

Market Commentary

- The SGD swap curve steepened yesterday, with the shorter tenors traded 1-2bps higher while the belly and longer tenors traded 2-3bps higher.
- The Bloomberg Barclays Asia USD IG Bond Index average OAS tightened 2bps to 193bps, and the Bloomberg Barclays Asia USD HY Bond Index average OAS tightened 2bps to 753bps. The HY-IG Index Spread remained mostly unchanged at 560bps.
- Flows in SGD corporates were heavy, with flows in UBS 4.85%-PERPs, NTUCSP 3.1%'50s, SOCGEN 6.125%-PERPs, CS 5.625%-PERPs, GUOLSP 4.6%-PERPs, PINGIN 2.25%'21s, STANLN 5.375%-PERPs, CATHAY 3.375%'23s, DBSSP 3.98%-PERPs, UOBSP 3.58%-PERPs, OLAMSP 5.5%-PERPs and HSBC 4.7%-PERPs.
- 10Y UST Yields fell 2bps to 0.61% despite an equities rally (from progress towards a coronavirus vaccine) while investors awaited details on additional fiscal stimulus in the US and EU.

Credit Research

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Credit Summary:

- [Keppel Real Estate Investment Trust \(“KREIT”\)](#) | **Issuer Profile: Neutral (4)**: KREIT reported 2Q2020 results. Gross revenue fell 7.9% y/y to SGD36.8mn, with net property income (“NPI”) down by 7.2%y/y to SGD28.8mn. This was due to the divestment of Bugis Junction Towers in November 2019 and tenant relief measures implemented in view of the COVID-19 outbreak which more than offset contribution from T Tower which was acquired in May 2019. NPI attributable to unitholders was down by 8.0% y/y to SGD24.7mn from SGD26.9mn a year ago.
- [First Real Estate Investment Trust \(“FIRT”\)](#) | **Issuer Profile: Negative (6)**: FIRT announced that it will be providing rental relief to all of its tenants in Singapore, Indonesia and South Korea to alleviate the economic distress faced by tenants amidst the COVID-19 outbreak. FIRT tenants will be granted rental relief of two months for May and June 2020 amounting to SGD19.6mn.
- [Julius Baer GrouKp Ltd \(“JBG”\)](#) | **Issuer Profile: Neutral (3)**: Constructive trends from JBG’s 4M2020 results continued in 1H2020 with net profit to shareholders up 43% y/y to CHF491mn. With stable operating expenses, gross margin performance was also solid with the cost to income ratio improved to 66.6%. JBG’s capital position remained sound with its CET1 capital ratio at 13.9% as at 30 June 2020, well above the regulatory minimum requirement by CHF1.27bn.
- [Mapletree Logistics Trust \(“MLT”\)](#) | **Issuer Profile: Neutral (3)**: MLT announced its financial results for the quarter ended 30 June 2020 (“1QFY2021”). Gross revenue was up 10.5% y/y and 3.4% q/q to SGD132.4mn. Q/q revenue growth was driven by higher contribution from existing properties in Singapore and HKSAR, full quarter contribution from acquisitions in South Korea and Japan, partly offset by rental rebates granted to eligible tenants due to COVID-19. Per MLT, available committed credit facilities was more than SGD530mn.

Asian Credit Daily**Credit Headlines****Keppel Real Estate Investment Trust (“KREIT”) | Issuer Profile: Neutral (4)**

