

Market Commentary

- The SGD swap curve fell slightly yesterday, with all tenors trading 1-2bps lower.
- The Bloomberg Barclays Asia USD IG Bond Index average OAS remained mostly unchanged at 202bps, and the Bloomberg Barclays Asia USD HY Bond Index average OAS tightened 2bps to 767bps. The HY-IG Index Spread tightened 2bps to 565bps.
- Flows in SGD corporates were heavy, with flows in STANLN 5.375%-PERPs, CS 5.625%-PERPs, FPLSP 4.98%-PERPs, UBS 4.85%-PERPs, OLAMSP 5.5%-PERPs, SOCGEN 6.125%-PERPs, CELSP 3.9%-PERPs and UBS 5.875%-PERPs.
- 10Y UST Yields fell 3bps to 0.68%, as fears of a COVID-19 resurgence boosted demand for safe-haven assets.

Credit Research

Andrew Wong

+65 6530 4736

WongVKAM@ocbc.com

Ezien Hoo, CFA

+65 6722 2215

EzienHoo@ocbc.com

Wong Hong Wei, CFA

+65 6722 2533

WongHongWei@ocbc.com

Seow Zhi Qi, CFA

+65 6530 7348

zhiquiseow@ocbc.com

Credit Summary:

- [Qantas Airways Limited \("Qantas"\)](#) | **Issuer Profile: Neutral (5):** Qantas has announced several restructuring measures across both the Qantas and Jetstar brands in a bid to ensure survival through COVID-19 and recognizing the difficult road ahead for airlines. Qantas is expecting this recovery to take until 2023 and is seeking to reduce costs by AUD15bn through this period. At the same time, proposed changes are expected to reduce costs by AUD1bn annually going forward after this period.
- [Metro Holdings Ltd \("METRO"\)](#) | **Issuer Profile: Neutral (4):** METRO announced full year results for financial year ended 30 March 2020 ("FY2020"). Revenue jumped 22.3%/y to SGD210.3mn, on the back of 176.2%/y increase in sale of property rights of the residential development properties in Bekasi and Bintaro, Jakarta to SGD95.2mn. Profit after tax however fell significantly to SGD39.7mn from SGD108.0mn a year ago. METRO continues to deepen its exposure to Property while shifting away from Retail. We note that its retail operations in Singapore is loss making (FY2020: -SGD0.2mn). Net gearing was 9.4% which is higher than 2.2% a year ago but remains low. As at 31 March 2020, METRO has SGD349.4mn cash on hand which is sufficient to repay its short term debt of SGD145.2mn as well as its (short term) accounts and other payables and lease liabilities.

Asian Credit Daily

Credit Headlines

Qantas Airways Limited ("Qantas") | Issuer Profile: Neutral (5)

- Qantas has announced several restructuring measures across both the Qantas and Jetstar brands in a bid to ensure survival through COVID-19 and recognizing the difficult road ahead for airlines. These measures include:
 - 6,000 job cuts or around 20% of its entire workforce across ground and cabin crew while 15,000 will continue to be stood down without pay;
 - Grounding of around 100 planes for up to 12 months, some longer;
 - Immediate retirement of its remaining six Boeing 747s, six months ahead of schedule;
 - Deferral of deliveries of new Airbus A321neo and Boeing 787-9 orders;
 - Capital raising of AUD1.9bn via an AUD1.4bn institutional placement and AUD500mn share purchase plan.
- Impacts to staff will occur mostly in its International operations given the suspension of these services which may not resume until July 2021. While CEO Alan Joyce has previously expressed a plan to have 40% of domestic capacity resume from July, these plans could be in jeopardy given the rise of infections in Victoria and suggestions of quarantining of passengers from certain states. Capacity is currently at 15%.
- The above announcements indicate the challenging position faced by airlines and the uncertain outlook necessitating both a liquidity buffer to keep paying expenses while revenues have disappeared and a more sustainable and lower cost structure moving forward as the industry eventually enters a slow and gradual recovery. Qantas is expecting this recovery to take until 2023 and is seeking to reduce costs by AUD15bn through this period. At the same time, proposed changes are expected to reduce costs by AUD1bn annually going forward after this period.
- We [lowered our issuer profile on Qantas](#) to Neutral (5) following the swift deterioration in industry conditions which has not only affected international people movement but also Qantas' home base of Australia where it benefits from being the dominant player for domestic air travel. (Company, Bloomberg, OCBC)

