

Market Commentary

- The SGD swap curve bull-flattened yesterday, with the shorter and the belly tenors trading 11-18bps lower, while the longer tenors traded 11-16bps lower.
- The Bloomberg Barclays Asia USD IG Bond Index average OAS tightened 2bps to 276bps, and the Bloomberg Barclays Asia USD HY Bond Index average OAS tightened 1bps to 1274bps. The HY-IG Index Spread widened 2bps to 998bps.
- Flows in SGD corporates were heavy, with flows in OCBCSP 4%-PERPs, DBSSP 3.98%-PERPs, STANLN 4.4%'26s and FPLSP 4.98%-PERPs.
- 10Y UST Yields gained 6bps to 0.85% while the Dow Jones gained 13% due to optimism that a USD2tn stimulus bill will clear the Senate.

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

zhqiaseow@ocbc.com

Credit Summary:

- [Singapore Airlines Ltd \("SIA"\)](#) | **Issuer Profile: Neutral (5)**: As part of SIA's cost cutting measures in light of COVID-19 disruptions, SIA has reached an agreement with its unions on a set of measures that would affect 10,000 staff members. Reportedly, monthly salary for cabin crew will fall by as much as 60-70% driven by loss of variable component linked to flying hours. We continue to expect the company to seek external financing in a bid to increase its liquidity.
- [Qantas Airways Ltd \("QANAU"\)](#) | **Issuer Profile: Neutral (4)**: QANAU announced that it has completed a new round of debt funding to strengthen its liquidity position. This additional debt has been secured against part of QANAU's fleet of unencumbered aircraft with a tenor of up to 10 years at an interest rate of 2.75%. The company has an additional AUD1bn in undrawn facilities remaining available. Separately, QANAU may be fined if the the Australian Competition and Consumer Commission ("ACCC") finds substance to the allegations that QANAU has engaged in anti-competitive behaviour.
- [China Aoyuan Group Limited \("CAPG"\)](#) | **Issuer Profile: Unrated**: CAPG announced its preliminary 2019 financials. 2019 revenue increased 63% y/y while gross profit increased by 56% y/y. As at 31 December 2019, CAPG's unadjusted gross gearing had increased to 2.6x (30 June 2019: 2.2x) with short term debt representing 33% of gross debt. For February 2020, contracted sales had declined by 65% y/y. The company raised RMB2.54bn of onshore bonds in February while in January, it raised USD230mn in syndicated bank loans. The company faces two puts on its offshore bonds in September 2020.
- **Industry Outlook – Retail REITs**: Singapore has implemented tighter safe distancing measures to reduce the risks of seeding new local clusters. These measures to safeguard our well-being unfortunately disrupts businesses. Although these measures reduces operating capacity, they allow stores to continue operations. We think retail REITs' may have to provide rental rebate for their tenants and performance will no doubt be negatively impacted. That said, this is definitely better compared to a situation where only essential services can operate.

Asian Credit Daily

Credit Headlines

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

- As part of SIA’s cost cutting measures in light of COVID-19 disruptions, SIA has reached an agreement with its unions a set of measures that would affect 10,000 staff members. Among the measures include:
 - No-pay leave for all staff up to divisional vice-presidents
 - Varying days of compulsory no-pay leave every month for pilots, executives and associates
 - Leave of absence for staff on re-employment contracts
 - Senior management team will also be taking deeper pay cuts while the board members would also take a 30% cut in their fees
- Reportedly, monthly salary for cabin crew will fall by as much as 60-70% driven by loss of variable component linked to flying hours. We continue to expect the company to seek external financing in a bid to increase its liquidity. (Company, OCBC)

Qantas Airways Ltd (“QANAU”) | Issuer Profile: Neutral (4)

- QANAU announced that it has completed a new round of debt funding, obtaining AUD1.05bn in additional funding to strengthen its liquidity position.
- This additional debt has been secured against part of the QANAU fleet of unencumbered aircraft with a tenor of up to 10 years at an interest rate of 2.75%.
- The company has an additional AUD1bn in undrawn facilities remaining available.
- We continue to review QANAU for a downgrade of its issuer profile given the significant hit to even QANAU’s domestic operations, though we take some comfort over QANAU’s proactive stance in addressing its liquidity profile.
- Separately, the Australian Competition and Consumer Commission (“ACCC”) has received a letter from QANAU’s competitor Virgin Australia Holdings (“VAH”) alleging that QANAU has engaged in anti-competitive behaviour by publicly mentioning that VAH was in trouble and would not survive the COVID-19 crisis. If the ACCC finds substance to the allegations, QANAU may be fined. (Straits Times, Company, OCBC)

