

Market Commentary

- The SGD swap curve bull flattened yesterday, with all tenors trading 0-2bps lower while the 1-year traded 1bp higher.
- The Bloomberg Barclays Asia USD IG Bond Index average OAS tightened 2bps to 185bps, and the Bloomberg Barclays Asia USD HY Bond Index average OAS tightened 6bps to 717bps. The HY-IG Index Spread tightened 4bps to 532bps.
- Flows in SGD corporates were heavy, with flows in STTGDC 3.13%'28s, SINTEC 4.1%-PERPs, OUECT 4%'25s, NTUCSP 3.1%'50s, SPHSP 3.2%'30s, SRENVX 3.125%'35s, CMZB 4.875%'27s and CS 5.625%-PERPs.
- 10Y UST Yields fell 2bps to 0.58%, the lowest close since April 21 as stocks softened and auction yields for 10-year TIPS drifted to an all-time low.

Credit Research

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Credit Summary:

- [Frasers Centrepoint Trust \("FCT"\)](#) | **Issuer Profile: Neutral (4)**: FCT has announced business updates for the three months ended 30 June 2020. Since the start of Phase 2 on 19 June 2020, over 95% of tenants have resumed business with shopper traffic in June at ~50% of last year's level.
- [Mapletree Commercial Trust \("MCT"\)](#) | **Issuer Profile: Neutral (3)**: MCT reported 1QFY2021 results for the financial year ending 31 March 2021. Gross revenue fell by 10.5% y/y to SGD100.3mn with net property income down by 10.7% y/y to SGD78.9mn, due to rental rebates disbursed though partially mitigated by contribution from Mapletree Business City II.
- [Ascendas Real Estate Investment Trust \("AREIT"\)](#) | **Issuer Profile: Neutral (3)**: AREIT announced the latest financial results for the half year ended 31 December 2020 ("1H2020"). Gross revenue was up 14.6% y/y to SGD521.2mn driven by the contribution of 28 business park properties in the US and two business parks in Singapore in December 2019 which more than offset the rental rebates provided for eligible tenants, divestment of Wisma Gulab in January 2020 and lower occupancies at certain properties.
- [Singapore Airlines Ltd \("SIA"\)](#) | **Issuer Profile: Neutral (5)**: SIA announced that it has raised SGD750mn in long term loans secured on certain of its Airbus A350-900 and Boeing 787-10 aircraft. All existing committed lines of credit that were due to mature during the course of 2020 have been renewed until 2021 or later.
- [Keppel Corporation Ltd \("KEP"\)](#) | **Issuer Profile: Neutral (4)**: KEP has announced that there will be material impairments in its 2Q2020 financial results due to the fall in oil prices. This has impacted KEP's O&M business and will significantly adversely impact results for 2Q2020 and 1H2020 which will be announced on 30 July.
- [Industry Outlook – Industrial Space Sector](#): JTC reported its quarterly market report for Industrial Properties covering 2Q2020. Key headline measures as expected were softer (although as mentioned by JTC, the numbers do not fully reflect the economic impact from COVID-19 as some transactions were pre-committed prior to the Circuit Breaker period) and there were low transaction volumes recently.

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Credit Headlines

Frasers Centrepoint Trust ("FCT") | Issuer Profile: Neutral (4)

- FCT has changed to half yearly reporting of financial results since May 2020 and has announced business updates for the three months ended 30 June 2020 ("3QFY2020").
- Since the start of Phase 2 on 19 June 2020, over 95% tenants has resumed business with shopper traffic in June at ~50% of last year's level.
- While portfolio occupancy was slightly weaker at 94.6% (-1.5%q/q) with lower occupancy levels recorded across all of its properties, FCT has just 4.8% of expiring leases by NLA yet to be renewed for the remaining of FY2020.
- Aggregate leverage was 35.0% (down from 37.4% in the preceding quarter) with reported interest coverage ratio at 4.8x. For FY2020, FCT has SGD120mn coming due against SGD72mn of cash on hand as at 30 June 2020. YewTee Point has also been unencumbered following the repayment of SGD136mn in May 2020. This is credit positive in our view.
- In relation to COVID-19, FCT has disbursed to-date ~SGD25mn rental rebates to tenants. Apart from that, FCT has also enhanced safety and hygiene measures at the malls via UV disinfecting autonomous mobile robots amongst others. (Company, OCBC)

Mapletree Commercial Trust ("MCT") | Issuer Profile: Neutral (3)

