

Market Commentary

- The SGD swap curve bear-steepened yesterday, with the shorter tenors trading around 2bps higher, while the belly and the longer tenors traded 3-4bps higher.
- The Bloomberg Barclays Asia USD IG Bond Index average OAS tightened 2bps to 259bps, and the Bloomberg Barclays Asia USD HY Bond Index average OAS widened 2bps to 994bps. The HY-IG Index Spread widened 3bps to 734bps.
- Flows in SGD corporates were moderate, with flows in UBS 5.875%-PERPs, HSBC 4.7%-PERPs and SPHSP 4.5%-PERPs.
- 10Y UST Yields fell slightly by 2bps to 0.6% by the end of the day, as U.S.' weekly jobless claims hit 4.4mn and after news that Gilead's COVID-19 drug did not seem to show benefits for patients.

Credit Research

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Credit Summary:

- **[Mapletree Logistics Trust \("MLT"\)](#) | Issuer Profile: Neutral (4):** MLT announced its fourth quarter results for the financial year ended March 2020 ("4QFY2020"). Gross revenue was up 5.5% y/y and net property income also increased, up 9.3% y/y. As at 31 March 2020, reported aggregate leverage was 39.3% (end-2019: 37.5%) and overall portfolio occupancy was 98.0% (3QFY2020: 97.7%). Tenants who are the hardest hit from the COVID-19 outbreak include those from retail, hospitality and travel industries, accounting for ~10% of MLT's gross revenue. Tenants who serve essential needs and continue to see good transaction activity contributed more than 30% of MLT's revenue.
- **[Credit Suisse Group AG \("CS"\)](#) | Issuer Profile: Neutral (4):** CS announced its 1Q2020 results with total income before taxes up 13% y/y and down 1% q/q. Key to CS's earnings in 1Q2020 and beyond is the rise in loan provisions which at CHF568mn in 1Q2020 is up 601% y/y and 289% q/q, the largest increase in over 10 years. Increases occurred across all divisions. CS' CET1 ratio was 12.1% as at 31 March 2019, down 50bs y/y and 60bps q/q due to a rise in risk weighted assets on corporate lending drawdowns and higher market volatility. CS' outlook remains rightfully cautious, if not pessimistic, with ongoing uncertainty. Recognizing the current situation, CS has sought to preserve their capital position as much as possible, paying 2019 dividends in phases as requested by FINMA.
- **[Industry Outlook - Singapore Property:](#)** Singapore's private residential property prices fell 1.0% q/q in 1Q2020, which turned out better than the flash estimates. Take-up softened to 2,149 units (4Q2019: 2,443 units) while unsold units in the pipeline fell to 29,149 units (4Q2019: 30,162 units). As mentioned in our Monthly Credit View, we have turned cautious on the Singapore property sector due to the COVID-19 outbreak. Although interest rates have fallen while home loans are allowed to be deferred, we think these will not be sufficient to cushion the blow to home demand. We think it is likely that property prices may see a high-single digit decline this year, with further downside risks. We think lower sale prices will be credit negative for property developers. Meanwhile, cashflows may also be delayed and expenses may increase due to potential delays in construction with high instances of COVID-19 outbreak amongst migrant workers.

Asian Credit Daily**Credit Headlines****Mapletree Logistics Trust (“MLT”) | Issuer Profile: Neutral (4)**