- KREIT reported 2Q2020 results. Gross revenue fell 7.9% y/y to SGD36.8mn, with net property income (“NPI”) down by 7.2%y/y to SGD28.8mn. This was due to the divestment of Bugis Junction Towers in November 2019 and tenant relief measures implemented in view of the COVID-19 outbreak which more than offset contribution from T Tower which was acquired in May 2019. NPI attributable to unitholders was down by 8.0% y/y to SGD24.7mn from SGD26.9mn a year ago.
- Share of results from associates and joint ventures rose 4.8% y/y to SGD28.3mn mainly due to lower borrowing costs though partially offset by tenant relief measures and lower carpark income due to the COVID-19 outbreak. KREIT also saw net gain in fair value of derivatives of SGD8.2mn vs a net loss a year ago of SGD5.5mn and lower borrowing costs of SGD12.3mn vs SGD17.2mn a year ago. All in, KREIT saw profit before tax rise 108.0% y/y to SGD45.1mn from SGD21.7mn a year ago.
- Overall portfolio committed occupancy was 98.6% with weighted average lease expiry of 4.6 years. 311 Spencer Street in Melbourne has also achieved practical completion on 9 July 2020. The commencement of the 30 year lease to Victoria Police at this property will contribute steady income to KREIT going forward. Expiring leases for the remaining of 2020 is manageable at 2.2% of total net lettable area, with the bulk coming from its Singapore portfolio.
- Reported aggregate leverage was 36.3% with a weighted average lease term to maturity of 3.6 years. As at 30 June 2020, KREIT has refinanced all of its borrowings maturing in 2020. All-in interest rate was lower at 2.48% p.a. vs 2.86% a year ago. KREIT also has ~SGD938mn of undrawn credit facilities available including SGD369mn of which are committed. EBITDA/Interest based on our calculation is 1.25x, though better at 3.55x if we were to adjust EBITDA to include contributions from associates and joint ventures. As at 30 June 2020, KREIT has SGD98.7mn cash on hand against SGD143.5mn of short term borrowings. Separately, we note that KREIT’s assets are 72% unencumbered.
- In relation to COVID-19, we note that SMEs make up ~5.6% of portfolio net lettable area and ~SGD12.5mn of tenant relief measures were provided including ~SGD9.2mn of government property tax rebates and cash grant. Rental collection in 2Q2020 was 98% and SGD1.6mn of rent was deferred as at 30 June 2020. This amount in our view is manageable for KREIT. We will continue to hold KREIT at Neutral (4) Issuer Profile. (Company, OCBC)

Asian Credit Daily**Credit Headlines****First Real Estate Investment Trust (“FIRT”) | Issuer Profile: Negative (6)**

- FIRT announced that it will be providing rental relief to all of its tenants in Singapore, Indonesia and South Korea to alleviate the economic distress faced by tenants amidst the COVID-19 outbreak.
- FIRT tenants will be granted rental relief of two months for May and June 2020 amounting to SGD19.6mn. For the Singapore tenants, this will be in addition to the property tax rebates announced by the Singapore government. ~84% of the aggregate rental relief, totalling SGD16.4mn will be extended to PT Lippo Karawaci Tbk (“LK”).
- In 2019, LK (including contribution from LK’s 55%-owned subsidiary, PT Siloam International Hospitals Tbk (“Siloam”) was the largest contributor to FIRT’s rental income at ~83%. While LK no longer own direct stakes in FIRT, this rental relief is considered an interested person transaction though no unitholder approval is required. We think this is because the rental relief only represent 2.1% of net tangible assets as at 31 December 2019.
- FIRT’s current significant unitholder, namely OUE Limited (“OUE”, Issuer profile: Neutral (5)) who holds a ~19%-stake in FIRT is also the ultimate major shareholder of the FIRT REIT manager. In turn, OUE and LK share the same controlling shareholders.
- Earlier in May 2020, LK unilaterally announced that as a result of the COVID-19 outbreak in Indonesia and its material negative impact on Siloam, LK will be initiating a restructuring process with FIRT with regards to the significant rental support that LK provides to FIRT.
- Concurrently, FIRT announced a profit guidance where it expects total return after tax for 1H2020 to decline by 50%-60% from SGD30.9mn recorded in 1H2019. FIRT will revalue its investment properties annual at the financial year end and there may be uncertainty on the carrying amounts of its asset value as at 30 June 2020. Further rental relief may be announced for 2H2020. FIRT is targeted to announced its 1H2020 financial results aftermarket on 22 July 2020. For now we maintain FIRT’s issuer profile at Negative (6) and will review the financial results when it is published. (Company, OCBC)