- MCT reported 1QFY2021 results for the financial year ending 31 March 2021. Gross revenue fell by 10.5% y/y to SGD100.3mn with net property income ("NPI") down by 10.7%y/y to SGD78.9mn, due to rental rebates disbursed though partially mitigated by contribution from Mapletree Business City II ("MBC II") (acquired on 1 Nov 2019). Excluding MBC II, gross revenue would have fallen by 29.3% y/y to SGD79.2mn, in tandem with NPI (-29.9%y/y to SGD61.9mn).
- Committed portfolio occupancy was 98.2% as at 30 June 2020 vs 98.7% in the preceding quarter with expiring leases for FY2021 amounting to 14.3% of its gross rental income (5.6% is from retail while the balance 8.7% is from office and business parks) which we think is manageable.
- With regards to VivoCity, on a y/y basis, shopper traffic and tenant sales were down by 78.5% and 63.4% respectively due to the circuit breaker period. Gross revenue and NPI generated by VivoCity were also down significantly by 56.7%y/y and 59.9%y/y though committed occupancy was 98.4% as at 30 June 2020 (31 March 2020: 99.7%).
- On the debt management front, MCT has SGD1bn of cash and undrawn committed facilities on hand and are on track to refinance all borrowings due in FY2021 and FY2022. We note that MCT has SGD258mn of debt coming due in FY2021. Aggregate leverage was 33.7% (31 March 2020: 33.3%) with reported interest coverage at 4.1x (31 March 2020: 4.3x).
- Given that MCT's assets remain fully unencumbered, we remain comfortable with maintaining its Issuer Profile at Neutral (3). (Company, OCBC)

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Credit Headlines

Ascendas Real Estate Investment Trust ("AREIT") | Issuer Profile: Neutral (3)

- AREIT announced the latest financial results for the half year ended 31 December 2020 ("1H2020"). Gross revenue was up 14.6% y/y to SGD521.2mn driven by the contribution of 28 business park properties in the US and two business park in Singapore in December 2019 which more than offset the rental rebates provided for eligible tenants, divestment of Wisma Gulab in January 2020 and lower occupancies at certain properties.
- EBITDA (based on our calculation which does not include other income and other expenses) was up by 10.0% y/y to SGD349.5mn while interest expense was up by 5.1% y/y from higher average debt balance. Resultant EBITDA/Interest was somewhat higher at 4.1x (1H2019: 3.9x).
- Overall portfolio occupancy was relatively stable at 91.5% as at 30 June 2020 (31 March 2020: 91.7%), with improvements seen in Australia (98.4% from 97.3%) though occupancy dipped in Singapore and the US. UK occupancy was flat compared to 31 March 2020.
- As at 30 June 2020, AREIT faced ~SGD787.9mn of short term debt (representing 14% of total debt). AREIT has SGD200mn of committed unutilized facilities and SGD1.1bn of uncommitted unutilized facilities while 92% of its investment properties (ie: ~SGD12bn) remain unencumbered and can be used to raise secured debt, if need be.
- As at 30 June 2020, AREIT's reported aggregate leverage was 36.1% (31 December 2019: 35.1%) from higher debt balance.
- AREIT's perpetuals (outstanding amount of SGD300mn) faces first call in October 2020. If the perpetuals are not called at first call, the perpetuals are likely to reset into ~2.9% p.a.
- While we think AREIT is able to replace the perpetual with debt and/or raise a replacement perpetual, we think a replacement perpetual would at least need to be priced at ~3.0% based on where AREIT's senior bonds are trading, in our view. We think there is a 50:50 probability of a non-call of this perpetual at first call. We maintain AREIT's issuer profile at Neutral (3). (Company, OCBC)

Singapore Airlines Ltd ("SIA") | Issuer Profile: Neutral (5)

- SIA announced that it has raised SGD750mn in long term loans secured on certain of its Airbus A350-900 and Boeing 787-10 aircraft.
- All existing committed lines of credit that were due to mature during the course of 2020 have been renewed until 2021 or later. Including new committed lines of credit, SIA has more than SGD2.1 billion in committed liquidity.
- Until July 2021, SIA also has an option to raise up to SGD6.2bn of additional mandatory convertible bonds. (Company, OCBC)

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Credit Headlines

Keppel Corporation Ltd (“KEP”) | Issuer Profile: Neutral (4)

- KEP has announced that there will be material impairments in its 2Q2020 financial results due to the fall in oil prices.
- This has impacted KEP's O&M business and will significantly adversely impact results for 2Q2020 and 1H2020 which will be announced on 30 July.
- We maintain KEP's issuer profile at Neutral (4), albeit precariously. In our view, KEP's credit profile may weaken further within the next 12 months. KEP has both KrisEnergy Ltd (which is held under KEP's Investment Division) and Floatel International Ltd, an associate in the Offshore & Marine division, under debt restructuring. (Company, OCBC)

