

Market Commentary

- The SGD swap curve flattened yesterday, with the shorter tenors trading 0-2bps higher (with the exception of the 4-year tenor trading around 1bp lower) while the belly and the longer tenors traded 1-6bps lower.
- The Bloomberg Barclays Asia USD IG Bond Index average OAS tightened 6bps to 228bps, and the Bloomberg Barclays Asia USD HY Bond Index average OAS tightened 28bps to 889bps. The HY-IG Index Spread tightened 22bps to 660bps.
- Flows in SGD corporates were heavy, with flows in STANLN 5.375%-PERPs, HSBC 5%-PERPs, SOCGEN 6.125%-PERPs, SPHSP 4.5%-PERPs, CS 5.625%-PERPs, HSBC 4.7%-PERPs and CATHAY 3.375%'23s.
- 10Y UST Yields fell 1bps to 0.67%, due to heightened U.S.-China trade tensions made worse by China reportedly planning to impose security laws on Hong Kong.

Credit Research

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Credit Summary:

- [CapitaLand Mall Trust \("CMT"\)](#) | **Issuer Profile: Positive (2):** Ecommerce platform eCapitaMall and online food ordering platform Capita3Eats to complement sales of its shopping malls in Singapore will be launched from 1 June 2020. Omni-channel sales approach is the way to go and landlords can play a crucial role. We expect this initiative to benefit the tenants at malls of CMT.
- [Wesfarmers Limited \("WESAU"\)](#) | **Issuer Profile: Neutral (3):** WESAU announced its restructuring plan of Target which is held under the Kmart Group (within WESAU's retail segment). While the restructuring would hit WESAU's profitability for FY2020 (spill-over into FY2021), the impact would be mainly non-cash in our view. As part of the plan, Kmart Group would (1) Convert suitable Target and Target Country stores into Kmart stores, (2) Close between 10 to 25 large format Target stores, (3) Close the remaining 50 small format Target Country Stores and (4) Restructure the support office for Target. For the financial year ended 30 June 2020 ("FY2020"), WESAU is expected to record (1) Restructuring costs and provisions of AUD120mn – AUD170mn before tax, (2) Non-cash impairment of AUD430mn – AUD480mn before tax on the Target, (3) Non-cash impairment of AUD300mn before tax on its Industrial and Safety segment, offset by one-off gains from the stake sale of Coles and revaluation gain on the remaining stake held. In FY2021, AUD120mn – AUD140mn of one-off operating costs is also expected to be incurred from store conversion and stock clearance activity at the Kmart Group.

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Credit Headlines

CapitaLand Mall Trust (“CMT”) | Issuer Profile: Positive (2)

- Ecommerce platform eCapitaMall and online food ordering platform Capita3Eats to complement sales of its shopping malls in Singapore will be launched from 1 June 2020.
 - eCapitaMall is a curated digital mall featuring the merchandise of retailers. It offers shoppers the flexibility to browse online before purchasing in-store or browse in-store before purchasing online.
 - Capita3Eats is Singapore’s first mall-operated food ordering platform that offers consumers three ways to fulfil their food orders – delivery, takeaway or dine-in.
- Omni-channel sales approach is the way to go and landlords can play a crucial role. We expect this initiative to benefit the tenants at malls of CMT. (Company, OCBC)

Wesfarmers Limited (“WESAU”) | Issuer Profile: Neutral (3)

- WESAU announced its restructuring plan of Target which is held under the Kmart Group (within WESAU’s retail segment). Earlier WESAU had flagged that Target was undergoing a strategic review. While the restructuring would hit WESAU’s profitability for FY2020 (spill-over into FY2021), the impact would be mainly non-cash in our view from one-off impairments and costs.
- Target is a mid-price department store where its positioning in the market is unclear amidst a bifurcation in the retail market while the other main business within the Kmart Group, Kmart is a discount department store with a clear positioning focusing on “families’ everyday items at low prices”.
- As part of the plan, Kmart Group would (1) Convert suitable Target and Target Country stores into Kmart stores (2) Close between 10 to 25 large format Target stores (3) Close the remaining 50 small format Target Country Stores (4) Restructure the support office for Target.
- Including converted stores, the conversion and closures reportedly will impact up to 167 Target stores in aggregate. As at 31 December 2019, there were 285 Target stores across small and large formats.
- WESAU would continue its assessment of strategic options for Target and its remaining store network. WESAU would continue developing online sales channel across the Kmart Group, especially with its acquisition of Catch since August 2019. Catch is one of Australia’s leading online retailers which WESAU is likely to tap to help in the digitalisation strategy of the other businesses.
- For the financial year ended 30 June 2020 (“FY2020”), WESAU is expected to record (1) Restructuring costs and provisions of AUD120mn – AUD170mn before tax (2) Non-cash impairment of AUD430mn – AUD480mn before tax on the Target business (brands, property, plant and equipment, capitalised value of leases and others) (3) Non-cash impairment of AUD300mn before tax on its Industrial and Safety segment (from the turnaround of Blackwoods), offset by one-off gains from the stake sale of Coles and revaluation gain on the remaining stake held.
- In FY2021, AUD120mn – AUD140mn of one-off operating costs is also expected to be incurred from store conversion and stock clearance activity at the Kmart Group. (Company, The Age, OCBC)