Asian Credit Daily

Credit Headlines

Metro Holdings Ltd (“METRO”) | Issuer Profile: Neutral (4)

- METRO announced full year results for financial year ended 30 March 2020 (“FY2020”). Revenue jumped 22.3%/y to SGD210.3mn, on the back of 176.2%/y increase in sale of property rights of the residential development properties in Bekasi and Bintaro, Jakarta to SGD95.2mn.
- Profit after tax however fell significantly to SGD39.7mn from SGD108.0mn a year ago. This was in part due to GIE Tower, Guangzhou recording a fair value loss on investment property of SGD2.5mn, compared to a gain of SGD14.7mn in FY2019, its associates underperforming and spike in finance costs.
 - METRO’s share of associates’ loss in FY2020 was SGD29.0mn compared to a share of profit of SGD13.8mn in FY2019. Breaking down the losses recorded, SGD12.9mn of which came from operations where associates - Top Spring and Shanghai Plaza granted rental rebates and waivers to tenants due to COVID-19 pandemic. Another SGD6.7mn came from fair value losses on investment properties. We note that fair value gains on investment properties were SGD19.1mn in FY2019. Interestingly, over the FY, METRO had funded SGD37.5mn to its associates in China.
 - Finance costs rose to SGD19.0mn from SGD5.8mn a year ago due to the coupon payments on both of METRO’s bonds which were issued on 25 October 2018 and 2 April 2019.
- Overall, including all its subsidiaries, associates and joint ventures, METRO granted a total of SGD13.1mn of rental rebates and waivers, recorded a fair value loss of SGD8.5mn versus a fair value gain of SGD49.1mn in FY2019, and received a divestment gain of SGD10.6mn from the disposal of its 50% equity stake in its retail associate in Indonesia, PT Metropolitan Retailmart.
- METRO continues to deepen its exposure to Property while shifting away from Retail. Over FY2020, it acquired 50% stake in 7 and 9 Tampines Grande in Singapore, 25% stake in a commercial mall that is part of The Atrium in Chengdu, China, 20% stake in a portfolio of 14 quality freehold office and retail properties in Australia. Concurrently, METRO closed Metro Centrepoint in Singapore and divested stake in Indonesia’s retail business as mentioned earlier. We note that its retail operations in Singapore is loss making (FY2020: -SGD0.2mn).
- Net gearing was 9.4% which is higher than 2.2% a year ago but remains low. As at 31 March 2020, METRO has SGD349.4mn cash on hand which is sufficient to repay its short term debt of SGD145.2mn as well as its (short term) accounts and other payables and lease liabilities. We are maintaining METRO at Neutral (4) Issuer Profile for now. (Company, OCBC)

Key Market Movements

	25-Jun	1W chg (bps)	1M chg (bps)		25-Jun	1W chg	1M chg
iTraxx Asiax IG	84	3	-20	Brent Crude Spot (\$/bbl)	40.41	-2.65%	13.73%
iTraxx SovX APAC	44	2	-12	Gold Spot (\$/oz)	1,762.46	2.29%	1.76%
iTraxx Japan	57	1	-20	CRB	135.24	-0.84%	4.41%
iTraxx Australia	84	3	-20	GSCI	319.02	-0.81%	7.08%
CDX NA IG	75	8	-9	VIX	33.84	1.11%	20.17%
CDX NA HY	100	-2	4	CT10 (%)	0.672%	-3.60	1.33
iTraxx Eur Main	65	5	-10				
iTraxx Eur XO	378	25	-82	AUD/USD	0.686	0.06%	4.75%
iTraxx Eur Snr Fin	74	5	-15	EUR/USD	1.125	0.37%	3.20%
iTraxx Eur Sub Fin	158	15	-27	USD/SGD	1.394	0.03%	2.23%
iTraxx Sovx WE	19	0	-9	AUD/SGD	0.956	-0.04%	-2.41%
USD Swap Spread 10Y	-1	1	-1	ASX 200	5,859	-1.30%	4.34%
USD Swap Spread 30Y	-48	2	-4	DJIA	25,446	-2.58%	4.01%
US Libor-OIS Spread	23	-1	-9	SPX	3,050	-2.03%	3.21%
Euro Libor-OIS Spread	7	-2	-12	MSCI Asiax	658	1.75%	11.54%
				HSI	24,782	1.23%	7.97%
China 5Y CDS	48	2	0	STI	2,629	-1.54%	5.15%
Malaysia 5Y CDS	70	4	-22	KLCI	1,503	-1.55%	4.58%
Indonesia 5Y CDS	126	13	-42	JCI	4,965	-0.46%	9.21%
Thailand 5Y CDS	42	0	-10	EU Stoxx 50	3,196	-2.18%	7.56%
Australia 5Y CDS	0	0	-2				