- MLT announced its fourth quarter results for the financial year ended March 2020 (“4QFY2020”). Gross revenue was up 5.5% y/y to SGD128.1mn, mainly due to higher revenue from existing properties and new acquisitions in Malaysia, Vietnam, South Korea and Japan completed in FY2020, though partly offset by divestments made in the same financial year. Net property income increased 9.3% y/y to SGD114.7mn mainly due to lower property expenses from lower land rent from the adoption of SFRS(1) 16.
- EBITDA (based on our calculation which does not include other trust income and expenses though includes interest income on shareholder’s loan of SGD2.8mn) was SGD102.9mn (up 9.9% y/y) while interest expenses declined 1.8% y/y to SGD20.0mn, with EBITDA/Interest of 5.2x. Perpetuals totalled SGD430mn and as a percentage of total capital was 5% as at 31 March 2020. Assuming perpetual distribution of SGD17.0mn p.a (SGD4.3mn per quarter) and taking 50% of this as interest, we find EBITDA/(Interest plus 50% perpetual distribution) of 4.7x.
- As at 31 March 2020, reported aggregate leverage was 39.3% (end-2019: 37.5%), this includes proportionate share of borrowings of joint ventures and assets. Debt had increased q/q by SGD265.6mn (net of debt repayment), which was partly to fund the acquisitions in 4QFY2020 (Mapletree Logistics Centre-Hobeob 2, South Korea and Mapletree Kobe Logistics Centre, Japan). Based on our estimates, assuming 50% of perpetual as debt, adjusted aggregate leverage was ~42%.
- MLT’s overall portfolio occupancy was 98.0% (3QFY2020: 97.7%), with the exception of Japan and South Korea, the rest of the geographies saw stable-to-stronger performance in occupancy. While MLT’s concentration to Food Products & Beverages was high at 19% (by gross revenue), per company, the direct exposure to F&B retail outlets was only 4% of total gross revenue.
- Tenants who are the hardest hit from the COVID-19 outbreak include those from retail, hospitality and travel industries, accounting for ~10% of MLT’s gross revenue. Tenants serving essential needs continue to see good transaction activity, which contributed more than 30% of MLT’s revenue. MLT had added that all of its tenants in HKSAR and Japan are operational while in Singapore 5% of its tenant base are impacted. We maintain our issuer profile of MLT at Neutral (4). (Company, OCBC)

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Credit Headlines

Credit Suisse Group AG ("CS") | Issuer Profile: Neutral (4):

- CS announced its 1Q2020 results with total income before taxes up 13% y/y and down 1% q/q to CHF1.2bn. By top line numbers, net revenues rose 7% y/y but fell 7% q/q to CHF5.8bn while total operating expense performance was supportive of the bottom line, down 6% y/y and 17% q/q (due to falls in general and administrative expenses and other operating expenses). Reported results were influenced however by certain abnormals including gains from the second and final closing of the InvestLab funds platform transfer to Allfunds Group of CHF268mn and litigation provisions of CHF18mn. Excluding these, net revenues rose 2% y/y while total income before taxes actually fell 11% y/y to CHF951mn.
- In terms of total income before taxes performance by segment, the key drivers for improvement were Global Markets (+17% y/y and +588% q/q as strong performance in trading volumes from market volatility offset a large increase in provisions for credit losses from higher corporate loan drawdowns and application of the new current expected credit losses ("CECL") methodology) and Asia Pacific (+38% y/y and +7% q/q as solid growth in net revenues in Markets from client activity and Private Banking from growth in transaction based revenues and net interest income was offset by a substantial rise in provisions for credit losses and unrealized mark-to-market losses on the fair valued lending portfolio in the advisory, underwriting and financing business).
- Performance in the Swiss Universal Bank (+7% y/y and -34% q/q as higher transaction based revenues was offset by a substantial rise in provisions for credit losses) and International Wealth Management (+3% y/y and -15% q/q as higher client activity, asset based revenues and net interest income was offset by unrealized losses on fund investments and slightly higher provisions for credit losses) were mixed while Investment Banking & Capital Markets (-306% y/y and -530% q/q on primary markets shutting down in March, mark to market losses in the leveraged finance underwriting portfolio and hedging losses with a large increase in provisions for credit losses) faced considerable challenges. Global advisory and underwriting revenues also fell (-46% y/y and -53% q/q) from a collapse in debt underwriting fees on the market shutdown and mark to market losses.
- Key to CS's earnings in 1Q2020 is the rise in loan provisions which at CHF568mn in 1Q2020 is up 601% y/y and 289% q/q, the largest increase in over 10 years. Increases occurred across all divisions but was less impactful in International Wealth Management. Corporate lending exposures rose and macro-economic expectations were lowered driving the increase although provisions also reflect certain trouble spots including oil and gas exposures.
- Assets under management were down 4.0% y/y and 9.1% q/q to CHF1,370.5bn on broad based reductions across business units and geographies on market movements impacting values and foreign exchange as well as net asset outflows. Net new assets were also down materially dropping 83.2% y/y and 41.4% q/q to CHF5.8bn with the reduction due mostly to movements in the Swiss Universal Bank, particularly in Corporate and Institutional clients.
- CS' CET1 ratio was 12.1% as at 31 March 2019, down 50bs y/y and 60bps q/q due to a rise in risk weighted assets on corporate lending drawdowns and higher market volatility. The ratio also includes the 2019 planned dividend payment. The ratio remains above Basel III minimum CET1 ratio of 8.0% as well as higher obligations for systemically important banks under Swiss legislation of 10.0% as disclosed in CS's 2019 Annual Report.
- CS' outlook remains rightfully cautious, if not pessimistic, with ongoing uncertainty. Recognizing the current situation, CS has sought to preserve their capital position as much as possible through phasing 2019 dividends and suspending share buybacks. We do not expect to change our Neutral (4) issuer profile on CS for now. (Company, Bloomberg, OCBC)

