

### Market Commentary

- The SGD swap curve slightly steepened yesterday, with the shorter tenors traded 1bp higher while the belly and longer tenors traded 2bps higher and the 30-year traded 2.5bps higher.
- The Bloomberg Barclays Asia USD IG Bond Index average OAS tightened 4bps to 189bps, and the Bloomberg Barclays Asia USD HY Bond Index average OAS tightened 12bps to 740bps. The HY-IG Index Spread tightened 8bps to 551bps.
- Flows in SGD corporates were heavy, with flows in NTUCSP 3.1%'50s, SINTEC 4.1%-PERPs, HSBC 5%-PERPs and UBS 5.875%-PERPs.
- 10Y UST Yields fell 1bp to 0.6% despite stocks trading higher as investors bet on further stimulus.

### Credit Research

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### Credit Summary:

- [City Developments Limited \("CDL"\)](#) | **Issuer Profile: Neutral (3)**: CDL announced that Mr Clarence Tan, Group CEO of Millennium & Copthorne Hotels Limited ("M&C") has resigned. M&C is a wholly-owned subsidiary of CDL and the hotel arm of CDL. Mr Tan's resignation will take effect on 2 August 2020.
- [Mapletree Industrial Trust \("MINT"\)](#) | **Issuer Profile: Neutral (3)**: MINT reported its 1QFY2021 results for financial year ending 31 March 2021. Gross revenue fell 0.5% y/y to SGD99.1mn, as rental rebates extended to tenants due to COVID-19 offset the higher revenue contributions from some of the properties. Net property income though improved by 0.9%y/y to SGD78.7mn due to lower property maintenance and utilities expenses. As at 30 June 2020, aggregate leverage was 38.8%, up from 37.6% as at 31 March 2020 due the debt that MINT had to assume following the acquisition of the remaining 60% interest in Mapletree Redwood Data Centre Trust which holds 14 data centres in United States.
- [CapitaLand Mall Trust \("CMT"\)](#) | **Issuer Profile: Positive (2)**: CMT reported 2Q2020 results. Gross revenue fell by 39.8% to SGD75.4mn due to rental waivers of SGD74.1mn granted to tenants as well as lower other income such as carpark income during the circuit breaker period. Net property income fell by 48.9% y/y to SGD68.1mn as property operating expenses fell by a smaller extent than revenue. Looking ahead, pressure on rental reversion and occupancy continues. Separately, with the reopening of the Singapore economy from 19 June 2020, the immediate focus for CMT and Capitaland Commercial Trust remains on operational matters and tenant support.
- [UBS Group AG \("UBS"\)](#) | **Issuer Profile: Neutral (3)**: 1H2020 results for UBS reflect the solid 1Q2020 performance with profit before tax ("PBT ") up 9% y/y to USD3.59bn on better growth in income against growth in operating expenses. Excluding credit loss provisions, PBT rose 24% y/y. Credit loss provisions were USD272mn in 2Q2020, in line with 1Q2020 provisioning. UBS's CET1 capital ratio was at 13.3% as at 30 June 2020, well above minimum CET1 capital ratio requirements of 9.7%.

## Asian Credit Daily

### Credit Headlines

#### City Developments Limited (“CDL”) | Issuer Profile: Neutral (3)

- CDL announced that Mr Clarence Tan, Group CEO of Millennium & Copthorne Hotels Limited (“M&C”) has resigned. M&C is a wholly-owned subsidiary of CDL and the hotel arm of CDL.
- Mr Tan’s resignation will take effect on 2 August 2020. He has shared that he is resigning in order to spend more time with his family. Mr Tan was appointed to the position in April 2020, after M&C was taken-private by CDL and delisted from the London Stock Exchange on 11 October 2019. (Company, OCBC)

#### Mapletree Industrial Trust (“MINT”) | Issuer Profile: Neutral (3)

- MINT reported its 1QFY2021 results for financial year ending 31 March 2021. Gross revenue fell 0.5% y/y to SGD99.1mn, as rental rebates extended to tenants due to COVID-19 offset the higher revenue contributions from some of the properties. Net property income though improved by 0.9%y/y to SGD78.7mn due to lower property maintenance and utilities expenses.
- Share of joint venture results (relating to its 27 data centres in North America) rose significantly to SGD13.7mn from SGD4.3mn a year ago, though stable q/q.
- Portfolio occupancy fell slightly to 91.1% from 91.5% in the preceding quarter, with all property segments except Data Centres recording lower occupancy rate as well as lower rental rate though this was due to the rental rebates provided.
- As at 30 June 2020, aggregate leverage was 38.8%, up from 37.6% as at 31 March 2020 due the debt that MINT had to assume following the acquisition of the remaining 60% interest in Mapletree Redwood Data Centre Trust (“MRDCT”) which holds 14 data centres in United States. We note that MINT has SGD150.5mn of cash on hand vs SGD53.4mn as at 31 March 2020. We think MINT has yet to repay its debt using the funds raised from its earlier [equity private placement to fund the acquisition](#). MINT also had over SGD300mn of committed facilities available for the remaining of FY2021 while it only has SGD46.0mn of debt maturing in the short term. EBITDA/Interest based on our calculation is 6.6x, flat y/y.
- In relation to COVID-19, during the Circuit Breaker period, over 70% of MINT’s tenants by gross rental revenue in Singapore portfolio provide essential services or are in key economic sectors. Also, both United States and Canada have identified data centre workers as essential services and therefore all of MINT’s 27 data centres had remained open during this period.
- MINT estimated that rental relief would amount to ~SGD20mn. MINT has withheld SGD7.1mn of the tax-exempt income (i.e. 10%) this quarter and SGD6.6mn in the preceding quarter to mitigate the impact of the mandated rental reliefs for tenants. As at 30 June 2020, rental arrears of more than one month stood at 1.0% of previous 12 months’ gross revenue (31 March 2020: 0.2%).
- Overall, we expect MINT’s credit profile to remain stable and able to withstand the impact of COVID-19 as such we will continue to hold MINT at Neutral (3) Issuer Profile. (Company, OCBC).

