

Market Commentary

- The SGD swap curve bear steepened yesterday, with the shorter tenors trading 1-2bps higher while the belly and longer tenors traded 2-3bps higher.
- The Bloomberg Barclays Asia USD IG Bond Index average OAS tightened 2bps to 168bps, while the Bloomberg Barclays Asia USD HY Bond Index average OAS remained mostly unchanged at 673bps. The HY-IG Index Spread widened 1bps to 506bps.
- Flows in SGD corporates were heavy, with flows in OLAMSP 4%'26s, LLCAU 3.9%'27s, FPLSP 4.98%-PERPs and WHEELK 4.5%'21s.
- 10Y UST Yields gained 3bps to 0.66%, boosted by optimism about vaccines for coronavirus and investors looked ahead for new supply totaling USD148bn starting Tuesday.

Credit Research

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Credit Summary:

- [Century Sunshine Group Holdings Limited \("CENSUN"\)](#) | **Issuer Profile: Unrated:** CENSUN announced that a writ of summons endorsed with the full statement of claim was issued in the High Court of HKSAR against the company by a bank. The bank is pursuing claims against the company in respect of a revolving loan in the principal amount of up to HKD20mn. Additionally, the bank is pursuing claims against CENSUN's ~72.3%-owned subsidiary Rare Earth Magnesium Technology Group Holdings Limited in respect of a term loan in the principal amount of up to HKD33mn.
- [Scentre Group \("SCG"\)](#) | **Issuer Profile: Positive (2):** SCG reported 1H2020 results. Revenue fell 16.0% y/y to AUD1.1bn as all components are down. Occupancy rate as at 30 June 2020 was 98.8% though rent reversion was -8.7%. Cash and cash equivalent rose to AUD927.2mn from AUD253.0mn. As a result, net gearing of SCG rose to 38.4% from 34.0% as at 31 December 2020. While EBITDA based on our estimation was down by 13.5% y/y to ~AUD756mn, financing cost fell by a greater extent (from 4.2% to 4.0% p.a.), leading to a stronger EBITDA/Interest of 3.9x vs 2.6x a year ago. SCG has AUD2.0bn coming due in the short term. ~AUD1bn of which will mature in the remaining of 2021. SCG reportedly has AUD4.4bn liquidity, sufficient to cover all maturities to January 2023.
- [GuocoLand Ltd \("GUOL"\)](#) | **Issuer Profile: Neutral (5):** Reported 2HFY2020 results for the half year ended 30 June. Revenue fell 40% y/y to SGD369.8mn. While gross profit (-40% y/y to SGD121.4mn) declined in-line with revenue, profit before tax fell by a larger 74% y/y to SGD71.3mn. Committed occupancies remains firm with Guoco Tower 99% occupied and 20 Collyer Quay 95% occupied. GUOL reported positive rental reversions for new and renewed leases in FY2020, which should support rental income into FY2021. Net gearing fell h/h to 91% (2Q2020: 97%), largely due to the divestment of Guoman Hotel which netted SGD214.8mn in disposal proceeds. However, EBITDA/Interest fell to 1.4x in 2H2020 (2Q2020: 2.6x). GUOL reportedly has cash balance of SGD933.9mn, covering SGD723.4mn of short-term borrowings.

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Credit Headlines

Century Sunshine Group Holdings Limited ("CENSUN") | Issuer Profile: Unrated

- CENSUN announced that a writ of summons endorsed with the full statement of claim was issued in the High Court of HKSAR against the company by a bank. The bank is pursuing claims against the company in respect of a revolving loan in the principal amount of up to HKD20mn. The bank is claiming against CENSUN for HKD20.2mn as well as the default interest, other relief and related costs.
- Additionally, the bank is pursuing claims against CENSUN's ~72.3%-owned subsidiary Rare Earth Magnesium Technology Group Holdings Limited ("REMT") in respect of a term loan in the principal amount of up to HKD33mn. The bank is claiming against REMT for HKD22.9mn as well as the default interest, other relief and related costs. (Company)

Scentre Group ("SCG") | Issuer Profile: Positive (2)