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Key Market Movements

	22-May	1W chg (bps)	1M chg (bps)		22-May	1W chg	1M chg
iTraxx Asiax IG	106	-13	-20	Brent Crude Spot (\$/bbl)	35.97	10.68%	76.58%
iTraxx SovX APAC	58	-10	-12	Gold Spot (\$/oz)	1,728.74	-0.86%	0.86%
iTraxx Japan	77	-6	-13	CRB	130.52	6.00%	17.47%
iTraxx Australia	107	-13	-23	GSCI	301.52	7.71%	27.33%
CDX NA IG	86	-10	-9	VIX	29.53	-9.44%	-29.66%
CDX NA HY	95	3	1	CT10 (%)	0.666%	2.27	4.65
iTraxx Eur Main	79	-11	-6				
iTraxx Eur XO	475	-67	-34	AUD/USD	0.656	2.32%	3.78%
iTraxx Eur Snr Fin	94	-16	-14	EUR/USD	1.095	1.18%	1.15%
iTraxx Eur Sub Fin	207	-32	-29	USD/SGD	1.418	0.61%	0.65%
iTraxx Sovx WE	27	-3	-9	AUD/SGD	0.931	-1.64%	-3.03%
USD Swap Spread 10Y	-1	1	-5	ASX 200	5,550	2.69%	6.30%
USD Swap Spread 30Y	-46	2	-6	DJIA	24,474	3.59%	4.25%
US Libor-OIS Spread	31	-2	-64	SPX	2,949	3.37%	5.33%
Euro Libor-OIS Spread	19	-1	-8	MSCI Asiax	609	2.03%	3.47%
				HSI	23,757	-0.17%	-0.57%
China 5Y CDS	48	-7	-2	STI	2,532	0.32%	-0.73%
Malaysia 5Y CDS	94	-20	-21	KLCI	1,449	3.22%	4.83%
Indonesia 5Y CDS	173	-33	-47	JCI	4,546	-0.18%	0.98%
Thailand 5Y CDS	54	-7	-19	EU Stoxx 50	2,905	5.24%	2.47%
Australia 5Y CDS	29	0	-2				

Source: Bloomberg

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New Issues

- The Bank of East Asia Limited priced a USD600mn 10NC5 Tier 2 bond at T+375bps, tightening from IPT of T+425bps area.
- Clark Equipment Co (Guarantor: Doosan Bobcat Inc) priced a USD300mn 5NC2 bond at 5.875%, tightening from IPT of 6.5% area.

Date	Issuer	Size	Tenor	Pricing
21-May-20	The Bank of East Asia Limited	USD600mn	10NC2	T+375bps
21-May-20	Clark Equipment Co (Guarantor: Doosan Bobcat Inc)	USD300mn	5NC2	5.875%
20-May-20	Henderson Land MTN Limited (Guarantor: Henderson Land Development Company Limited)	USD300mn	5-year	T+210bps
20-May-20	Jining High Tech Urban Construction Investment Co.	USD118mn	3-year	5.5%
20-May-20	Industrial & Commercial Bank of China Limited of Dubai	USD100mn	3-year	3m-US LIBOR+60bps
20-May-20	Korea Expressway Corporation	USD100mn	5-year	3m-US LIBOR+120bps
19-May-20	Xi'an Aerospace High-Tech Industry Development Co., Ltd (SBLC Provider: Bank of Xi'an Co., Ltd.)	USD200mn	3-year	3.95%
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%

Source: OCBC, Bloomberg

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