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

- Constructive trends from JBG’s 4M2020 results for the first four months ended 30 April 2020 continued in 1H2020 results with net profit to shareholders up 43% y/y to CHF491mn.
- Operating income performance was solid (+9% y/y to CHF1,851mn) and assisted by higher client activity with net income from financial instruments measured at fair value through profit or loss up 71% y/y to CHF 515m on higher market volatility and client activity in FX, derivatives & precious metals trading. Higher income from structured products also helped performance and offset the usual suspects that will reduce other banks’ performance which is low interest rates (Net interest income fell 19% y/y as lower interest income on loans and a decrease in interest income on debt instruments overshadowed lower interest expense on amounts due to customers) and credit losses on financial assets (CHF49mn of provisions recorded against net recoveries of CHF3mn in 1H2019).
- With stable operating expenses, gross margin performance was also solid with the cost to income ratio improved to 66.6%.
- While Assets under management was down 6% or CHF24bn y/y, the fall seems contained with the lower value driven by market movement (-CHF16.2bn) and currency impacts (-CHF12.5bn) that offset net new money of CHF5.0bn from Europe (Germany, UK & Ireland, Luxembourg) and Asia (especially Hong Kong and Japan).
- JBG’s capital position remained sound with its CET1 capital ratio at 13.9% as at 30 June 2020, up from 13.8% as at 30 April 2020 and marginally down from 14.0% as at 31 December 2019. The ratio remains well above the regulatory minimum requirement by CHF1.27bn due to a 30bps fall in the minimum to 7.9% (previously 8.2%). Its Tier 1 and Total Capital ratios of 19.3%/20.0% were down against 31 December 2019 (21.6%/22.1%) due to the redemption of CHF350mn in Additional Tier 1 notes. It should be noted that the ratio also includes the FY2020 accrued dividend and the planned second instalment of the FY2019 dividend. As [JBG previously announced](#), it will pay its 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.
- There were previously some uncertainties on the management changes in 2H2019 and new CEO Philipp Rickenbacher given the new CEO was somewhat unknown and a low profile hire. That said, his strategy to simplify the Group’s structure and enhance its efficiency with a focus on profitability rather than volume may turn out to be timely with the COVID-19 pandemic set to continue through 2H2020. We continue to look through the numbers but maintain our Neutral (3) issuer profile for now. (Company, OCBC)

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Credit Headlines

Mapletree Logistics Trust (“MLT”) | Issuer Profile: Neutral (3)

- MLT announced its financial results for the quarter ended 30 June 2020 (“1QFY2021”). Gross revenue was up 10.5% y/y and 3.4% q/q to SGD132.4mn. Q/q revenue growth was driven by higher contribution from existing properties in Singapore and HKSAR, full quarter contribution from acquisitions in South Korea and Japan (DC Deokpyung and Mapletree Kobe Logistics Centre bought in February 2020), partly offset by rental rebates granted to eligible tenants due to COVID-19.
- EBITDA (based on our calculation which does not include other trust income and expenses though includes interest income on shareholder’s loan to the 15 joint venture properties of SGD2.4mn) was SGD106.0mn while finance cost was SGD21.6mn, with resultant EBITDA/Interest coverage manageable at 4.9x (4QFY2020: 5.2x). Despite the higher q/q EBITDA of 3.0%, interest cost had increase due to higher debt taken for acquisitions.
- Reported aggregate leverage, which includes the proportionate debt and asset at the joint ventures was 39.6% (31 March 2020: 39.3%), on the high side versus its peers. Assuming 50% perpetuals as debt, we estimate that adjusted aggregate leverage was ~42.0%.
- As at 30 June 2020, MLT’s portfolio occupancy was healthy at 97.2%, despite having fallen from 98.0% as at 31 March 2020. The biggest declines in occupancies were from China and South Korea.
- Short term debt as at 30 June 2020 was SGD138.2mn (representing only 3.8% of total debt) versus cash balance of SGD244.6mn. All debt remains unsecured and we continue to see refinancing risk as minimal at MLT. Debt coming due in FY2022 is also manageable at SGD217mn.
- Per MLT, available committed credit facilities was more than SGD530mn. We maintain MLT’s issuer profile at Neutral (3). (Company, OCBC)

