

Market Commentary

- The SGD swap curve steepened yesterday, with the shorter and the belly tenors trading 0-2bps lower (with the exception of the 1-year tenor trading 1bp higher), while longer tenors traded 1-4bps higher.
- The Bloomberg Barclays Asia USD IG Bond Index average OAS tightened 1bps to 257bps, and the Bloomberg Barclays Asia USD HY Bond Index average OAS tightened 7bps to 944bps. The HY-IG Index Spread tightened 6bps to 686bps.
- Flows in SGD corporates were heavy yesterday, with flows seen in HSBC 4.7%-PERPs, CS 5.625%-PERPs, UBS 5.875%-PERPs, SOCGEN 6.125%-PERPs and MAPLSP 3.95%-PERPs.
- 10Y UST Yields fell 4bps to 0.61% as oil contracts collapsed, with WTI crude oil futures prices falling below zero for the first time.

Credit Research

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Credit Summary:

- [Singapore Airlines Ltd \("SIA"\)](#) | **Issuer Profile: Neutral (5)** and [Virgin Australia Holdings Limited \("VAH"\)](#) | **Issuer Profile: Unrated:** SIA's 20%-associate VAH announced that it has entered into voluntary administration to recapitalise the business. VAH had been seeking financial assistance from a number of parties including the state and federal governments, however it has yet to secure the required support. Although the Federal government openly desires to have a duopoly (rather than Qantas Airways Ltd (Issuer profile: Neutral (5)) being a monopoly), they do not appear keen to support VAH for a few reasons. In addition, VAH's disperse ownership was a negative especially as the majority of its shareholders are airlines who are battling for their own survival amidst the COVID-19 outbreak (eg: SIA, Etihad Airways, HNA (owner of Hainan Airlines) and Virgin Group). As at 31 March 2019, the carrying value of VAH on SIA's books was SGD314.8mn and in our view SIA would need to write this off in the near term with an impact taken on its income statement though this is a non-cash item and we view VAH entering into voluntary administration as credit neutral. We do not expect SIA to provide financial assistance to VAH.
- [Keppel Infrastructure Trust \("KIT"\)](#) | **Issuer Profile: Neutral (4):** KIT reported their 1Q2020 financial results. KIT's reported Funds from Operations ("FFO") for its main assets was SGD52.6mn (excluding Basslink), up 30% q/q. The q/q increase for KIT's FFO was driven by higher FFO across all asset classes except concessions (waste and water). In 1Q2020, distributable cash flow ("DCF") from KIT's various businesses to the holding company (and SGD-bond issuer) was SGD51.1mn. KIT's holding company has SGD100mn of senior debt, and we estimate a Adjusted DCF/Interest coverage of ~10x. As at 31 March 2019, KIT's consolidated unadjusted gross gearing was 1.27x (end-2019: 1.23x) while short term debt was SGD1.3bn.

Asian Credit Daily**Credit Headlines****Singapore Airlines Ltd (“SIA”) | Issuer Profile: Neutral (5) and Virgin Australia Holdings Limited (“VAH”) | Issuer Profile: Unrated**

- SIA’s 20%-associate VAH announced that it has entered into voluntary administration to recapitalise the business. VAH has appointed four Deloitte partners as voluntary administrators of the company and a number of its subsidiaries. VAH had been seeking financial assistance from a number of parties including the state and federal governments, however the required support is yet to be secured.
- As at 31 March 2019, the carrying value of VAH on SIA’s books was SGD314.8mn and in our view SIA would need to write this off in the near term with an impact taken on its income statement though this is a non-cash item and we view VAH entering into voluntary administration as credit neutral. We do not expect SIA to provide financial assistance to VAH (eg: equity, loan support).
- Private equity outfits, namely BGH Capital, were rumoured to be circling Virgin, while Chinese players China Southern Airlines, East Airlines and Air China also reportedly considered a bid however any prospective buyer is likely to keep its powder dry until VAH enters into voluntary administration to get the best deal possible.
- Although the Federal government openly desires to have a duopoly (rather than Qantas Airways Ltd (Issuer profile: Neutral (5)) being a monopoly), they do not appear keen to support VAH for main reasons as follows:
 - Set a precedent and lead to request from other non-state owned companies for “bail-outs”
 - Domestic market is attractive especially routes between Brisbane, Sydney and Melbourne which are highly profitable which should be attractive to investors
 - VAH has arguably been mismanaged given its debt issues had occurred for the financial years leading up to COVID-19
- VAH’s disperse ownership was a negative especially as the majority of its shareholders are airlines who are battling for their own survival amidst the COVID-19 outbreak (eg: SIA, Etihad Airways, HNA (owner of Hainan Airlines) and Virgin Group). We expect that for airlines within the Asia-Pacific region, government support is not guaranteed despite providing an essential service and would be on evaluated on a case by case basis. (Company, Bloomberg, The Guardian, OCBC)