Asian Credit Daily**Credit Headlines****Industry Outlook - Singapore Property**

- Singapore private residential property prices fell 1.0% q/q in 1Q2020, which turned out better than the [flash estimates of 1.2% decline](#). The largest decline was in the Core Central Region (-2.2% q/q), followed by Rest of Central Region (-0.5% q/q) and Outside Central Region (-0.4% q/q).
- Take-up softened to 2,149 units (4Q2019: 2,443 units) despite strong February numbers which grew 57.3% m/m to 975 units sold (as sales fell significantly in March to 660 units) while new launch fell to 2,093 units (4Q2019: 2,226 units).
- Unsold units in the pipeline fell to 29,149 units (4Q2019: 30,162 units), with a manageable 4,389 units launched but unsold (in comparison to take-up of 2,149 units).
- However, as mentioned in our [Monthly Credit View \(March 2020\)](#), we have turned cautious on the Singapore property sector due to the COVID-19 outbreak. [Reasons we highlighted](#) include discounts by developers, rise in unemployment and fall in national income.
- With the announcement of the circuit breaker and the extension of it, we believe that the reasons highlighted earlier will be exacerbated with an increasing number of potential buyers refraining from big ticket purchases. Meanwhile, property sales are expected to plummet as developers can only organise virtual showflats (instead of physical showflats) given the circuit breaker.
- Although interest rates have fallen while home loans are allowed to be deferred, we think these will not be sufficient to cushion the blow to home demand.
- We think it is likely that property prices may see a high-single digit decline this year, with further downside risks if the circuit breaker were to be extended still.
- We think lower sale prices will be credit negative for property developers, especially with margins already low to begin with due to high land prices. Meanwhile, cashflows may be delayed and expenses may increase due to potential delays in construction with high instances of COVID-19 outbreak amongst migrant workers while migrant workers staying at dormitories will have to stop work. (URA, OCBC)