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Key Market Movements

	21-Jul	1W chg (bps)	1M chg (bps)		21-Jul	1W chg	1M chg
iTraxx Asiax IG	77	-4	-8	Brent Crude Spot (\$/bbl)	43.23	0.77%	2.47%
iTraxx SovX APAC	43	-1	-2	Gold Spot (\$/oz)	1,817.24	0.44%	3.58%
iTraxx Japan	61	0	4	CRB	140.69	0.01%	1.97%
iTraxx Australia	79	-3	-7	GSCI	337.30	0.32%	2.95%
CDX NA IG	70	-4	-7	VIX	24.46	-24.01%	-30.35%
CDX NA HY	102	2	2	CT10 (%)	0.612%	-1.14	-8.18
iTraxx Eur Main	59	-3	-8				
iTraxx Eur XO	346	-28	-47	AUD/USD	0.703	0.76%	1.74%
iTraxx Eur Snr Fin	68	-6	-10	EUR/USD	1.146	0.53%	1.77%
iTraxx Eur Sub Fin	141	-11	-24	USD/SGD	1.388	0.28%	0.31%
iTraxx Sovx WE	18	0	-2	AUD/SGD	0.976	-0.47%	-1.40%
USD Swap Spread 10Y	-2	0	-1	ASX 200	6,049	1.82%	1.80%
USD Swap Spread 30Y	-47	0	2	DJIA	26,681	2.28%	3.13%
US Libor-OIS Spread	20	0	-3	SPX	3,252	3.06%	4.97%
Euro Libor-OIS Spread	3	-1	-5	MSCI Asiax	692	-0.11%	6.46%
				HSI	25,058	-2.77%	1.68%
China 5Y CDS	44	-2	-5	STI	2,616	-0.56%	-0.70%
Malaysia 5Y CDS	64	-4	-7	KLCI	1,589	-1.06%	5.45%
Indonesia 5Y CDS	126	-4	-2	JCI	5,051	-0.26%	2.20%
Thailand 5Y CDS	42	-2	0	EU Stoxx 50	3,388	1.14%	3.65%

Source: Bloomberg

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New Issues

- Huarong Leasing Management Hong Kong Company Limited priced a USD300mn 363-day bond at 2.75%, tightening from IPT of 3.25% area.
- Shanghai Pudong Development Bank Co., Ltd., Hong Kong Branch priced a USD500mn 3-year FRN at 3m-US LIBOR+85bps, tightening from IPT of 3m-US LIBOR+125bps area.
- GS Caltex Corp. priced a USD300mn 5-year bond T+142.5bps, tightening from IPT of T+190bps area.
- Horse Gallop Finance Limited (Guarantor: ICBC International Holdings Limited), Empire Resorts Inc. and San Miguel have arranged investor calls commencing 20 July 2020 for their proposed USD bond offerings respectively.
- Mirae Asset Daewoo Co. has arranged investor calls commencing 21 July 2020 for its proposed USD bond offering.

Date	Issuer	Size	Tenor	Pricing
20-Jul-20	Huarong Leasing Management Hong Kong Company Limited	USD300mn	363-day	2.75%
20-Jul-20	Shanghai Pudong Development Bank Co., Ltd., Hong Kong Branch	USD500mn	3-year	3m-US LIBOR+85bps
20-Jul-20	GS Caltex Corp.	USD300mn	5-year	T+142.5bps
16-Jul-20	Globe Telecom Inc	USD300mn USD300mn	10-year 15-year	T+190bps T+245bps
16-Jul-20	Redsun Properties Group Limited	USD155mn	REDSUN 9.7%'23s	10.2%
15-Jul-20	Greenland Global Investment Ltd. (Guarantor: Greenland Holding Group Co.)	USD400mn USD250mn	2.75-year 4.5-year	6.45% 7.5%
15-Jul-20	Goodman HK Finance (Guarantors: Goodman Hong Kong Logistics Fund and Goodman HK Investments)	USD300mn	10-year	T+240bps
14-Jul-20	Skyfame International Holdings Limited (Guarantor: Skyfame Realty (Holdings) Limited)	USD87.5mn	364-day	13%
14-Jul-20	Doosan Infracore Co., Ltd. (Guarantor: The Korea Development Bank)	USD300mn	3-year	T+87.5bps
14-Jul-20	CCBL (Cayman) 1 Corporation Limited (Guarantor: CCB Leasing (International) Corporation Designated Activity Company)	USD500mn	5-year	CT5+175bps
14-Jul-20	Yun-Top International Investment Co. (BVI) Ltd. (Guarantor: Yunnan Construction and Investment Holding Group Co.)	USD500mn	3-year	5.1%

Source: OCBC, Bloomberg

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