the belly and the longer tenors traded 19-22bps higher.
- The Bloomberg Barclays Asia USD IG Bond Index average OAS widened 22bps to 249bps, and the Bloomberg Barclays Asia USD HY Bond Index average OAS widened 169bps to 1175bps. The HY-IG Index Spread widened 147bps to 926bps.
- Flows in SGD corporates were heavy, with flows in DBSSP 3.98%-PERPs, UOBSP 4%-PERPs, CS 5.625%-PERPs, SOCGEN 6.125%-PERPs, HSBC 4.7%-PERPs and NAB 4.15%'28s.
- 10Y UST Yields fell 5bps to 1.14%, as the weekly jobless claims in the U.S. rose due to the spread of COVID-19 while investors piled into short-term securities as a safety play which resulted in the rise of the 3m UST Yield.

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Credit Summary:

- **Industry Outlook – Financial Institutions**: Following on from yesterday's commentary on government measures, Australian agencies have announced several measures to support the economy. Separately, Credit Suisse Group AG provided a trading update for the first 2 months of 2020 and also acknowledged that the eventual impact of COVID-19 is presently difficult to assess. It is currently in talks with the Swiss government to assist in funding small and medium sized enterprises. Finally, both Credit Agricole SA and ABN Amro Bank NV announced multiple measures to support their clients. As difficult as the current situation is, what seems apparent is that governments, regulators and their systemically important banks are working together to try and manage the building credit risks in their respective countries.
- **Sembcorp Industries Ltd ("SCI") | Issuer Profile: Neutral (5)**: SCI announced its leadership succession plan with the current CEO, Mr. Neil McGregor, set to retire on 30 June 2020. He will be succeeded by Mr. Wong Kim Yin who is currently the Group CEO of Singapore Power. Mr. Wong was formerly Senior Managing Director, Investments at Temasek and prior to Temasek, he worked for AES Corporation, a power company.
- **Suntec REIT ("SUN") | Issuer Profile: Neutral (4)**: SUN has obtained a AUD450mn green loan facility which can be used for refinance existing borrowings, financing acquisitions and investments, and general corporate purposes. We are inclined to view this as a positive sign that banks remain open for REITs to tap, amid market conditions.

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Credit Headlines

Industry Outlook – Financial Institutions

- Following yesterday's commentary on government measures to restore confidence in economies and support the banks role in helping governments do so, Australian agencies have announced several measures to support the economy including:
 - An AUD15bn program from the Australian government to invest in asset-backed securities issued by non-bank lenders;
 - The Reserve Bank of Australia providing a three year AUD90bn fixed rate lending facility at 25bps for banks to provide funding. Banks can initially use up to 3% of their outstanding credit to domestic households and companies. Additional funding may be accessed if banks increase lending to businesses; and
 - The Australian Prudential Regulation Authority relaxing its minimum 10.5% CET1 capital ratio benchmark for 'unquestionably strong' capital ratios as long as the ratio remains above the minimum 8.0% requirement. Based on most recent full year or half year results, this should release lending capacity equal to around AUD550bn in credit risk weighted assets across Australia's big 4 banks although we think the intention is for the big 4 to operate above the 8.0% minimum requirement.
- The above is in addition to the Reserve Bank of Australia cutting Australia's cash rate to 0.25% (and indicating that it will not raise rates until there is a sustainable recovery and full employment and target inflation are achieved) and targeting a 0.25% yield on three year government bonds by buying Commonwealth and State government bonds. Further stimulus measures are expected to be announced in the coming days that may involve tax relief and fiscal measures.
- Separately Credit Suisse Group AG ("CS") provided a trading update for the first 2 months of 2020, indicating that strong performance in sales and trading revenue to end February 2020 has resulted in higher pre-tax profit than the whole of 1Q2019. Higher transaction revenues in private banking also assisted and offset weaker performance in capital markets. Nevertheless, CS also acknowledged that the eventual impact of COVID-19 is presently difficult to assess and that it is in talks with the Swiss government to assist in funding small and medium sized enterprises ahead of another round of support measures by the government that is expected to be announced today.
- Finally, both Credit Agricole SA ("CA") and ABN Amro Bank NV ("ABN") announced multiple measures to support its clients. CA announced that borrowers in France will have a debt moratorium 6 months whilst those in Italy will have 12 months, urgent credit applications will be accelerated and penalties and costs for deferring loan maturities will be waived. For ABN, this includes deferral of principal and interest for 6 months for Commercial Banking clients, deferral of interest and principal for 3 months for mortgages and personal loans for self-employed professionals, flexible workers and others affected by COVID-19. These measures are in addition to support provided by the Dutch government including eight measures such as government guaranteed loans from banks. Per Dutch Finance Minister Wopke Hoekstra, the stimulus is unlimited.
- What seems apparent is that as difficult as the current situation is, governments, regulators and their systemically important banks are working together to try and manage the building credit risks in their respective countries. (Straits Times, BBC, Bloomberg, OCBC)

