

Market Commentary

- The SGD swap curve flattened yesterday, with the 1-year and 30-year trading flat and 3bps lower respectively while the other tenors traded around 2bps lower.
- The Bloomberg Barclays Asia USD IG Bond Index average OAS tightened 3bps to 187bps, and the Bloomberg Barclays Asia USD HY Bond Index average OAS tightened 17bps to 723bps. The HY-IG Index Spread tightened 15bps to 537bps.
- Flows in SGD corporates were heavy, with flows in STTGDC 3.13%'28s, STANLN 5.375%-PERPs, SINTEC 4.1%-PERPs, HSBC 5%-PERPs, NTUCSP 3.1%'50s, SOCGEN 6.125%-PERPs, IOCLIN 4.1%'22s, SPHSP 3.2%'30s, CAPLSP 3.15%'29s and UBS 5.875%-PERPs.
- 10Y UST Yields remained mostly unchanged at 0.6% despite escalating tension between the US and China as the US ordered China to shut its Consulate General in Houston.

Credit Research

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Credit Summary:

- [CapitaLand Commercial Trust \("CCT"\)](#) | **Issuer Profile: Neutral (3)**: CCT reported 2Q2020 results. Gross revenue fell by 8.1%y/y to SGD92.8mn while net property income was down by 9.7% y/y to SGD70.8mn. The decrease was due to lower occupancies and upgrading works and rental waivers of SGD2.3mn which more than offset contributions from Main Airport Centre acquired in September 2019 and higher revenue from Gallileo.
- [Suntec Real Estate Investment Trust \("SUN"\)](#) | **Issuer Profile: Neutral (4)**: SUN has released 1H2020 results. Revenue was down by 16.1% y/y to SGD149.4mn. Net property income fell more significantly by 20.6% y/y to SGD90.9mn. Even though SUN does not have any debt maturing in 2020, it has SGD355.2mn of cash on hand vs SGD501.3mn of short term debt. We are not overly concerned at this point as based on our estimation SUN still has ~SGD400mn of credit facilities to tap on if needed.
- [First Real Estate Investment Trust \("FIRT"\)](#) | **Issuer Profile: Negative (6)**: FIRT announced its financial results for the half year ended 31 December 2020. Gross revenue has declined 33.0% y/y to SGD38.6mn while net property income saw a similar drop to SGD37.5mn. Per FIRT, revenue had declined mainly due to two months rental relief extended to all tenants amidst COVID-19.
- [Keppel Infrastructure Trust \("KIT"\)](#) | **Issuer Profile: Neutral (4)**: KIT announced its financial results for 2Q2020 and 1H2020. KIT's reported Funds from Operations for its main assets was SGD127.4mn in 1H2020 (1H2019: SGD112.8mn). On a y/y basis, the higher FFO was driven by the full period contribution at IXOM which offset the y/y declines in Keppel Merlimau Cogen, Basslink, Waste & Water and the loss in contribution from DataCentre One which was sold in October 2019. KIT's business and assets are deemed as essential services and continued to operate amidst COVID-19.
- [Keong Hong Holdings Ltd \("KKHL"\)](#) | **Issuer Profile: Unrated**: KKHL is offering holders of the KEONGH 5.75% '21s SGD-bond, which is due in September 2021, an offer to exchange the existing bond into new ones with an expected maturity in August 2023. The new bond's coupon rate will be a minimum of 6.25% p.a, payable semi-annually.

Asian Credit Daily**Credit Headlines****CapitaLand Commercial Trust (“CCT”) | Issuer Profile: Neutral (3)**

