

Market Commentary

- The SGD swap curve bull-flattened yesterday, with the shorter tenors trading 1-2bps lower, while the belly and the longer tenors traded 3-4bps lower.
- The Bloomberg Barclays Asia USD IG Bond Index average OAS widened 2bps to 259bps, and the Bloomberg Barclays Asia USD HY Bond Index average OAS widened 15bps to 959bps. The HY-IG Index Spread widened 13bps to 699bps.
- Flows in SGD corporates were heavy, with flows in UOBSP 3.58%-PERPs, CAPLSP 3.8%'24s, FPLSP 4.15%'27s, CS 5.625%-PERPs, OHLSP 5.15%'20s and STANLN 5.375%-PERPs.
- 10Y UST Yields fell 4bps to 0.57%, alongside the second consecutive day of decline of U.S. stock indices, as concerns over the collapse of oil contracts yesterday and impact of the outbreak of COVID-19 lingered.

Credit Research

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Credit Summary:

- [Century Sunshine Group Holdings Limited \(“CENSUN”\)](#) | **Issuer Profile: Negative (6):** CENSUN announced that it has entered into a subscription agreement with a company wholly-owned by Mr. Chi (“the Subscriber”). The Subscriber and parties acting in concert currently own 36.25% of the issued share capital in CENSUN. CENSUN has conditionally agreed to issue and the Subscriber has conditionally agreed to subscribe for convertible bonds which may be converted into 1.6bn conversion shares upon full conversion. Assuming full conversion, the Subscriber and parties acting in concert will see its voting rights increase to ~52.76% of the issued share capital of the company. Upon completion, CENSUN would receive HKD300mn in gross proceeds and HKD292mn in net proceeds. ~HKD230mn would be used to partly refinance CENSUN’s offshore borrowings and puts the company in a better position when negotiating terms of financing with potential investors and lenders. This development is a credit positive in our view as it demonstrates buy-in from the major shareholders in financially supporting the company. We will continue to monitor the refinancing developments at the company.
- [Suntec Real Estate Investment Trust \(“SUN”\)](#) | **Issuer Profile: Neutral (4):** SUN has released 1Q2020 update. Revenue was down by 3.1% y/y while net property income (“NPI”) fell more significantly by 7.2% y/y. On the revenue front, only Suntec City Office reported positive gains y/y (+4.6% y/y), all other parts of the portfolio recorded declines. For NPI and JV income contribution, the office segment recorded a 2.2% y/y gain while the retail segment recorded a decline of 9.6% y/y. Aggregate leverage rose to 39.9% from 37.7% as at 31 Dec 2019 due to higher debt. That said, the all-financing cost has come down to 2.92% p.a. from 3.05% p.a. Reported interest coverage was 2.7x, down from 2.9x in the preceding quarter. With just SGD80mn of bank borrowings coming due in 2020, we think SUN’s debt maturity profile remains manageable for now. Overall, SUN’s Singapore retail segment is a concern while we expect all other portions to remain stable. That said, we think the renewal of one-third of the mall’s expiring leases for 2020 in 1Q2020 at positive rental reversion +16.1% could possibly help offset the future negative rental reversion pains.

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Credit Headlines

Century Sunshine Group Holdings Limited (“CENSUN”) | Issuer Profile: Negative (6)

- CENSUN announced that it has entered into a subscription agreement with a company wholly-owned by Mr. Chi (“the Subscriber”). The Subscriber and parties acting in concert currently own 36.25% of the issued share capital in CENSUN.
- CENSUN has conditionally agreed to issue and the Subscriber has conditionally agreed to subscribe for convertible bonds amounting to HKD300mn which may be converted into 1.6bn conversion shares based on an initial conversion price of HKD0.1875 per conversion share upon full conversion. Assuming full conversion, the Subscriber and parties acting in concert will see its voting rights increase to ~52.76% of the issued share capital of the company. Interest rate on the convertible bond is 8% p.a.
- The conversion shares represent ~34.93% of the existing total number of shares on issue and 25.89% of the enlarged shares (assuming full conversion).
- Upon completion, CENSUN would receive HKD300mn in gross proceeds and HKD292mn in net proceeds. ~HKD230mn which would be used to partly refinance CENSUN’s offshore borrowings (including accrued interest) and puts the company in a better position when negotiating terms of financing with potential investors and lenders. ~HKD32mn will be used for capital expenditure while ~HKD30mn would be used for general working capital purposes.
- As at 31 December 2019, CENSUN has HKD1.6bn in short term debt coming due (including the CENSUN 7.0% ‘20s due in July 2020). This development is a credit positive in our view as it demonstrates buy-in from the major shareholders in financially supporting the company. We will continue to monitor the refinancing developments at the company. (Company, OCBC)