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Credit Headlines

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

- SCI announced its leadership succession plan with the current CEO, Mr. Neil McGregor, set to retire on 30 June 2020. He will be succeeded by Mr. Wong Kim Yin who would be CEO with effect from 1 July 2020. Mr. McGregor would remain as advisor until 31 December 2020. Both the incoming and outgoing CEOs of SCI have a background in energy/utilities.
- Mr. Wong is currently the Group CEO of Singapore Power Ltd and has more than 20 years of experience in the energy sector and in investment management. Mr. Wong was formerly Senior Managing Director, Investments at Temasek and prior to Temasek, he worked for AES Corporation, a power company.
- We continue to see SCI’s ownership of its marine business as a credit negative to its issuer profile. (Company, OCBC)

Suntec REIT (“SUN”) | Issuer Profile: Neutral (4)

- SUN has obtained a AUD450mn green loan facility which can be used for refinance existing borrowings, financing acquisitions and investments, and general corporate purposes. We are inclined to view this as a positive sign that banks remain open for REITs to tap, amid market conditions. (Company, OCBC)

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Key Market Movements

	20-Mar	1W chg (bps)	1M chg (bps)		20-Mar	1W chg	1M chg
iTraxx Asiax IG	157	28	109	Brent Crude Spot (\$/bbl)	28.40	-16.10%	-52.12%
iTraxx SovX APAC	97	20	70	Gold Spot (\$/oz)	1,480.36	-3.23%	-8.59%
iTraxx Japan	150	21	108	CRB	127.63	-10.08%	-26.95%
iTraxx Australia	184	43	138	GSCI	269.53	-10.29%	-33.16%
CDX NA IG	140	34	95	VIX	72	-4.60%	362.72%
CDX NA HY	90	-8	-19	CT10 (%)	1.140%	33.62	-42.57
iTraxx Eur Main	118	11	76				
iTraxx Eur XO	680	160	465	AUD/USD	0.581	-6.32%	-12.15%
iTraxx Eur Snr Fin	136	5	87	EUR/USD	1.070	-3.69%	-0.82%
iTraxx Eur Sub Fin	286	16	186	USD/SGD	1.453	-2.58%	-3.55%
iTraxx Sovx WE	33	3	23	AUD/SGD	0.844	3.99%	9.73%
USD Swap Spread 10Y	-14	-14	-8	ASX 200	4,984	-10.03%	-30.42%
USD Swap Spread 30Y	-74	-16	-39	DJIA	20,087	-5.25%	-31.26%
US Libor-OIS Spread	98	29	85	SPX	2,409	-2.87%	-28.57%
Euro Libor-OIS Spread	9	2	5	MSCI Asiax	503	-13.55%	-26.40%
				HSI	22,147	-7.85%	-19.78%
China 5Y CDS	69	-5	34	STI	2,359	-10.46%	-26.26%
Malaysia 5Y CDS	175	28	139	KLCI	1,241	-7.75%	-19.18%
Indonesia 5Y CDS	269	86	211	JCI	4,105	-16.14%	-30.91%
Thailand 5Y CDS	100	23	74	EU Stoxx 50	2,454	-3.58%	-35.81%
Australia 5Y CDS	0	1	31				

Source: Bloomberg

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New Issues

- China Construction Bank (Asia) Corporation Limited priced a USD500mn PERPNC5 at 3.18%.

Date	Issuer	Size	Tenor	Pricing
19-Mar-20	China Construction Bank (Asia) Corporation Limited	USD500mn	PERPNC5	3.18%
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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