- CCT reported 2Q2020 results. Gross revenue fell by 8.1%y/y to SGD92.8mn while net property income (“NPI”) was down by 9.7% y/y to SGD70.8mn. The decrease was due to lower occupancies and upgrading works and rental waivers of SGD2.3mn which more than offset contributions from Main Airport Centre acquired in September 2019 and higher revenue from Gallileo.
- CCT’s portfolio committed occupancy was stable q/q at 95.2%. Of the expiring rents in 2020, two-third has already been completed (either renewed or re-let) with 8% of monthly gross rental income left. Comparing q/q, leasing activity in 2Q2020 was relatively muted though CCT has managed to continue the positive rental reversion trend. Since late June 2020, CCT has resumed conducting office viewings.
- Aggregate leverage rose q/q to 36.4% from 35.5% in the preceding quarter. All-in average cost of debt was lower at 2.2% p.a. (from 2.3% p.a.). CCT has completed its refinancing for 2020 and has SGD157.7mn of borrowings maturing in the short term which can be more than covered by its cash on hand of SGD204.3mn. Proportion of unencumbered assets fell slightly to 90.8% from 91.0% as at 30 March 2020 as property valuations fell 1.7%. The valuations were largely driven by lower market rents and rental growth rates due to economic uncertainties and COVID-19 with no change in capitalisation rate assumptions. Raffles City Singapore recorded the most significant decline in valuation of SGD70.8mn (i.e.3.5%) while CCT saw both of its Germany properties’ valuation increase slightly. EBITDA/Interest based on our calculation is 4.0x, slightly lower than 4.2x a year ago.
- In relation to COVID-19, CCT has recorded rent waivers of SGD0.3mn in 1Q2020 and SGD2.3mn in 2Q2020. Any additional mandatory rent waivers will be recorded in 3Q2020. ~20% of its office community have returned for the week ended 17 July 2020. CCT is committed to creating a clean and safe workplace through installing protective acrylic screens at concierge, tenants can use CapitaStar@Work app to track number of staff in office, air handling units at selected properties have also been fitted with UV lamp systems and automated Ultra UV handrail disinfection devices are being tested. We think this is a valuable step in showing support for its tenants in difficult times and differentiating itself from other property landlords.
- Six Battery Road has obtained approval to resume AEI works while 21 Collyer Quay is awaiting approvals for its upgrading works. For CapitaSpring, construction has resumed and structural works have reached Level 45. Committed occupancy is 34.9%.
- Separately, with the reopening of the Singapore economy from 19 June 2020, the immediate focus for CCT and CapitaLand Mall Trust (“CMT”, Issuer Profile: Positive (2)) 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)

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Credit Headlines

Suntec Real Estate Investment Trust (“SUN”) | Issuer Profile: Neutral (4)

- SUN has released 1H2020 results. Revenue was down by 16.1% y/y to SGD149.4mn. This was largely due to (1) Suntec City Mall whose revenue fell by 27.0% y/y to SGD47.0mn as a result of rent assistance of ~1.5 months granted to retail tenants and provision made for rental assistance to eligible SME tenants and (2) Suntec Convention whose revenue was down by 68.9% y/y to SGD8.9mn due to closure since 7 April 2020. Net property income (“NPI”) fell more significantly by 20.6% y/y to SGD90.9mn.
- Committed occupancy for
 - Singapore office is 98.6% with 7.0% of net lettable area expiring this year.
 - Suntec City Office recorded positive rental reversion of 9.1% in 2Q2020 with 1H2020 performance at 11.4%.
 - Rent deferment was 3% of NLA in 1H2020 and expected to be 7% in 2H2020.
 - Singapore retail is 96.4% with 20.6% of net lettable area expiring this year.
 - Suntec City Mall saw rent reversion in 2Q2020 fall by 2.4% though for 1H2020 that is +8.4%, lifted by 1Q2020.
 - Over 1H2020, rental deferment is 5% of NLA (expected to increase to be 10% in 2H2020) while pre-termination is 1% of NLA. Footfall in 2Q2020 fell 83.4% y/y.
 - We expect negative rental reversion to continue to happen in 3Q2020 and 4Q2020. Mall occupancy is also expected to fall to low 90% region due to non-renewals.
 - Australia is 93.1% with just 0.8% of net lettable area expiring this year.
 - Although 21 Harris is just 68.7% occupied, rent is guaranteed for vacant spaces.
- 477 Collins Street, Australia is expected to achieve practical completion at end July 2020 with income commencement on 1 August 2020. 97.0% of the spaces have been pre-committed with a WALE of ~11 years.
- Aggregate leverage rose to 41.3% (1Q2020: 39.9%, 4Q2019: 37.7%) in part due to SUNSP 2.6% ‘25s raised at end May 2020. All-financing cost has come down to 2.63% p.a. from 2.92% p.a. in the preceding quarter. Based on our calculation, EBITDA/Interest fell to 1.31x from 1.63x a year ago.
- Even though SUN does not have any debt maturing in 2020, it has SGD355.2mn of cash on hand vs SGD501.3mn of short term debt. We are not overly concerned at this point as based on our estimation SUN still has ~SGD400mn of credit facilities to tap on if needed. SUN has also in 1H2020 retained 10% of the distributable income from operations of SGD10.3mn.
- That said, we note that since end 2019, SUN has obtained a AUD450mn loan through securing its Australia properties – 177 Pacific Highway, 55 Curie Street and 21 Harris Street. Suntec Singapore has also been secured to obtain SGD406mn in loan facilities, and SGD366mn has been drawn down. We think this leaves SUN with Suntec City which it can use to obtain funding if need be.
- While we will continue to hold SUN at Neutral (4) Issuer Profile for now, we remain cautious given (1) SUN has a significant amount of retail leases maturing this year, (2) it remains uncertain when MICE events will be permitted to occur, affecting Suntec Convention and (3) more rent deferment and higher vacancy rate is to be expected. (Company, OCBC)