- SCG reported 1H2020 results. Revenue fell 16.0% y/y to AUD1.1bn as all components – rental income (-8.5%y/y to AUD997.1mn), development and construction revenue (-61.5%y/y to AUD71.4mn) and property management income (-8.9%y/y to AUD25.6mn) are down. Over 1H2020, SCG collected 70% of gross rental billings with April being the weakest at 28%. Seemingly, the situation has improved with collected gross rental income at 82% in July, post 1H2020.
- In-store sales traded throughout 1H2020 was 8.1% lower y/y while specialty in-store sales was down further by 12.1%y/y. 93% of the stores at SCG's malls are open and trading (excluding Victoria which based on property valuation make up ~14% of SCG). Occupancy rate as at 30 June 2020 was 98.8% though rent reversion was -8.7%.
- Property valuation fell by AUD4.1bn while SCG saw a AUD1.4bn net increase in debt. Cash and cash equivalents rose to AUD927.2mn from AUD253.0mn. As a result, net gearing of SCG rose to 38.4% from 34.0% as at 31 December 2020. While EBITDA based on our estimation was down by 13.5%y/y to ~AUD756mn, financing cost fell by a greater extent (from 4.2% to 4.0% p.a.), leading to a stronger EBITDA/Interest of 3.9x vs 2.6x a year ago.
- SCG has AUD2.0bn coming due in the short term, ~ AUD1bn of which will mature in the remaining of 2021. SCG reportedly has AUD4.4bn liquidity, sufficient to cover all maturities to January 2023.
- SCG has not provided earnings guidance this time. We continue to hold SCG at a Positive (2) Issuer Profile. (Company, OCBC)

Asian Credit Daily**Credit Headlines****GuocoLand Ltd (“GUOL”) | Issuer Profile: Neutral (5)**

- GUOL reported 2HFY2020 results for the half year ended 30 June. Revenue fell 40% y/y to SGD369.8mn as the outbreak of COVID-19 has impacted sales and construction progress (which in turn affects revenue recognition). The hotel business segment saw the most significant impact as GUOL reported a 65% y/y fall in revenue, though we note that this segment is small (2019 hotel operations revenue: SGD73.0mn). Meanwhile, revenue from investment properties declined 4% y/y, which may have been impacted by rebates given to office and retail tenants.
- While gross profit (-40% y/y to SGD121.4mn) declined in-line with revenue, profit before tax fell by a larger 74% y/y to SGD71.3mn. This is driven by a surge in other expenses to SGD112.9mn, due to SGD47mn impairment loss on JV stake in EcoWorld International Berhad and SGD51.5mn fair value loss on derivative financial instruments. Driving the difference in PBT is also fair value differences on investment properties. In 2HFY2019, GUOL recorded net fair value gain of SGD197.4mn while in 2HFY2020 net loss on investment properties of SGD8.3mn was recorded. We note that the valuation of Guoco Tower fell SGD3mn y/y to SGD2.5bn while 20 Collyer Quay fell SGD250k y/y to SGD504.74mn.
- As of 30 June 2020, good sales progress have been achieved at Martin Modern with 86% of the total units sold while Wallich Residence sold 54% of the total units with prices still holding up. That said, sales at Meyer Mansion and Midtown Bay (20% sold) remain lacklustre. We think sale progress may remain slow for the slower-moving projects with a dampened economic outlook and delay in construction.
- That said, committed occupancies remains firm with Guoco Tower 99% occupied and 20 Collyer Quay 95% occupied. GUOL reported positive rental reversions for new and renewed leases in FY2020, which should support rental income into FY2021.
- Net gearing fell h/h to 91% (2Q2020: 97%), largely due to the divestment of Guoman Hotel which netted SGD214.8mn in disposal proceeds. However, EBITDA/Interest fell to 1.4x in 2H2020 (2Q2020: 2.6x). That said, we remain comfortable with GUOL's credit profile with SGD933.9mn cash covering SGD723.4mn of short-term borrowings. We continue to hold GUOL at a Neutral (5) Issuer Profile. (Company, OCBC)

