

### Market Commentary

- The SGD swap curve steepened yesterday, with the shorter tenors trading 0-2bps lower while the belly and the longer tenors traded 2-5bps higher (with the exception of the 20-year trading around 0.5bps lower).
- The Bloomberg Barclays Asia USD IG Bond Index average OAS tightened 6bps to 240bps, and the Bloomberg Barclays Asia USD HY Bond Index average OAS tightened 17bps to 940bps. The HY-IG Index Spread tightened 11bps to 700bps.
- Flows in SGD corporates were heavy, with flows in HSBC 5%-PERPs, ARASP 5.2%-PERPs, HSBC 4.7%-PERPs, CS 5.625%-PERPs, FPLSP 4.98%-PERPs, GUOLSP 4.6%-PERPs, STANLN 5.375%-PERPs, IOCLIN 4.1%'22s, LBBW 3.75%'27s, MAPLSP 3.95%-PERPs, SPHSP 4.5%-PERPs, SPHSP 4%-PERPs, STANLN 4.4%'26s and UBS 5.875%-PERPs.
- 10Y UST Yields fell 4bps to 0.69% while U.S. equities fluctuated, as market sentiment softened and the UST showed muted reaction towards Fed Chairman Powell's senate hearing.

### Credit Research

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### Credit Summary:

- [Keppel Corporation Limited \("KEP"\)](#) | **Issuer Profile: Neutral (4)**: KEP's 50%-owned associate Floatel International Ltd ("Floatel") has shared that the current forbearance agreement it has with lenders has been extended to 15 June 2020. Effectively, Floatel is in a standstill with its bank lenders and bondholders while the bank lenders and bondholders consider its debt deferral proposal. Per KEP, it has assessed that no impairment is required on Floatel.
- [Oxley Holdings Ltd \("OHL"\)](#) | **Issuer Profile: Negative (6)**: OHL announced that it has entered into an expression of interest for the sale of the retail and banking units of Chevron House for SGD315mn. A refundable deposit has been received from the buyer, and the buyer may elect to enter into a binding sale and purchase agreement by 15 June 2020.
- [Singapore Press Holdings Ltd \("SPH"\)](#) | **Issuer Profile: Unrated**: SPH provided COVID-19 updates, showing snippets of its operating results and capital management. Credit metrics have improved as of 30 Apr, with reported net gearing inching down to 50.3% m/m (31 Mar: 50.8%) and reported interest coverage ratio inching up to 4.95x (31 Mar: 4.90x). Meanwhile, SPH has more than SGD800mn cash balance and no debt maturing in 1 year.
- [Julius Baer Group Ltd \("JBG"\)](#) | **Issuer Profile: Neutral (3)**: JBG announced its interim management statement for the first four months ended 30 April 2020 ("4M2020") and while acknowledging prevailing uncertainty on the impact from COVID-19, there were some constructive trends in the results. Profitability improved as increased market volatility and trading volumes offset lower net interest income and a moderate rise in expected credit losses. JBG's adjusted cost/income ratio improved to 64% in 4M2020, down from 71% in FY2019 and below its medium term cost to income ratio target of below 67%. JBG's capital position also remained sound with its CET1 capital ratio at 13.8% as at 30 April 2020, although down by 20bps compared to 14.0% as at 31 December 2019. Given the solid performance and capital position, JBG announced in early May that it will redeem on first call date CHF350mn in outstanding AT1 bonds issued in June 2014. JBG also continues to accrue dividends for FY2020.

**Asian Credit Daily****Credit Headlines****Keppel Corporation Limited (“KEP”) | Issuer Profile: Neutral (4)**

- KEP’s 50%-owned associate Floatel International Ltd (“Floatel”) has shared that the current forbearance agreement it has with lenders has been extended to 15 June 2020. Effectively, Floatel is in a standstill with its bank lenders and bondholders while the bank lenders and bondholders consider its debt deferral proposal.
- Per KEP, based on information currently available, it has assessed that no impairment is required on Floatel. As at 31 March 2020, the carrying amount of Floatel on KEP’s books were SGD472.3mn.
- Despite the issues at Floatel and KrisEnergy Ltd (another KEP associate, which is currently under debt moratorium), [we continue to hold KEP’s issuer profile at Neutral \(4\)](#). (Company, OCBC)

