

Market Commentary

- The SGD swap curve steepened slightly yesterday, with the 1-year to 12-year tenors trading 0-1bp higher while the other tenors traded above 1bps.
- The Bloomberg Barclays Asia USD IG Bond Index average OAS tightened 1bps to 202bps, and the Bloomberg Barclays Asia USD HY Bond Index average OAS tightened 5bps to 780bps. The HY-IG Index Spread tightened 4bps to 578bps.
- Flows in SGD corporates were moderate, with flows in TMGSP 4.05%'25s, KITSP 4.75%-PERPs and NOLSP 4.65%'20s.
- 10Y UST Yields gained 1bps to 0.71%, due to a lack of very negative headlines and as investors await more data after the number of COVID-19 cases in the U.S. increases.

Credit Research

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Credit Summary:

- [Keppel Corp Ltd \(“KEP”\)](#) | **Issuer Profile: Neutral (4):** On 9 June 2020, a notice was received by KEP’s wholly-owned indirect subsidiary Keppel FELS Limited (“Keppel FELS”) from Awilco Rig 1 Pte Ltd (wholly-owned subsidiary of Awilco Drilling Plc (“Awilco”)) purporting to terminate the ~USD425mn (~SGD591mn) construction contract for a mid-water semisubmersible drilling rig for harsh environment use. Since then, Awilco has given further notices to Keppel FELS purporting to terminate the contract and exercise its alleged right to the return of payments already made to Keppel FELS. Per KEP, Awilco failed to pay the instalment due on 9 June 2020 and this is a default which entitles Keppel FELS to terminate the contract, retain all payments received, seek compensation for work done and claim ownership of the rig. Keppel FELS does not expect any reversal of revenue recognised.
- [Oxley Holdings Ltd \(“OHL”\)](#) | **Issuer Profile: Negative (6):** Following the announcement of the expression of interest for the sale of the retail and banking units of Chevron House for SGD315mn last month, OHL has entered into property sale agreements for the sale of the retail strata lots for SGD192.7mn and the commercial strata lots for SGD122.3mn. Oxley will also enter into a deed of rental support with the purchaser. When the sale of the Chevron House completes, this will be a credit positive for OHL as the cash proceeds can be used to cover part of the near-term debt maturing (worth ~SGD670mn).
- [Mapletree Industrial Trust \(“MINT”\)](#) | **Issuer Profile: Neutral (3):** MINT is acquiring the remaining 60% interest in the 14 data centres in the US (currently held via Mapletree Redwood Data Centre Trust (“MRDCT”)) for a purchase consideration of SGD299.50mn from its Sponsor, Mapletree Investments Pte Ltd. Excluding the acquisition fee of SGD7.0mn which is payable in units, MINT intends to fund the remaining amount of SGD302.6mn through an equity raising. MINT is looking to raise SGD350mn via the equity raising and excess proceeds will be used towards debt repayment. That said, MINT expects its aggregate leverage to still increase from 37.6% to 38.7%.

Asian Credit Daily**Credit Headlines****Keppel Corp Ltd (“KEP”) | Issuer Profile: Neutral (4)**

- On 9 June 2020, a notice was received by KEP’s wholly-owned indirect subsidiary Keppel FELS Limited (“Keppel FELS”) from [Awilco Rig 1 Pte Ltd](#) (wholly-owned subsidiary of Awilco Drilling Plc (“Awilco”)) purporting to terminate the ~USD425mn (~SGD591mn) construction contract for a mid-water semisubmersible drilling rig for harsh environment use.
- Since then, Awilco has given further notices to Keppel FELS purporting to terminate the contract and exercise its alleged right to the return of payments already made to Keppel FELS.
- Per KEP, Keppel FELS has continued to perform its obligations under the contract though Awilco, however, failed to pay the instalment due on 9 June 2020. Non-payment of instalment by Awilco is a default which entitles Keppel FELS to terminate the contract, retain all payments received, seek compensation for work done and claim ownership of the rig.
- Keppel FELS has issued a notice of termination of the contract to Awilco and has commenced arbitration to enforce its rights against Awilco.
- Keppel FELS does not expect any reversal of revenue recognised but would continue to work with its advisors on the matter including the potential need for impairment.
- We maintain KEP’s issuer profile at Neutral (4), albeit precariously. (Company, OCBC)

Oxley Holdings Ltd (“OHL”) | Issuer Profile: Negative (6)

- Following the [announcement of the expression of interest for the sale of the retail and banking units of Chevron House for SGD315mn last month](#), OHL has entered into property sale agreements for the sale of the retail strata lots for SGD192.7mn and the commercial strata lots for SGD122.3mn.
- Oxley will also enter into a deed of rental support with the purchaser. Oxley will pay any shortfall from the agreed monthly target rent for a period of two years. The aggregate liability is not expected to exceed SGD15.75mn.
- The sale proceeds to be received by Oxley will be ~SGD200mn, less a retention sum for post-Completion works though this sum is expected to be small.
- When the sale of the Chevron House completes, this will be a credit positive for OHL as the cash proceeds can be used to cover part of the near-term debt maturing (worth ~SGD670mn). (Company, OCBC)