## Asian Credit Daily

### Credit Headlines

#### CapitaLand Mall Trust ("CMT") | Issuer Profile: Positive (2)

- CMT reported 2Q2020 results. Gross revenue fell by 39.8% to SGD75.4mn due to rental waivers of SGD74.1mn granted to tenants as well as lower other income such as carpark income during the circuit breaker period. Net property income fell by 48.9%y/y to SGD68.1mn as property operating expenses fell by a smaller extent than revenue.
- Portfolio occupancy fell to 97.7% related to 98.5% a quarter ago. Rental reversion for 1H2020 was 0.1%. Expiring leases for the remainder of 2020 is 7.7% of gross rental income. Over 1H2020, shopper traffic fell 40.6%y/y while tenants' sales per sqft was down by 15.4%y/y. The sharp decline in shopper traffic is due to the circuit breaker ( 7 April to 1 June 2020) though for the period 19 June to 5 July 2020, most tenants have resumed operations and average shopper traffic has recovered to 53% of the level a year ago.
- On tenant sales, in 1H2020, only two sectors recorded growth. There are Supermarkets (+18.6%y/y) and Books & Stationary (+0.7%y/y). All other segments were down with Leisure & Entertainment being most impacted (-39.0%y/y), followed by Shoes & Bags (-33.9%y/y) and Fashion (-30.8%y/y).
- Aggregate leverage as at 30 June 2020 is 34.4%. EBITDA/Interest coverage based on our calculation is 2.1x vs 3.0x a year ago. This is largely due to lower EBITDA which is down by 51.6% at SGD58.2mn. CMT has SGD644.2mn of debt coming due in the short term (SGD226mn of which in 2020) against SGD81.2mn of cash on hand. Given CMT's assets are 100% unencumbered, we think CMT would have the financial flexibility to obtain secured debt if need be.
- Valuation of CMT's properties fell 2.7% even though cap rates have been maintained due to a lack of transactions in 1H2020 as assumptions on the potential value of the properties were adjusted.
- As per CMT management's estimation, 60% of the tenants are SME. Less than 1% based on net lettable area has sought protection under the COVID-19 Temporary Measures Act with pre-termination below 2%.
- In 1Q2020, CMT had retained SGD69.9mn of its taxable income available for distribution to unitholders as well as SGD4.8mn received from CapitaLand Retail China Trust ("CRCT", Issuer Profile: Neutral (4)) for general corporate and working capital purposes. In 2Q2020, CMT did not retain any taxable distributable income and has released SGD23.2mn which is part of the earlier SGD69.9mn to unitholders.
- Looking ahead, pressure on rental reversion and occupancy continues. While demand has been softening, the lack of new retail supply in Singapore does help mitigate some pain. Suburban malls are expected to be more resilient than downtown malls.
- Separately, with the reopening of the Singapore economy from 19 June 2020, the immediate focus for CMT and CapitaLand Commercial Trust ("CCT", Issuer Profile: Neutral (3)) remains on operational matters and tenant support. The Extraordinary General Meeting for the proposed merger of CMT and CCT will take place before 30 September 2020 which is the Long-Stop Date previously announced. (Company, OCBC)