**Oxley Holdings Ltd (“OHL”) | Issuer Profile: Negative (6)**

- OHL announced that it has entered into an expression of interest for the sale of the retail and banking units of Chevron House for SGD315mn. A refundable deposit has been received from the buyer, and the buyer may elect to enter into a binding sale and purchase agreement by 15 June 2020.
- If completed, this will be a credit positive to OHL as the proceeds can be used towards deleveraging and bolstering liquidity. (Company, OCBC)

**Singapore Press Holdings Ltd (“SPH”) | Issuer Profile: Unrated**

- SPH provided COVID-19 updates, showing snippets of its operating results (with certain trends continuing from its [1HFY2020 results](#)) and its capital management.
- Retail’s contribution remain subdued, with full rental waiver in Apr and May for SPH’s non-trading retail and medical tenants. Including February and March, the rental rebates average 2.3 months (this does not include property tax rebates which are also fully passed on to tenants).
- As a recap, while Media segment’s reported profit before tax (“PBT”) were significantly lower in 1HFY2020 (-75.6% y/y) due to fall in advertisements, digital subscriptions revealed continued strong uptrend in April (+8% m/m). especially for Straits Times. Reader engagements for print and digital audience have also increased.
- The purpose-built student accommodation (“PBSA”) segment which delivered PBT of SGD25.1mn in 1HFY2020 will see revenues trend down due to rental refunds of GBP4.6mn (~SGD8.0mn), of which ~50% will be refunded via credits for the new academic year or waived from outstanding payments.
- Credit metrics have improved as of 30 Apr, with reported net gearing inching down to 50.3% m/m (31 Mar: 50.8%) and reported interest coverage ratio inching up to 4.95x (31 Mar: 4.90x). Meanwhile, SPH has more than SGD800mn cash balance and no debt maturing in 1 year.
- Please note that we do not currently cover SPH. (Company, OCBC)

**Asian Credit Daily****Credit Headlines****Julius Baer Group Ltd (“JBG”) | Issuer Profile: Neutral (3)**

- JBG announced its interim management statement for the first four months ended 30 April 2020 (“4M2020”) and while acknowledging prevailing uncertainty on the impact from COVID-19, there were some constructive trends in the results.
- Profitability improved as increased market volatility and trading volumes offset lower net interest income and a moderate rise in expected credit losses with the gross margin (defined as operating income divided by average assets under management (“AuM”)) up to 95bps for 4M2020 (82bps in 2019). This was also likely due to a fall in AuM of 8% for the year to date with net new money inflows offset by negative market performance and foreign exchange movements. Net new money inflows rose 2% on an annualized basis for 4M2020 due to inflows from European wealth clients.
- JBG’s adjusted cost/income ratio improved to 64% in 4M2020, down from 71% in FY2019 and below its medium term cost to income ratio target of below 67%. This was due to new CEO Philipp Rickenbacher’s strategy to simplify the Group’s structure and enhance its efficiency with a focus on profitability rather than volume.
- JBG’s capital position also remained sound with its CET1 capital ratio at 13.8% as at 30 April 2020, down 20bps compared to 14.0% as at 31 December 2019. Despite the fall, the buffer above the regulatory minimum requirement improved due to a 30bps fall in the minimum to 7.9% (previously 8.2%). The fall in CET1 ratio was due to re-measurement of defined benefit obligations as well as higher risk-weighted assets from implementation of the new Standard Approach for Counterparty Credit Risk (SA-CCR). It should be noted that the ratio also includes the accrued dividend. As [JBG previously announced](#), it will pay its previously announced dividend of CHF 1.50 per share for 2019 in two equal phases; the first instalment at the end of May and the second much later in the year following a proposed Extra-ordinary General Meeting in mid-November. This proposal follows the Swiss Financial Market Supervisory Authority FINMA’s request in late March for Swiss banks to reconsider their dividend proposals.
- Given the solid performance and capital position, JBG announced in early May that it will redeem on first call date (5 June 2020) CHF350mn in outstanding AT1 bonds issued in June 2014. JBG also continues to accrue dividends for FY2020.
- Results are somewhat consistent with peers UBS Group AG (“UBS” | Issuer Profile: Neutral (3)) and Credit Suisse Group AG (“CS” | Issuer Profile: Neutral (4)) with decent 1Q2020 results dimmed by the uncertain outlook. While we previously expected 2020 to be an interesting year for JBG with new CEO Philipp Rickenbacher seeking to perhaps aggressively drive JBG forward after a period of consolidation and de-risking under previous CEO Bernard Hodler, it appears that Mr Rickenbacher’s focus on cost containment and streamlining the bank could put the bank in a better position to tackle the uncertainty ahead. We maintain our Neutral (3) issuer profile for now. (Company, OCBC)