Asian Credit Daily**Credit Headlines****China Aoyuan Group Limited (“CAPG”) | Issuer Profile: Unrated**

- CAPG announced its preliminary 2019 financials. 2019 revenue increased 63% y/y to RMB50.5bn while gross profit increased by 56% y/y to RMB15.0bn. EBITDA (based on our calculation which does not include other income and other expenses) was up by 62% y/y to RMB10.4bn, which covered interest expense (including capitalised interest) by 1.4x, somewhat lower than the 1.6x in 2018.
- As at 31 December 2019, CAPG’s unadjusted gross gearing had increased further to 2.6x (30 June 2019: 2.2x). Amounts due to non-controlling shareholders of subsidiaries and joint ventures had risen to RMB22.7bn, from only RMB6.8bn as at 30 June 2019. Assuming these as debt, we find that CAPG adjusted gross gearing levels had exceeded 3.0x (30 June 2019: 2.4x). In our view, gross gearing is a better representation of leverage levels as the existence of significant amounts of contract liabilities indicate that cash balance has a competing use (namely, working capital where residential units needs to be constructed and delivered to customers).
- This is even more so as the COVID-19 outbreak has negatively affected pre-sales of Chinese property developers including CAPG. For February 2020 (peak of disruption in China), contracted sales had declined by 65% y/y (January and February 2020 cumulatively down 38% y/y). Encouragingly though, the company has shared that ~99% of CAPG’s sales centres has resumed business while ~94% of its construction projects has obtained approval from local government and resumed construction.
- As at 31 December 2019, CAPG’s short term debt was RMB41.9bn (representing 44% of gross debt). Nonetheless, per company RMB9.6bn in short term debt had been repaid in 1Q2020, with short term debt representing 33% of gross debt. The company raised RMB2.54bn of onshore bonds in February 2020 while in January 2020, it raised USD230mn (~RMB1.63bn) in syndicated bank loans. The company faces two puts on its offshore bonds in September 2020, a USD500mn (RMB3.5bn) and SGD100mn (RMB0.5bn). (Company, OCBC)

Asian Credit Daily

Credit Headlines

Industry Outlook – Retail REITs

- Singapore has implemented tighter safe distancing measures to reduce the risks of seeding new local clusters. These measures to safeguard our well-being unfortunately disrupts businesses.
- For a one month period, from 27 March 2020 to 30 April 2020, retail malls have to ensure the following:
 - Bars and entertainment venues such as cinemas and karaoke outlets will be closed
 - Food and beverage outlets must set up their arrangement of tables and seating to ensure separation of >1 metre between tables or different group of diners.
 - This reduces the capacity of F&B outlets and would translate to lower revenue for the sector as a whole.
 - Suspension of tuition and enrichment centres
 - Defer or cancel events and mass gatherings
 - Events are limited to no more than 10 person at any one time.
 - This will affect conferences, exhibitions, festivals and fairs which typically yield spill over effects for the REITs.
 - For all malls, patrons must practise at least one metre physical spacing, and venue should not have more than one person per 16 sq m of usable space.
 - We think malls will most likely have to implement crowd control and limit the number of patrons allowed in a mall at any one time.
- Although these measures reduces operating capacity, they allow stores to continue operations. We think retail REITs' may have to provide rental rebate for their tenants and performance will no doubt be negatively impacted. That said, this is definitely better compared to a situation where only essential services can operate. (MOH, OCBC)