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Credit Headlines

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

- MINT is acquiring the remaining 60% interest in the 14 data centres in the US (currently held via Mapletree Redwood Data Centre Trust (“MRDCT”)) for a purchase consideration of SGD299.50mn from its Sponsor, Mapletree Investments Pte Ltd. With an agreed property value of SGD701.5mn and SGD383.4mn of debt held by MRDCT, we estimate that the purchase consideration roughly includes a 2.67% discount. The total acquisition outlay is SGD309.6mn.
- This transaction deepens MINT’s presence in the US data centre market with exposure to North American data centres at around one-third of MINT’s portfolio by AUM and hi-tech buildings segment at ~60%.
- Excluding the acquisition fee of SGD7.0mn which is payable in units, MINT intends to fund the remaining amount of SGD302.6mn through an equity raising. MINT is looking to raise SGD350mn via the equity raising and excess proceeds will be used towards debt repayment. That said, MINT expects its aggregate leverage to still increase from 37.6% to 38.7%.
- On MRDCT, 82% of the portfolio comprises powered shell data centres where all tenants are on triple net lease structures with well-staggered lease expiry profile (20% expiring within the next 3 years). Also, ~98% of the portfolio has annual rental escalations of 2% and above. While AT&T alone accounts for ~42% of MRDCT’s gross rental income, this translates 6.5% of MINT’s gross rental income which we think is acceptable. (Company, OCBC)

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Key Market Movements

	23-Jun	1W chg (bps)	1M chg (bps)		23-Jun	1W chg	1M chg
iTraxx Asiax IG	85	1	-22	Brent Crude Spot (\$/bbl)	42.52	3.81%	21.04%
iTraxx SovX APAC	45	0	-13	Gold Spot (\$/oz)	1,756.24	1.72%	1.40%
iTraxx Japan	57	0	-20	CRB	139.05	3.17%	7.35%
iTraxx Australia	86	1	-22	GSCI	330.63	4.24%	10.98%
CDX NA IG	77	7	-11	VIX	31.77	-7.65%	12.82%
CDX NA HY	100	-2	4	CT10 (%)	0.691%	-6.23	3.14
iTraxx Eur Main	67	2	-12				
iTraxx Eur XO	392	23	-86	AUD/USD	0.688	-0.07%	5.18%
iTraxx Eur Snr Fin	78	3	-17	EUR/USD	1.124	-0.20%	3.16%
iTraxx Eur Sub Fin	165	8	-35	USD/SGD	1.395	-0.03%	2.13%
iTraxx Sovx WE	20	0	-8	AUD/SGD	0.960	0.05%	-2.88%
USD Swap Spread 10Y	-1	0	-1	ASX 200	5,902	-0.68%	7.37%
USD Swap Spread 30Y	-49	1	-4	DJIA	26,025	1.02%	6.38%
US Libor-OIS Spread	23	1	-9	SPX	3,118	1.67%	5.50%
Euro Libor-OIS Spread	8	-3	-11	MSCI Asiax	649	1.00%	10.36%
				HSI	24,357	0.05%	6.22%
China 5Y CDS	49	2	-3	STI	2,595	-2.69%	3.81%
Malaysia 5Y CDS	71	3	-24	KLCI	1,498	-1.29%	4.27%
Indonesia 5Y CDS	127	4	-48	JCI	4,919	2.13%	8.20%
Thailand 5Y CDS	42	-2	-11	EU Stoxx 50	3,242	3.36%	11.57%
Australia 5Y CDS	0	0	-2				

Source: Bloomberg

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New Issues

- Fortune Star (BVI) Limited (Guarantor: Fosun International Limited) priced a USD600mn 4NC3 bond at 6.85%, tightening from IPT of 7.35% area.
- PT Perusahaan Listrik Negara (Persero) priced a USD500mn 10-year bond at 3.1% and another USD1bn 30-year bond at 4.1%, tightening from IPT of 3.8% and 4.8% area respectively.
- CLP Power Hong Kong Financing Limited (Guarantor: CLP Power Hong Kong Limited) priced a USD750mn 10-year bond at T+160bps, tightening from IPT of T+210bps and another USD250mn 15-year bond at T+190bps.
- Minor International PCL (Guarantor: Bangkok Bank PCL) priced a USD300mn PERPNC3 at 3.1%, tightening from IPT of 3.8% area.
- China South City Holdings Ltd priced a USD125mn re-tap of its CSCHCN 10.875%'22s at 10.875%.
- New Oriental Education & Technology Group Inc. has arranged investor calls commencing 22 June for its proposed USD bond offering.
- NagaCorp Ltd has arranged investor calls commencing 22 June for its proposed USD bond offering.

Date	Issuer	Size	Tenor	Pricing
22-Jun-20	Fortune Star (BVI) Limited (Guarantor: Fosun International Limited)	USD600mn	4NC3	6.85%
22-Jun-20	PT Perusahaan Listrik Negara (Persero)	USD500mn USD1bn	10-year 30-year	3.1% 4.1%
22-Jun-20	CLP Power Hong Kong Financing Limited (Guarantor: CLP Power Hong Kong Limited)	USD750mn USD250mn	10-year 15-year	T+160bps T+190bps
22-Jun-20	Minor International PCL (Guarantor: Bangkok Bank PCL)	USD300mn	PERPNC3	3.1%
22-Jun-20	China South City Holdings Ltd	USD125mn	CSCHCN 10.875%'22s	10.875%
19-Jun-20	Jingrui Holdings Limited	USD110mn	2.25-year	12.0%
18-Jun-20	COSL Singapore Capital Ltd. (Guarantor: China Oilfield Services Limited)	USD500mn USD300mn	5-year 10-year	T+158bps T+190bps
18-Jun-20	Taiyuan Longcheng Development Investment Group Co., Ltd.	USD300mn	3-year	3.70%
18-Jun-20	Haitong International Securities Group Ltd.	USD400m	3-year	T+195bps
18-Jun-20	Jollibee Worldwide Pte. Ltd (Guarantor: Jollibee Foods Corporation)	USD300mn USD300mn	5-year 10-year	4.125% 4.75%
18-Jun-20	Bank Of China Limited, Hong Kong Branch	USD400mn USD600mn	3-year 5-year	3m-US LBOR+75bps T+103bps

Source: OCBC, Bloomberg

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