

Market Commentary

- The SGD swap curve bull-flattened on Friday, with the shorter tenors trading 1-12bps lower, while the belly and the longer tenors traded 12-15bps lower.
- The Bloomberg Barclays Asia USD IG Bond Index average OAS widened 7bps to 256bps, and the Bloomberg Barclays Asia USD HY Bond Index average OAS widened 50bps to 1225bps. The HY-IG Index Spread widened 42bps to 968bps.
- Flows in SGD corporates were heavy, with flows in DBSSP 3.98%-PERPs, OCBCSP 4%-PERPs, HSBC 4.7%-PERPs, STANLN 5.375%-PERPs, SINTEC 5%-PERPs, UOBSP 3.58%-PERPs, MAPLSP 4.5%-PERPs, BAERVX 5.75%-PERPs, UOBSP 4%-PERPs, BAERVX 5.9%-PERPs, PREHSP 5.95%'20s and UBS 4.85%-PERPs.
- 10Y UST Yields fell 30bps to 0.85%, after the New York governor said he would issue an order to ensure 100% of non-essential workers stay at home and all non-essential businesses close. California has also ordered nearly 40mn residents to stay home. As of Sunday, New York reportedly has about 5% of total COVID-19 cases worldwide.

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Credit Summary:

- [Singapore Airlines Ltd \(“SIA”\)](#) | **Issuer Profile: Neutral (5)**: SIA announced that it will be cutting 96% of the capacity that had originally been scheduled up to end-April 2020. This would result in grounding of 138 of the parent airline and SilkAir aircraft. SIA’s low cost unit Scoot will also suspend most of its network. Separately, the company is in the midst of shoring up liquidity.
- [Qantas Airways Ltd \(“QANAU”\)](#) | **Issuer Profile: Neutral (4)**: On 19 March 2020, QANAU announced that its parent airline “Qantas” and its low cost carrier Jetstar will be suspending international flights from late March while 60% of its domestic flights will also be reduced. Qantas has also cut salaries of senior management and its board and has furloughed the majority of its employees until at least end of May 2020. In view of COVID-19, the Australian Federal Government is now recommending against all overseas travel from Australia while all non-residents and non-citizens have been restricted from entering Australia. Nonetheless, the Federal Government of Australia has announced that the aviation industry will receive an AUD715m relief package. Given the significant hit on QANAU and expectations of a stretched liquidity situation, notwithstanding the measures already announced, we are reviewing QANAU for a downgrade of its issuer profile.
- [National Australia Bank Ltd \(“NAB”\)](#) | **Issuer Profile: Positive (2)**: Chief Customer Officer of Business Banking, Anthony Healy, has become the second senior executive to announce they are leaving the bank. This follows Chief Customer Officer of Consumer Banking Mike Baird’s [resignation announcement](#) as head of Consumer Banking earlier in the month. The move comes ahead of the expected announcement of a new strategic direction under NAB’s new Group CEO and Managing Director Ross McEwan. NAB’s new strategy expected to be announced together with its 1HFY2020 results in early May 2020.

Asian Credit Daily**Credit Headlines****Singapore Airlines Ltd (“SIA”) | Issue profile: Neutral (5)**

- SIA announced that it will be cutting 96% of the capacity that had originally been scheduled up to end-April 2020. This would result in grounding of 138 of the parent airline and SilkAir aircraft (out of 147 in the fleet). SIA’s low cost unit Scoot will also suspend most of its network resulting in the grounding of 47 out of 49 of its aircraft. We had on [19 March 2020 lowered our issuer profile](#) of the company to Neutral (5).
- The company is in the midst of shoring up liquidity including:
 - Ongoing discussions with aircraft manufacturers to defer upcoming aircraft deliveries (where payment will be deferred, if agreed);
 - Salary cuts, with the unions being engaged;
 - Drawing down on lines of credits to meet its immediate cash flow requirements. As at 31 December 2019, SIA had SGD1.6bn in committed unutilized lines. The company is in discussions with several financial institutions for its future funding requirements. (Company, OCBC)

Qantas Airways Ltd (“QANAU”) | Issue profile: Neutral (4)

- On 19 March 2020, QANAU announced that its parent airline “Qantas” and its low cost carrier Jetstar will be suspending international flights from late March while 60% of its domestic flights will also be reduced. Earlier on 17 March 2020, it was announced that Qantas would cut 90% of international capacity and 60% of domestic flights.
- The Australian Federal Government is now recommending against all overseas travel from Australia while all non-residents and non-citizens have been restricted from entering Australia. The State of Tasmania has also become the first state in Australia to restrict non-Tasmania residents from entering into the island and there is mounting pressure on other state governments to follow suit. In our view, this may lead to further reduction in QANAU’s domestic capacity should the COVID-19 situation escalate within the country.
- Per Qantas, there is no impact on Qantas Loyalty’s operations as at 19 March 2020.
- As part of its measures in facing COVID-19, Qantas has cut salaries of senior management and its board and has furloughed the majority of its 30,000 employees until at least end of May 2020.
- The Federal Government of Australia has announced that the aviation industry will receive an AUD715m relief package (this includes the refunding and ongoing waiving of government charges on the industry, including aviation fuel excise, air services charges on domestic airline operations and domestic and regional aviation security charges). Reportedly a higher amount of aid (including loan or loan guarantees) is being considered.
- Given the significant hit even on QANAU’s domestic operations where QANAU is the dominant airline and expectations of a stretched liquidity situation, notwithstanding the measures already announced, we are reviewing QANAU for a downgrade of its issuer profile. (Company, Financial Times, OCBC)