**Asian Credit Daily****Credit Headlines****UBS Group AG ("UBS") | Issuer Profile: Neutral (3)**

- 1H2020 results for UBS reflect the solid 1Q2020 performance with profit before tax ("PBT ") up 9% y/y to USD3.59bn on better growth in income against growth in operating expenses. Excluding credit loss provisions, PBT rose 24% y/y.
- 2Q2020 results were weaker y/y as expected with PBT down 10% y/y to USD1.58bn although this was driven by a significant rise in credit loss provisions. Excluding these, PBT rose 5% y/y on better performance in income (+2% y/y) against the rise in operating expenses (+1% y/y). Income performance was assisted by a USD359mn increase in net interest income and other net income from financial instruments measured at fair value through profit or loss, mostly within Global Markets. This offset lower net fee and commission income (-USD163mn) and a decrease in other income (USD64mn). Higher personnel expenses were almost offset by a fall in lower general and administrative expenses.
- Credit loss provisions were USD272mn in 2Q2020, in line with 1Q2020 provisioning and mostly within Personal & Corporate Banking, followed by Investment Bank and Global Wealth Management. While this is up materially y/y (USD12mn in 2Q2019), of some comfort is that USD202mn or 74% of the amount is related to stage 1 and 2 (performing) positions (ie driven more by updates to macroeconomic assumptions, overlays and re-measurements including credit stage migrations) while the rest is related to actual credit-impaired positions ((stage 3 loans). Credit-impaired positions are spread evenly across divisions.
- By segment, the higher credit loss provisions resulted in a 39% y/y fall in 2Q2020 PBT in Personal & Corporate Banking which drove the overall performance whilst other segments (Global Wealth Management, Asset Management and Investment Bank) improved y/y.
- UBS's CET1 capital ratio was at 13.3% as at 30 June 2020, up from 12.8% as at 31 March 2020 and now above its capital guidance of around 13.0% and at the upper end of expectations (12.7%-13.3%). It remains well above minimum CET1 capital ratio requirements of 9.7%. Its capital position was assisted by operating profit before tax performance as well as lower draw-downs than anticipated and a limited impact on credit risk weighted asset migrations. With its capital position currently sound, management have flagged that they are examining the best way to pay out excess capital to shareholders recognizing the challenging operating outlook and the Swiss Financial Market Supervisory Authority FINMA's desire for Swiss banks to maintain appropriate levels of capital.
- Of interest is UBS's investor sentiment survey which showed that overall they remain more optimistic than pessimistic on the short term and long term, improving since 1Q2020. This may bode well for client activity in 2H2020. We will keep the Neutral (3) issuer profile on UBS.

## Asian Credit Daily

## Key Market Movements

	22-Jul	1W chg (bps)	1M chg (bps)		22-Jul	1W chg	1M chg
iTraxx Asiax IG	76	-2	-9	Brent Crude Spot (\$/bbl)	43.93	0.32%	1.97%
iTraxx SovX APAC	42	-2	-3	Gold Spot (\$/oz)	1,843.28	1.82%	5.06%
iTraxx Japan	60	-1	2	CRB	142.50	1.80%	2.48%
iTraxx Australia	78	-3	-8	GSCI	343.20	2.22%	3.80%
CDX NA IG	70	-2	-6	VIX	24.84	-15.85%	-21.81%
CDX NA HY	102	1	2	CT10 (%)	0.602%	-2.79	-10.65
iTraxx Eur Main	57	-4	-10				
iTraxx Eur XO	343	-24	-50	AUD/USD	0.714	1.86%	3.33%
iTraxx Eur Snr Fin	66	-6	-12	EUR/USD	1.153	1.07%	2.42%
iTraxx Eur Sub Fin	139	-10	-26	USD/SGD	1.383	0.46%	0.69%
iTraxx Sovx WE	17	-1	-2	AUD/SGD	0.987	-1.36%	-2.55%
USD Swap Spread 10Y	-2	1	0	ASX 200	6,114	1.02%	2.86%
USD Swap Spread 30Y	-46	1	2	DJIA	26,840	0.74%	3.13%
US Libor-OIS Spread	18	-2	-4	SPX	3,257	1.87%	4.47%
Euro Libor-OIS Spread	3	0	-6	MSCI Asiax	706	1.53%	8.83%
				HSI	25,636	0.62%	4.59%
China 5Y CDS	42	-1	-7	STI	2,629	0.35%	-0.01%
Malaysia 5Y CDS	61	-4	-10	KLCI	1,596	-0.18%	5.60%
Indonesia 5Y CDS	119	-6	-8	JCI	5,115	0.70%	3.98%
Thailand 5Y CDS	42	-1	0	EU Stoxx 50	3,405	2.53%	5.05%

Source: Bloomberg

## Asian Credit Daily

### New Issues

- Horse Gallop Finance Limited (Guarantor: ICBC International Holdings Limited) priced a USD700mn 5-year bond at CT5+150bps, tightening from IPT of CT5+200bps area.
- Malayan Banking Berhad priced a USD300mn 40-year bond at 3.07%.
- SPIC MTN Company Ltd. (Guarantor: State Power Investment Corporation Limited) has arranged investor calls commencing 21 July 2020 for its proposed USD bond offering.
- Korea South-East Power Co. and Megaworld Corp. have arranged investor calls commencing 22 July 2020 for their proposed USD bond offerings respectively.

Date	Issuer	Size	Tenor	Pricing
21-Jul-20	Horse Gallop Finance Limited (Guarantor: ICBC International Holdings Limited)	USD700mn	5-year	CT5+150bps
21-Jul-20	Malayan Banking Berhad	USD300mn	40-year	3.07%
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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