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

- FIRT announced its financial results for the half year ended 31 December 2020 (“1H2020”). Gross revenue has declined 33.0% y/y to SGD38.6mn while net property income saw a similar drop to SGD37.5mn. Per FIRT, revenue had declined mainly due to two months rental relief extended to all tenants amidst COVID-19, including 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 owns direct stakes in FIRT, the rental relief is considered an interested person transaction though no unitholder approval is required. The ongoing pandemic has negatively affected patient visits to the hospitals in Indonesia. Bulk of the hospitals in Indonesia owned by FIRT are operated by Siloam.
- EBITDA (based on our calculation which does not include other income and other expenses) was down by 35.5% y/y to SGD32.6mn. Interest expenses were down slightly by 1.6% y/y to SGD9.9mn, with resultant EBITDA/Interest of 3.3x (1H2019: 5.0x).
- Reported aggregate leverage was 34.9% as at 30 June 2019 (31 December 2019: 34.5%). As at 30 June 2020, investment property values had stayed at SGD1.3bn (similar to end-2019). The REIT managers expect a full valuation of the investment properties to be performed by December 2020. In addition to the rental relief for 1H2020, FIRT has flagged that further rental relief for 2H2020 is possible. We expect FIRT to take an asset valuation hit as at 31 December 2020, raising its aggregate leverage levels in due course.
- FIRT has SGD60mn of outstanding perpetuals and our base case assumes that this would not be called in July 2021 (ie: we see the perpetual as equity-like).
- As at 30 June 2020, FIRT faces SGD195.7mn of short term debt, consisting of bank loans due in March 2021. FIRT is negotiating with banks for the refinancing of this debt. Common across REITs, FIRT’s cash balance was minimal at SGD17.8mn as at 30 June 2020. There is minimal unencumbered assets for FIRT to raise further secured debt in our view. With financial flexibility crimped, refinancing risk of FIRT is elevated and dependent on bank lenders being supportive.
- 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.
- Per FIRT, the REIT manager will consider any reasonable and commercially viable proposal from LK carefully, with any agreement to be mutually agreeable and beneficial with the long-term interest of FIRT in mind and having regard to applicable legal and regulatory requirements. It will provide any material update in due course. For now we maintain FIRT’s issuer profile at Negative (6) and will continue monitoring the situation. (Company, OCBC)

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Credit Headlines

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

- KIT (held as an investment of Keppel Corp Ltd (“KEP”, Issuer profile: Neutral (4)), announced its financial results for 2Q2020 and 1H2020. KIT’s reported Funds from Operations (“FFO”) for its main assets was SGD127.4mn in 1H2020 (1H2019: SGD112.8mn). On a y/y basis, the higher FFO was driven by the full period contribution at IXOM (started contributing on 19 February 2019) which offset the y/y declines in Keppel Merlimau Cogen (“KMC”), Basslink, Waste & water and the loss in contribution from DataCentre One which was sold in October 2019. KIT’s business and assets are deemed as essential services and continued to operate amidst COVID-19.
- In 1H2020, distributable cash flow (“DCF”) from KIT’s various businesses to the holding company (and SGD-bond issuer) was SGD113.3mn. KIT’s holding company has SGD100mn of senior debt, assuming this comes with an interest cost of 3% p.a and taking its full distribution payment on perpetuals as interest, we estimate the Adjusted DCF/Interest coverage at 13.1x. As at 30 June 2020, KIT has SGD300mn of perpetuals outstanding.
- As at 30 June 2020, KIT’s consolidated unadjusted gross gearing (excluding lease liabilities) was 1.35x, higher than the 1.23x as at 31 December 2019. This was in part driven by fair value losses on cash flow hedges which negatively hit book value equity by 6%. Including lease liabilities as debt and taking 50% of perpetual as debt (and 50% of perpetual as equity), we find adjusted gross gearing higher at 1.65x as at 30 June 2020 (31 December 2019: 1.60x).
- As at 30 June 2020, KIT faces short term debt of SGD673.9mn, consisting mainly of the non-recourse debt at Basslink which comes due in November 2020.
- In June 2020, KIT has obtained a loan facility to refinance the SGD700mn of short term debt due at Keppel Merlimau Cogen (“KMC”). 50% of the principal would be paid as a bullet in June 2027 and the other 50% of principal is to be amortised and repaid between June 2023 and June 2026. This means that the DCF to the holding company would be unchanged for the next three years. KIT owns 51%-stake of KMC, assuming the proportionate share of KMC debt at SGD357mn and dividing this equally by three years, it would imply a negative DCF at KMC from June 2023 to June 2026. We are maintaining KIT’s issuer profile at Neutral (4). (Company, OCBC)