Source: Bloomberg

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New Issues

- China Aoyuan Group Limited priced a USD460mn 3.6NC2.6 bond at 6.35%, tightening from IPT of 6.75% area.
- NagaCorp Limited (Guarantors: NagaCorp (HK) Limited, Nagaworld Limited, NagaCity Walk Limited, Naga 2 Land Limited and Naga 3 Company Limited) priced a USD350mn 4NC2 bond at 8.5%, tightening from IPT of 8.75% area.
- New Oriental Education & Technology Group, Inc. priced a USD300mn 5-year bond at T+185bps, tightening from IPT of T+220bps area.
- Swiss Re Finance (UK) PLC (Guarantor: Swiss Re Ltd.) priced a SGD350mn 15NC5 bond at 3.125%, tightening from IPT of 3.60% area.

Date	Issuer	Size	Tenor	Pricing
24-Jun-20	China Aoyuan Group Limited	USD460mn	3.6NC2.6	6.35%
24-Jun-20	NagaCorp Limited (Guarantors: NagaCorp (HK) Limited, Nagaworld Limited, NagaCity Walk Limited, Naga 2 Land Limited and Naga 3 Company Limited)	USD350mn	4NC2	8.5%
24-Jun-20	New Oriental Education & Technology Group, Inc.	USD300mn	5-year	T+185bps
24-Jun-20	Swiss Re Finance (UK) PLC (Guarantor: Swiss Re Ltd.)	SGD350mn	15NC5	3.125%
23-Jun-20	Mega Wisdom Global Limited (Guarantor: Fortune Joy Ventures Limited and Sino-Ocean Capital Holding Limited)	USD300mn	364-day	5.625%
23-Jun-20	Ronshine China Holdings Limited	USD160mn	RONXIN 7.35%'23s	7.35%
23-Jun-20	Agile Group Holdings Limited	USD500mn	4.5NC2.5	5.75%
23-Jun-20	NWD Finance BVI Ltd (Guarantor: New World Development Co Ltd)	USD200mn	NWDEVL 5.25% PerpNC6	5.25%
23-Jun-20	Jingrui Holdings Limited	USD40mn	JINGRU 12%'22s	12.0%
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%

Source: OCBC, Bloomberg

Treasury Research & Strategy

Macro Research

Selena Ling

Head of Research & Strategy

LingSSSelena@ocbc.com

Howie Lee

Thailand, Korea &

Commodities

HowieLee@ocbc.com

Tommy Xie Dongming

Head of Greater China

Research

XieD@ocbc.com

Carie Li

Hong Kong & Macau

carierli@ocbcwh.com

Wellian Wiranto

Malaysia & Indonesia

WellianWiranto@ocbc.com

Dick Yu

Hong Kong & Macau

dicksnyu@ocbcwh.com

Terence Wu

FX Strategist

TerenceWu@ocbc.com

Credit Research

Andrew Wong

Credit Research Analyst

WongVKAM@ocbc.com

Ezien Hoo

Credit Research Analyst

EzienHoo@ocbc.com

Wong Hong Wei

Credit Research Analyst

WongHongWei@ocbc.com

Seow Zhi Qi

Credit Research Analyst

ZhiQiSeow@ocbc.com

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