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Credit Headlines

National Australia Bank Ltd (“NAB”) | Issuer Profile: Positive (2)

- Chief Customer Officer of Business Banking, Anthony Healy, has become the second senior executive to announce they are leaving the bank.
- This follows Chief Customer Officer of Consumer Banking Mike Baird’s [resignation announcement](#) as head of Consumer Banking earlier in the month. Business Banking is NAB’s major business segment as part of the Business and Private Banking segment that contributed 43.2% of FY2019 profit before tax.
- As mentioned previously, the move comes ahead of the expected announcement of a new strategic direction under NAB’s new Group CEO and Managing Director Ross McEwan who commenced in early December 2019. NAB’s new strategy expected to be announced together with its 1HFY2020 results in early May 2020. (Company, Bloomberg, OCBC)

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Key Market Movements

	23-Mar	1W chg (bps)	1M chg (bps)		23-Mar	1W chg (bps)	1M chg (bps)
iTraxx Asiax IG	183	38	128	Brent Crude Spot (\$/bbl)	25.90	-13.81%	-55.73%
iTraxx SovX APAC	90	7	61	Gold Spot (\$/oz)	1493.33	-1.37%	-10.01%
iTraxx Japan	0	11	107	CRB	123.88	-12.04%	-29.07%
iTraxx Australia	212	49	158	GSCI	261.59	-6.24%	-34.69%
CDX NA IG	147	22	94	VIX	66	14.20%	286.65%
CDX NA HY	87	-6	-20	CT10 (%)	0.798%	7.94	-67.37
iTraxx Eur Main	117	-5	69				
iTraxx Eur XO	677	62	434	AUD/USD	0.575	-6.02%	-12.96%
iTraxx Eur Snr Fin	134	-10	78	EUR/USD	1.073	-4.10%	-1.19%
iTraxx Eur Sub Fin	288	-20	173	USD/SGD	1.458	-2.56%	-4.01%
iTraxx Sovx WE	29	-5	19	AUD/SGD	0.838	3.71%	10.27%
USD Swap Spread 10Y	-5	-8	2	ASX 200	4467	-10.70%	-37.43%
USD Swap Spread 30Y	-62	-10	-25	DJIA	19174	-17.30%	-33.87%
US Libor-OIS Spread	110	32	97	SPX	2305	-14.98%	-30.94%
Euro Libor-OIS Spread	13	1	9	MSCI Asiax	531	-3.50%	-21.44%
				HSI	21798	-5.49%	-20.18%
China 5Y CDS	70	-8	30	STI	2217	-11.17%	-30.31%
Malaysia 5Y CDS	174	17	131	KLCI	1267	-1.07%	-17.26%
Indonesia 5Y CDS	253	40	188	JCI	4021	-14.27%	-31.64%
Thailand 5Y CDS	104	24	76	EU Stoxx 50	2549	-1.45%	-32.94%
Australia 5Y CDS	52	3	34				

Source: Bloomberg

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New Issues

- There were no new issues or mandates.

Date	Issuer	Size	Tenor	Pricing
19-Mar-20	China Construction Bank (Asia) Corporation Limited	USD500mn	PERPNC5	3.18%
13-Mar-20	Export-Import Bank of Korea	USD425mn	5-year	1.375%
13-Mar-20	PCGI Intermediate Limited (Guarantor: PCGI Ltd)	USD137.46mn	PCGIIN 4.75%'24s	4.75%
11-Mar-20	China Cinda (2020) I Management Ltd. (Guarantor: China Cinda (HK) Holdings Co.)	USD700mn USD500mn USD300mn USD500mn	3-year 5-year 7-year 10-year	T+160bps T+195bps T+240bps T+255bps
11-Mar-20	Beijing Capital Polaris Investment Co. Ltd. (Guarantor: Beijing Capital Group Co. Ltd.)	USD300mn	3-year	2.8%
11-Mar-20	Xiang Sheng Holding Limited (Guarantor: Shinsun Real Estate Group Co. Ltd.)	USD53mn	SHXREG 12.5%'22s	12.5%
10-Mar-20	Huantaihu International Investment Co., Ltd. (Guarantor: Huzhou Economic Development Group Co., Ltd.)	USD200mn	3-year	4.5%
09-Mar-20	Aspial Corporation Limited	SGD50mn	3-year	6.5%
09-Mar-20	PSA Treasury Pte. Ltd. (Guarantor: PSA International Pte Ltd)	SGD500mn	10-year	1.63%
06-Mar-20	Zensun Enterprises Limited	USD200mn	2.5-year	13%
06-Mar-20	Xi'an Aerospace Science & Technology Industry Company	USD200mn	3-year	6.5%
05-Mar-20	Industrial and Commercial Bank of China Limited of Luxembourg	USD150mn	3-year	3m-US LIBOR+50bps
05-Mar-20	Haitong International Finance Holdings 2015 Limited (Guarantor: Haitong Securities Co.,Ltd.)	USD670mn	5-year	T+142.5bps
05-Mar-20	MCC Holding (Hong Kong) Corporation Limited (Guarantor: Metallurgical Corporation of China Ltd.)	USD400mn	PERPNC3	3.25%

Source: OCBC, Bloomberg

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