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

- SUN has released 1Q2020 update. Revenue was down by 3.1% y/y to SGD86.9mn while net property income (“NPI”) fell more significantly by 7.2% y/y to SGD54.0mn.
- On the revenue front, only Suntec City Office reported positive gains y/y (+4.6% y/y), all other parts of the portfolio recorded declines (Suntec City Mall: -1.8% y/y, Suntec Convention: -46.6% y/y, 177 Pacific Highway: -8.1% y/y). 55 Curie Street (acquired on 10 Sep 2019) recorded a revenue of SGD3.8mn.
- For NPI and JV income contribution, the office segment recorded a 2.2% y/y gain to SGD56.0mn while the retail segment recorded a decline of 9.6% y/y to SGD22.7mn.
- Committed occupancy for
 - Singapore office is 98.8% with 8.6% of net lettable area expiring this year
 - Singapore retail is 98.4% with 25.4% of net lettable area expiring this year
 - Australia is 92.8% with just 1.8% of net lettable area expiring this year
- SUN has completed the acquisition of 21 Harris Street (a freehold Grade A office) in Sydney on 6 April 2020. The property has committed occupancy of 66.5% and a 3 year rent guarantee on unlet spaces.
- 477 Collins Street, Australia is due for completion in mid-2020. 93.7% of the spaces have been pre-committed and fit out works is in progress.
- Aggregate leverage rose to 39.9% from 37.7% as at 31 Dec 2019 due to higher debt. That said, the all-financing cost has come down to 2.92% p.a. from 3.05% p.a. Reported interest coverage was 2.7x, down from 2.9x in the preceding quarter. Although SUN no longer disclose the amount of cash it has on hand on a quarterly basis, with just SGD80mn of bank borrowings coming due in 2020, we think its debt maturity profile remains manageable for now.
- Overall, SUN’s Singapore retail segment is a concern while we expect all other portions to remain stable. Looking ahead, the substantial decline in shopper traffic in 2Q2020 at Suntec City Mall due to the two month long circuit breaker measures is likely to bring about negative rental reversion for the 25.4% of net lettable area that is expiring this year. That said, we think the renewal of one-third of the mall’s expiring leases for 2020 in 1Q2020 at positive rental reversion +16.1% could possibly help offset the future negative rental reversion pains. (Company, OCBC)

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Key Market Movements

	22-Apr	1W chg (bps)	1M chg (bps)		22-Apr	1W chg	1M chg
iTraxx Asiax IG	124	6	-95	Brent Crude Spot (\$/bbl)	18.77	-32.21%	-30.43%
iTraxx SovX APAC	69	2	-31	Gold Spot (\$/oz)	1,688.56	-1.66%	8.71%
iTraxx Japan	85	-1	-96	CRB	106.29	-15.65%	-14.20%
iTraxx Australia	129	10	-126	GSCI	228.24	-15.76%	-12.75%
CDX NA IG	98	10	-25	VIX	45.41	20.26%	-31.24%
CDX NA HY	93	-3	6	CT10 (%)	0.569%	-6.25	-27.63
iTraxx Eur Main	92	8	-23				
iTraxx Eur XO	555	69	-136	AUD/USD	0.632	-0.05%	8.19%
iTraxx Eur Snr Fin	116	12	-14	EUR/USD	1.085	-0.51%	1.19%
iTraxx Eur Sub Fin	250	21	-23	USD/SGD	1.429	-0.40%	2.22%
iTraxx Sovx WE	35	3	5	AUD/SGD	0.903	-0.34%	-5.64%
USD Swap Spread 10Y	7	0	14	ASX 200	5,188	-5.09%	7.72%
USD Swap Spread 30Y	-37	0	21	DJIA	23,019	-3.89%	20.05%
US Libor-OIS Spread	102	-3	-7	SPX	2,737	-3.85%	18.73%
Euro Libor-OIS Spread	21	0	9	MSCI Asiax	583	-0.68%	9.84%
				HSI	23,569	-2.39%	3.35%
China 5Y CDS	51	9	-21	STI	2,519	-3.32%	4.49%
Malaysia 5Y CDS	114	11	-73	KLCI	1,362	-1.83%	4.54%
Indonesia 5Y CDS	218	12	-72	JCI	4,468	-3.42%	6.51%
Thailand 5Y CDS	73	1	-49	EU Stoxx 50	2,791	-4.33%	9.53%
Australia 5Y CDS	30	-1	-22				

Source: Bloomberg

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New Issues

- Qingdao City Construction Investment (Group) Ltd has mandated banks for a proposed USD bond offering.
- Pingdu State-owned Assets Management Co arranged investor calls commencing 22 April for its proposed USD bond offering which will be guaranteed by Pingdu Construction Investment Development Co.

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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