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Key Market Movements

	25-Aug	1W chg (bps)	1M chg (bps)		25-Aug	1W chg	1M chg
iTraxx Asiax IG	63	-2	-12	Brent Crude Spot (\$/bbl)	45.16	-0.66%	4.20%
iTraxx SovX APAC	34	-2	-8	Gold Spot (\$/oz)	1,931.32	-3.55%	-0.56%
iTraxx Japan	61	2	1	CRB	151.26	-0.29%	5.74%
iTraxx Australia	66	-1	-11	GSCI	356.18	-0.29%	4.14%
CDX NA IG	66	0	-4	VIX	22.37	4.78%	-13.43%
CDX NA HY	105	0	3	CT10 (%)	0.656%	-1.29	6.70
iTraxx Eur Main	54	-1	-6				
iTraxx Eur XO	327	-15	-32	AUD/USD	0.718	-0.91%	0.39%
iTraxx Eur Snr Fin	62	-3	-6	EUR/USD	1.180	-1.10%	0.41%
iTraxx Eur Sub Fin	130	-5	-14	USD/SGD	1.370	-0.36%	0.67%
iTraxx Sovx WE	14	0	-2	AUD/SGD	0.983	0.56%	0.30%
USD Swap Spread 10Y	-1	1	0	ASX 200	6,168	0.73%	2.39%
USD Swap Spread 30Y	-38	3	4	DJIA	28,308	1.66%	6.95%
US Libor-OIS Spread	18	1	0	SPX	3,431	1.46%	6.71%
Euro Libor-OIS Spread	-2	0	-4	MSCI Asiax	726	0.59%	5.84%
				HSI	25,552	0.81%	3.43%
China 5Y CDS	37	-2	-7	STI	2,539	-0.96%	-1.59%
Malaysia 5Y CDS	49	-1	-11	KLCI	1,569	0.50%	-1.32%
Indonesia 5Y CDS	99	-5	-19	JCI	5,277	0.83%	3.82%
Thailand 5Y CDS	39	-1	-3	EU Stoxx 50	3,332	0.78%	0.63%
Australia 5Y CDS	15	0	-2				

Source: Bloomberg

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New Issues

- Boen Investment Limited (Guarantor: Jiangsu Kewei Holding Group Co., Ltd.) priced a USD100mn 3-year bond at 3.2%, tightening from IPT of 3.8% area.
- Guohui International (BVI) Co. (Guarantor: Shandong Guohui Investment Co.) priced a USD400mn 5-year bond at 3.15% , tightening from IPT of 3.70% area.
- KT Corp priced a USD400mn 5-year bond at T+80bps, tightening from IPT of T+125bps area.
- Industrial & Commercial Bank of China Ltd of London priced two USD100mn 3-year bonds at 3m-US LIBOR+75bps respectively.

Date	Issuer	Size	Tenor	Pricing
24-Aug-20	Boen Investment Limited (Guarantor: Jiangsu Kewei Holding Group Co., Ltd.)	USD100mn	3-year	3.2%
24-Aug-20	Guohui International (BVI) Co. (Guarantor: Shandong Guohui Investment Co.)	USD400mn	5-year	3.15%
24-Aug-20	KT Corp	USD400mn	5-year	T+80bps
24-Aug-20	Industrial & Commercial Bank of China Ltd of London	USD100mn USD100mn	3-year 3-year	3m-US LIBOR+75bps 3m-US LIBOR+75bps
21-Aug-20	Perennial Real Estate Holdings Limited	SGD44.25mn	2-year	5.95%
20-Aug-20	Rizal Commercial Banking Corp.	USD300mn	PerpNC5	6.75%
20-Aug-20	Industrial Investment Overseas Limited (Guarantor: New & High (HK) Limited)	USD200mn	364-day	3.7%
20-Aug-20	Hongkong Electric Finance Limited (Guarantor: The Hongkong Electric Company, Limited)	USD500mn	10-year	T+130bps
20-Aug-20	JIC Zhixin Limited (Guarantor: China Jianyin Investment Limited)	USD400mn USD500mn	5-year 10-year	T+125bps T+160bps
20-Aug-20	Nan Fung Treasury Limited (Guarantor: Nan Fung International Holdings Limited)	USD500m	10-year	T+305bps
20-Aug-20	Overseas Chinese Town Asia Holdings Limited (Guarantor: Overseas Chinese Town Enterprises Co Ltd)	USD300mn	PerpNC3	4.5%
19-Aug-20	Wynn Macau Ltd	USD250mn USD600mn	WYNMAC 5.5%'26s 8NC3	5.443% 5.625%
18-Aug-20	Yibin Grace Group Co (Guarantor: Yibin State-owned Assets Management Co Ltd)	USD140mn	3-year	3.9%

Source: OCBC, Bloomberg

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