## Asian Credit Daily

### Key Market Movements

	20-May	1W chg (bps)	1M chg (bps)		20-May	1W chg	1M chg
iTraxx Asiax IG	111	-6	-7	<b>Brent Crude Spot (\$/bbl)</b>	34.77	19.12%	35.98%
iTraxx SovX APAC	63	-4	-3	<b>Gold Spot (\$/oz)</b>	1,748.68	1.89%	3.13%
iTraxx Japan	81	1	2	<b>CRB</b>	129.57	5.66%	9.10%
iTraxx Australia	114	-4	-6	<b>GSCI</b>	296.49	8.64%	14.61%
CDX NA IG	89	-8	-4	<b>VIX</b>	30.53	-7.60%	-30.34%
CDX NA HY	94	1	0	<b>CT10 (%)</b>	0.692%	3.90	8.62
iTraxx Eur Main	82	-7	-3				
iTraxx Eur XO	490	-31	-15	<b>AUD/USD</b>	0.654	1.36%	3.27%
iTraxx Eur Snr Fin	99	-7	-9	<b>EUR/USD</b>	1.094	1.11%	0.70%
iTraxx Eur Sub Fin	217	-10	-16	<b>USD/SGD</b>	1.417	0.20%	0.27%
iTraxx Sovx WE	27	-2	-6	<b>AUD/SGD</b>	0.927	-1.10%	-2.90%
<b>USD Swap Spread 10Y</b>	-2	2	-9	<b>ASX 200</b>	5,547	2.32%	3.63%
<b>USD Swap Spread 30Y</b>	-48	1	-10	<b>DJIA</b>	24,207	1.86%	2.35%
<b>US Libor-OIS Spread</b>	31	-3	-71	<b>SPX</b>	2,923	1.84%	3.53%
<b>Euro Libor-OIS Spread</b>	19	-3	-2	<b>MSCI Asiax</b>	610	1.02%	2.15%
				<b>HSI</b>	24,425	1.01%	0.39%
<b>China 5Y CDS</b>	49	-5	3	<b>STI</b>	2,571	-0.02%	-1.02%
<b>Malaysia 5Y CDS</b>	104	-6	-2	<b>KLCI</b>	1,424	1.94%	0.79%
<b>Indonesia 5Y CDS</b>	187	-22	-20	<b>JCI</b>	4,554	0.00%	-0.47%
<b>Thailand 5Y CDS</b>	57	-6	-10	<b>EU Stoxx 50</b>	2,903	0.64%	-0.24%
<b>Australia 5Y CDS</b>	30	1	1				

Source: Bloomberg

## Asian Credit Daily

### New Issues

- Redco Properties Group Limited priced a USD150mn 3NC2P2 bond at 14.875% (yield to put), tightening from IPT of 15% area (yield to put).
- Country Garden Holdings Company Limited priced a USD544mn 5NC3 bond at 5.4%, tightening from IPT of 6.1% area.
- The Hongkong Land Finance (Cayman Islands) Co. (Guarantor: The Hongkong Land Co.) priced a USD600mn 10-year bond at T+220bps, tightening from IPT of T+265bps area.
- Suntec REIT MTN Pte. Ltd priced a SGD200mn 5-year bond at 2.6%.

Date	Issuer	Size	Tenor	Pricing
19-May-20	Redco Properties Group Limited	USD150mn	3NC2P2	14.875% (yield to put)
19-May-20	Country Garden Holdings Company Limited	USD544mn	5NC3	5.4%
19-May-20	The Hongkong Land Finance (Cayman Islands) Co. (Guarantor: The Hongkong Land Co.)	USD600mn	10-year	T+220bps
19-May-20	Suntec REIT MTN Pte. Ltd	SGD200mn	5-year	2.6%
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%

Source: OCBC, Bloomberg

# Treasury Research & Strategy

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