Credit Headlines

Keppel Infrastructure Trust (“KIT”) | Issuer Profile: Neutral (4)

- KIT reported their 1Q2020 financial results. KIT’s reported Funds from Operations (“FFO”) for its main assets was SGD52.6mn (excluding Basslink), up 30% q/q. We focus less on y/y overall FFO change as IXOM was only acquired in February 2019. The q/q increase for KIT’s FFO was driven by higher FFO across all asset classes except concessions (waste and water) which declined by 1.3% q/q.
- Per company, IXOM is classified as an essential service in Australia and New Zealand while the other assets in Singapore are classified as essential services as well. So far City Gas and IXOM had seen some negative impact from the COVID-19 outbreak which is not surprising given that these two businesses are not concession based although relative to other companies we still view KIT’s income stream as more resilient.
- In 1Q2020, distributable cash flow (“DCF”) from KIT’s various businesses to the holding company (and SGD-bond issuer) was SGD51.1mn. KIT’s holding company has SGD100mn of senior debt, assuming this comes with an interest cost of 4% p.a and taking its full distribution payment on perpetuals as interest, we estimate the Adjusted DCF/Interest coverage of ~10x.
- As at 31 March 2019, KIT’s consolidated unadjusted gross gearing was 1.27x (end-2019: 1.23x) while short term debt was SGD1.3bn. Of the SGD1.3bn, SGD700mn relates to debt due at Keppel Merlimau Cogen (“KMC”) where KIT’s proportionate share is 51% and a refinancing is currently in advanced negotiations. Our base case expects that loans at KMC would need to be amortised and/or cash needs to be accumulated for an eventual repayment to match the tolling agreement until June 2030. The remainder relates to loans at Basslink which comes due in November 2020. Basslink’s debt are non-recourse to the KIT holding company. We are maintaining KIT’s issuer profile at Neutral (4). (Company, OCBC)

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Key Market Movements

	21-Apr	1W chg (bps)	1M chg (bps)		21-Apr	1W chg	1M chg
iTraxx Asiax IG	118	4	-101	Brent Crude Spot (\$/bbl)	25.79	-12.87%	-4.41%
iTraxx SovX APAC	66	2	-34	Gold Spot (\$/oz)	1,689.99	-2.14%	8.80%
iTraxx Japan	79	-4	-102	CRB	118.76	-7.17%	-4.13%
iTraxx Australia	121	6	-134	GSCI	258.69	-7.65%	-1.11%
CDX NA IG	93	11	-30	VIX	43.83	6.46%	-33.63%
CDX NA HY	94	-4	7	CT10 (%)	0.616%	-13.57	-22.91
iTraxx Eur Main	85	8	-30				
iTraxx Eur XO	505	57	-186	AUD/USD	0.631	-2.05%	8.09%
iTraxx Eur Snr Fin	108	14	-22	EUR/USD	1.085	-1.17%	1.17%
iTraxx Eur Sub Fin	233	26	-40	USD/SGD	1.425	-0.77%	2.54%
iTraxx Sovx WE	33	5	4	AUD/SGD	0.899	1.30%	-5.26%
USD Swap Spread 10Y	6	-1	14	ASX 200	5,322	-3.03%	10.49%
USD Swap Spread 30Y	-39	-3	20	DJIA	23,650	1.11%	23.35%
US Libor-OIS Spread	104	-6	-6	SPX	2,823	2.23%	22.48%
Euro Libor-OIS Spread	22	0	9	MSCI Asiax	597	1.40%	12.40%
				HSI	24,063	-1.53%	5.51%
China 5Y CDS	46	6	-26	STI	2,594	-1.53%	7.62%
Malaysia 5Y CDS	106	14	-80	KLCI	1,401	2.11%	7.47%
Indonesia 5Y CDS	207	22	-84	JCI	4,576	-2.77%	9.08%
Thailand 5Y CDS	67	-5	-55	EU Stoxx 50	2,910	0.58%	14.17%
Australia 5Y CDS	29	-1	-23				

Source: Bloomberg

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New Issues

- Export-Import Bank of Korea priced a USD700mn 3-year bond at 3m-US LIBOR+120bps.
- BOC Aviation Ltd arranged fixed income calls commencing 20 April for its proposed USD bond offering.
- Xiaomi Best Time International Limited, and its guarantor Xiaomi Corporation, arranged fixed income calls commencing 20 April for its proposed USD bond offering.
- Singapore Technologies Engineering Ltd arranged investor calls commencing 20 April for its proposed USD bond offering.

Date	Issuer	Size	Tenor	Pricing
20-Apr-20	Export-Import Bank of Korea	USD700mn	3-year	3m-US LIBOR+120bps
17-Apr-20	SATs Ltd	SGD100mn	5-year	2.6%
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

Source: OCBC, Bloomberg

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