Keong Hong Holdings Ltd (“KKHL”) | Issuer Profile: Unrated

- KKHL is offering holders of the KEONGH 5.75% ‘21s SGD-bond, which is due in September 2021, an offer to exchange the existing bond into new ones with an expected maturity in August 2023 (ie: about two years more). KKHL is a construction company listed on the Singapore Stock Exchange with a market cap of SGD77.6mn as at 23 July 2020.
- The existing bond has an amount outstanding of SGD85mn with a coupon rate of 5.75%. The new bond’s coupon rate will be a minimum of 6.25% p.a, payable semi-annually. The issuer may at its sole and absolute discretion, accept any or all of the offers to exchange.
- The invitation on the exchange offer commences on 22 July 2020 and will expire on 5 August 2020.
- Earlier on 24 June 2020, the company announced that its multicurrency medium term programme limit has been increased from SGD150mn to SGD200mn. (Company, OCBC)

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Key Market Movements

	23-Jul	1W chg (bps)	1M chg (bps)		23-Jul	1W chg	1M chg
iTraxx Asiax IG	75	-4	-9	Brent Crude Spot (\$/bbl)	44.21	1.94%	3.71%
iTraxx SovX APAC	41	-2	-3	Gold Spot (\$/oz)	1,874.59	4.31%	6.00%
iTraxx Japan	59	0	3	CRB	143.32	1.48%	3.41%
iTraxx Australia	78	-3	-7	GSCI	343.67	1.09%	4.21%
CDX NA IG	69	-3	-6	VIX	24.32	-12.39%	-22.47%
CDX NA HY	102	1	2	CT10 (%)	0.597%	-3.28	-11.14
iTraxx Eur Main	58	-4	-7				
iTraxx Eur XO	342	-25	-36	AUD/USD	0.714	2.47%	3.07%
iTraxx Eur Snr Fin	67	-4	-8	EUR/USD	1.157	1.64%	2.33%
iTraxx Eur Sub Fin	140	-6	-18	USD/SGD	1.385	0.53%	0.43%
iTraxx Sovx WE	17	-3	-2	AUD/SGD	0.989	-1.88%	-2.57%
USD Swap Spread 10Y	-2	0	0	ASX 200	6,070	0.98%	1.94%
USD Swap Spread 30Y	-46	0	3	DJIA	27,006	0.51%	3.25%
US Libor-OIS Spread	18	-2	-4	SPX	3,276	1.53%	4.62%
Euro Libor-OIS Spread	2	-1	-6	MSCI Asiax	697	2.50%	6.00%
				HSI	25,058	-1.66%	0.60%
China 5Y CDS	42	-2	-6	STI	2,595	-2.05%	-1.53%
Malaysia 5Y CDS	60	-5	-10	KLCI	1,587	0.09%	5.30%
Indonesia 5Y CDS	117	-11	-9	JCI	5,110	0.68%	4.74%
Thailand 5Y CDS	41	-1	-1	EU Stoxx 50	3,371	-0.22%	2.18%

Source: Bloomberg

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New Issues

- SPIC MTN Company Ltd. (Guarantor: State Power Investment Corporation Limited) priced a USD1bn 5-year bond at T+138bps, tightening from IPT of T+190bps area.
- San Miguel Corporation priced a USD500mn Perpetual Non-Call 5-year at 5.5%, tightening from IPT of 5.875% area.
- Taihu Pearl Oriental Co. (Guarantor: Huzhou City Investment Development Group Co.) has arranged investor calls commencing 22 July 2020 for its proposed USD bond offering.
- Manila Water has mandated banks for a possible USD sustainability bond offering.

Date	Issuer	Size	Tenor	Pricing
22-Jul-20	SPIC MTN Company Ltd. (Guarantor: State Power Investment Corporation Limited)	USD1bn	5-year	T+138bps
22-Jul-20	San Miguel Corporation	USD500mn	PerpNC5	5.5%
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%
21-Jul-20	STT GDC Pte. Ltd.	SGD400mn	8-year	3.13%
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%

Source: OCBC, Bloomberg

Treasury Research & Strategy

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