Industry Outlook – Industrial Space Sector

- JTC reported its quarterly market report for Industrial Properties covering 2Q2020. Key headline measures as expected were softer (although as mentioned by JTC, the numbers do not fully reflect the economic impact from COVID-19 as some transactions were pre-committed prior to the Circuit Breaker period) and there were low transaction volumes recently. As a comparison, prices and rentals in the industrial space showed a two quarter lag in displaying a sharp deterioration during the Global Financial Crisis.
- The price index for all industrial space fell 1.1% q/q and 1.7% y/y. The rental index fell 0.7% q/q and 0.8% y/y. Somewhat on a positive note, around 1.3mn sqm of new industrial space is expected to be completed in 2H2020 as at end June 2020, well below the 2.1mn sqm that was expected to be completed as at end March 2020. 0.2mn sqm of new industrial space was completed in 2Q2020 due to the Circuit Breaker and JTC expects further completion delays due to new Safe Restart requirements as requested by the Building and Construction Authority. (JTC, OCBC)

Key Market Movements

	24-Jul	1W chg (bps)	1M chg (bps)		24-Jul	1W chg	1M chg
iTraxx Asiax IG	75	-3	-12	Brent Crude Spot (\$/bbl)	43.31	-0.14%	1.60%
iTraxx SovX APAC	41	-3	-5	Gold Spot (\$/oz)	1,883.56	4.04%	6.95%
iTraxx Japan	60	-1	3	CRB	142.94	1.51%	5.69%
iTraxx Australia	76	-4	-11	GSCI	341.66	0.99%	7.09%
CDX NA IG	70	-2	-9	VIX	26.08	-6.86%	-22.93%
CDX NA HY	102	0	2	CT10 (%)	0.577%	-3.94	-13.44
iTraxx Eur Main	58	-4	-11				
iTraxx Eur XO	340	-28	-57	AUD/USD	0.710	1.44%	3.32%
iTraxx Eur Snr Fin	66	-5	-13	EUR/USD	1.159	1.45%	3.05%
iTraxx Eur Sub Fin	138	-9	-35	USD/SGD	1.386	0.31%	0.53%
iTraxx Sovx WE	16	-2	-2	AUD/SGD	0.984	-1.13%	-2.68%
USD Swap Spread 10Y	-1	0	0	ASX 200	6,063	0.48%	1.63%
USD Swap Spread 30Y	-43	3	5	DJIA	26,652	-0.31%	4.74%
US Libor-OIS Spread	19	-1	-2	SPX	3,236	0.62%	6.08%
Euro Libor-OIS Spread	1	-1	-7	MSCI Asiax	699	1.85%	6.31%
				HSI	25,263	1.17%	1.94%
China 5Y CDS	43	-1	-9	STI	2,612	-0.43%	-0.62%
Malaysia 5Y CDS	60	-5	-13	KLCI	1,606	2.10%	6.91%
Indonesia 5Y CDS	115	-12	-18	JCI	5,145	0.91%	3.63%
Thailand 5Y CDS	41	-1	-2	EU Stoxx 50	3,372	0.19%	5.49%

Source: Bloomberg

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New Issues

- Taihu Pearl Oriental Company Limited (Guarantor: Huzhou City Investment Development Group Co., Ltd.) priced a USD300mn 3-year bond at 3.15%, tightening from IPT of 3.8% area.
- Megaworld Corp. priced a USD350mn 7-year bond at 4.375%, tightening from IPT of 4.625% area.
- Manila Water Company, Inc. priced a USD500mn 10NC5 sustainability bond at 4.5%, tightening from IPT of 4.75% area.
- Mirae Asset Daewoo Co., Ltd. priced a USD300mn 3-year bond at T+205bps, tightening from IPT of T+250bps area and another USD300mn 5-year bond at T+245bps, tightening from IPT of T+290bps area.
- Fantasia Holdings Group Co., Limited priced a USD350mn 3NC2 bond at 9.45%, tightening from IPT of 10% area.

Date	Issuer	Size	Tenor	Pricing
23-Jul-20	Taihu Pearl Oriental Company Limited (Guarantor: Huzhou City Investment Development Group Co., Ltd.)	USD300mn	3-year	3.15%
23-Jul-20	Megaworld Corp.	USD350mn	7-year	4.375%
23-Jul-20	Manila Water Company, Inc.	USD500mn	10NC5	4.5%
23-Jul-20	Mirae Asset Daewoo Co., Ltd.	USD300mn USD300mn	3-year 5-year	T+205bps T+245bps
23-Jul-20	Fantasia Holdings Group Co., Limited	USD350mn	3NC2	9.45%
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

Source: OCBC, Bloomberg

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