Key Market Movements

	24-Apr	1W chg (bps)	1M chg (bps)		24-Apr	1W chg	1M chg
iTraxx Asiax IG	123	8	-52	Brent Crude Spot (\$/bbl)	21.98	-21.72%	-19.04%
iTraxx SovX APAC	70	6	-17	Gold Spot (\$/oz)	1,724.29	2.46%	5.63%
iTraxx Japan	89	12	-80	CRB	113.49	-8.20%	-11.44%
iTraxx Australia	130	14	-88	GSCI	243.35	-10.06%	-10.06%
CDX NA IG	94	7	-14	VIX	41.38	3.17%	-32.90%
CDX NA HY	93	-3	2	CT10 (%)	0.591%	-5.12	-25.61
iTraxx Eur Main	82	0	-18				
iTraxx Eur XO	488	3	-116	AUD/USD	0.635	-0.20%	6.63%
iTraxx Eur Snr Fin	104	3	-7	EUR/USD	1.077	-0.99%	-0.19%
iTraxx Eur Sub Fin	231	9	-2	USD/SGD	1.427	-0.24%	1.39%
iTraxx Sovx WE	34	2	6	AUD/SGD	0.906	-0.08%	-4.91%
USD Swap Spread 10Y	4	-3	13	ASX 200	5,253	-4.27%	10.92%
USD Swap Spread 30Y	-40	-3	18	DJIA	23,515	-0.10%	13.57%
US Libor-OIS Spread	94	-9	-19	SPX	2,798	-0.06%	14.32%
Euro Libor-OIS Spread	28	6	16	MSCI Asiax	590	-1.28%	11.86%
				HSI	23,857	-2.14%	5.27%
China 5Y CDS	50	5	-15	STI	2,515	-3.83%	6.46%
Malaysia 5Y CDS	121	20	-35	KLCI	1,371	-2.55%	6.22%
Indonesia 5Y CDS	220	20	-35	JCI	4,579	-1.20%	16.29%
Thailand 5Y CDS	72	6	-33	EU Stoxx 50	2,852	1.43%	5.06%
Australia 5Y CDS	30	2	-18				

Source: Bloomberg

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New Issues

- Kookmin Bank priced a USD500mn 5-year COVID-19 response bond at T+150bps, tightening from IPT of T+195bps area.
- Pingdu State-owned Assets Management Co., Ltd. (Guarantor: Pingdu Construction Investment Development Co., Ltd.) priced a USD200mn 3-year bond at 5.75%, tightening from IPT of 6.2% area.
- PSA Treasury Pte Ltd (Guarantor: PSA International Pte Ltd) priced a USD650mn 10-year bond at T+165bps, tightening from IPT of T+210bps area.
- Korea East-West Power Co arranged investor calls commencing 23 April for its proposed USD bond offering.
- AMTD International Inc has mandated banks and arranged investor calls commencing 24 April to exchange offer of its AMTDGC 7.625%-PERPs with a proposed a new USD or SGD bond offering.

Date	Issuer	Size	Tenor	Pricing
23-Apr-20	Kookmin Bank	USD500mn	5-year	T+150bps
23-Apr-20	Pingdu State-owned Assets Management Co., Ltd. (Guarantor: Pingdu Construction Investment Development Co., Ltd.)	USD200mn	3-year	5.75%
23-Apr-20	PSA Treasury Pte Ltd (Guarantor: PSA International Pte Ltd)	USD650mn	10-year	T+165bps
22-Apr-20	Xiaomi Best Time International Limited (Guarantor: Xiaomi Corp)	USD600mn	10-year	T+290bps
22-Apr-20	ST Engineering RHQ Ltd. (Guarantor: Singapore Technologies Engineering Ltd.)	USD750mn	5-year	T+120bps
22-Apr-20	BOC Aviation Ltd	USD1bn	5-year	T+300bps
22-Apr-20	Hongkong International (Qingdao) Company Limited (Keepwell deed, Deed of Eipu and Irrevocable Standby Facility Provider: Qingdao City Construction Investment (Group) Limited)	USD300mn	3-year	3.99%
20-Apr-20	Export-Import Bank of Korea	USD700mn	3-year	3m-US LIBOR+120bps
17-Apr-20	SATs Ltd	SGD100mn	5-year	2.6%
17-Apr-20	Lenovo Group Limited	USD650mn	5-year	5.875%
16-Apr-20	Sunny Express Enterprises Corp. (Guarantor: China National Travel Service Group Corporation Limited)	USD300mn USD600mn	5-year 10-year	T+230bps T+255bps

Source: OCBC, Bloomberg

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