Asian Credit Daily

Key Market Movements

	25-Mar	1W chg (bps)	1M chg (bps)		25-Mar	1W chg	1M chg
iTraxx Asiax IG	176	24	121	Brent Crude Spot (\$/bbl)	28.05	12.74%	-48.95%
iTraxx SovX APAC	87	-2	57	Gold Spot (\$/oz)	1,605.86	8.06%	-1.79%
iTraxx Japan	169	26	123	CRB	128.15	-1.64%	-23.94%
iTraxx Australia	218	43	164	GSCI	270.58	7.79%	-29.32%
CDX NA IG	108	-32	52	VIX	61.67	-18.76%	121.44%
CDX NA HY	92	1	-15	CT10 (%)	0.840%	-35.14	-51.20
iTraxx Eur Main	100	-41	49				
iTraxx Eur XO	604	-115	351	AUD/USD	0.601	4.11%	-8.99%
iTraxx Eur Snr Fin	111	-53	52	EUR/USD	1.079	-1.11%	-0.81%
iTraxx Eur Sub Fin	233	-118	114	USD/SGD	1.447	-0.19%	-3.34%
iTraxx Sovx WE	28	-16	17	AUD/SGD	0.870	-4.13%	6.20%
USD Swap Spread 10Y	-9	3	-3	ASX 200	4,998	0.91%	-27.21%
USD Swap Spread 30Y	-58	13	-20	DJIA	20,705	-2.51%	-23.55%
US Libor-OIS Spread	111	12	99	SPX	2,447	-3.24%	-21.77%
Euro Libor-OIS Spread	13	3	7	MSCI Asiax	528	0.64%	-20.28%
				HSI	23,235	4.23%	-13.60%
China 5Y CDS	65	-5	25	STI	2,428	0.12%	-23.11%
Malaysia 5Y CDS	156	-21	112	KLCI	1,333	7.61%	-11.17%
Indonesia 5Y CDS	256	23	191	JCI	3,938	-11.65%	-31.96%
Thailand 5Y CDS	105	15	76	EU Stoxx 50	2,715	7.30%	-24.00%
Australia 5Y CDS	49	-1	28				

Source: Bloomberg

Asian Credit Daily

New Issues

- Xinhua (BVI) 2018 Holding Company Limited (Guarantor: Xinhua Zhongbao Co Ltd) priced a USD200mn 3-year bond at 11.0%.

Date	Issuer	Size	Tenor	Pricing
24-Mar-20	Xinhua (BVI) 2018 Holding Company Limited (Guarantor: Xinhua Zhongbao Co Ltd)	USD200mn	3-year	11.0%
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

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

This publication is solely for information purposes only and may not be published, circulated, reproduced or distributed in whole or in part to any other person without our prior written consent. This publication should not be construed as an offer or solicitation for the subscription, purchase or sale of the securities/instruments mentioned herein. Any forecast on the economy, stock market, bond market and economic trends of the markets provided is not necessarily indicative of the future or likely performance of the securities/instruments. Whilst the information contained herein has been compiled from sources believed to be reliable and we have taken all reasonable care to ensure that the information contained in this publication is not untrue or misleading at the time of publication, we cannot guarantee and we make no representation as to its accuracy or completeness, and you should not act on it without first independently verifying its contents. The securities/instruments mentioned in this publication may not be suitable for investment by all investors. Any opinion or estimate contained in this report is subject to change without notice. We have not given any consideration to and we have not made any investigation of the investment objectives, financial situation or particular needs of the recipient or any class of persons, and accordingly, no warranty whatsoever is given and no liability whatsoever is accepted for any loss arising whether directly or indirectly as a result of the recipient or any class of persons acting on such information or opinion or estimate. This publication may cover a wide range of topics and is not intended to be a comprehensive study or to provide any recommendation or advice on personal investing or financial planning. Accordingly, they should not be relied on or treated as a substitute for specific advice concerning individual situations. Please seek advice from a financial adviser regarding the suitability of any investment product taking into account your specific investment objectives, financial situation or particular needs before you make a commitment to purchase the investment product. OCBC Bank, its related companies, their respective directors and/or employees (collectively "Related Persons") may or might have in the future interests in the investment products or the issuers mentioned herein. Such interests include effecting transactions in such investment products, and providing broking, investment banking and other financial services to such issuers. OCBC Bank and its Related Persons may also be related to, and receive fees from, providers of such investment products.

This report is intended for your sole use and information. By accepting this report, you agree that you shall not share, communicate, distribute, deliver a copy of or otherwise disclose in any way all or any part of this report or any information contained herein (such report, part thereof and information, "Relevant Materials") to any person or entity (including, without limitation, any overseas office, affiliate, parent entity, subsidiary entity or related entity) (any such person or entity, a "Relevant Entity") in breach of any law, rule, regulation, guidance or similar. In particular, you agree not to share, communicate, distribute, deliver or otherwise disclose any Relevant Materials to any Relevant Entity that is subject to the Markets in Financial Instruments Directive (2014/65/EU) ("MiFID") and the EU's Markets in Financial Instruments Regulation (600/2014) ("MiFIR") (together referred to as "MiFID II"), or any part thereof, as implemented in any jurisdiction. No member of the OCBC Group shall be liable or responsible for the compliance by you or any Relevant Entity with any law, rule, regulation, guidance or similar (including, without limitation, MiFID II, as implemented in any jurisdiction).