

Market Commentary

- The SGD swap curve steepened yesterday, with the shorter tenors trading 0-1bps higher (with the exception of the 1-year tenor trading 2bps lower), while the belly and the longer tenors traded 2-3bps higher.
- The Bloomberg Barclays Asia USD IG Bond Index average OAS widened 2bps to 125bps, and the Bloomberg Barclays Asia USD HY Bond Index average OAS widened 9bps to 506bps. The HY-IG Index Spread widened 7bps to 381bps.
- Flows in SGD corporates were heavy, with flows in OHLSP 6.5%'23s, SOCGEN 6.125%-PERPs, ESRCAY 5.1%'25s, OHLSP 5.7%'22s, TMGSP 4.05%'25s, F 4.125%'24s, HSBC 5%-PERPs, BREAD 4%'23s, SPHSP 4%-PERPs and STANLN 5.375%-PERPs.
- Playing its safe-haven role, 10Y UST Yields fell 2bps to 1.35% though at one point touched 1.31% intraday, which was a record low since 2016 on the back of lower than street's forecasted consumer confidence index and rising concerns that the outbreak of COVID-19 will have a larger global impact. The Centers for Disease Control and Prevention ("CDC") outlined steps which schools and businesses would likely need to do in the event of an epidemic in the USA while adding that it expects COVID-19 to begin community spreading in the USA.

Credit Summary:

- [China Aoyuan Group Ltd \("CAPG"\)](#) | **Issuer Profile: Neutral (5):** CAPG announced a positive profit alert, with the company expecting to record a more than 50% increase in its core net profit compared to 2018. In our view, CAPG's 2H2019 numbers is highly unlikely to be reflective of 1H2020 pre-sales as we expect [COVID-19 outbreak to lead to an overall property market slowdown](#) in China, barring specific property stimulus measures.
- [City Developments Ltd \("CDL"\)](#) | **Issuer Profile: Neutral (3):** CDL reported 2019 results. Revenue declined 18.8% y/y mainly due to decline in property development revenue. Reported EBITDA fell 5.2% y/y mainly due to lower revenues. Net gearing rose q/q to 63% (3Q2019: 46%), and EBITDA/Interest fell to 3.7x (2018: 6.9x). We expect net gearing to reach ~70%-80%, as mentioned in our [Credit Outlook 2020](#), due to asset enhancements, property development and redevelopment of its existing portfolio.
- [Singapore Press Holdings Ltd \("SPH"\)](#) | **Issuer Profile: Unrated:** SPH is acquiring 6 senior housing properties in Canada. This follows the recently announced acquisition of 5 aged care assets in Japan for JPY5.26bn (~SGD65.8mn).
- [CapitaLand Ltd \("CAPL"\)](#) | **Issuer Profile: Neutral (3):** CAPL reported 2019 results. Revenue rose 11.3% y/y while reported EBIT rose 22.3% y/y, mainly due to the acquisition of Ascendas-Singbridge Pte Ltd which completed at the end of 2Q2019. Thus far, CAPL has been impacted by the COVID-19 outbreak with 4 malls closed in China, reduced serviced residence bookings and lower foot traffic to shopping malls. We will continue to monitor developments on COVID-19.

Credit Research

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Credit Headlines

China Aoyuan Group Ltd (“CAPG”) | Issuer Profile: Neutral (5)

- CAPG announced a positive profit alert. Based on preliminary review and analysis of its consolidated management accounts, the company is expected to record a more than 50% increase in its core net profit (excluding non-recurring gains or losses and their related tax effects) compared to 2018. This is on the back of higher revenue recognised from sales completion where units are delivered to buyers.
- In our view, CAPG’s 2H2019 numbers is highly unlikely to be reflective of 1H2020 pre-sales as we expect [COVID-19 outbreak to lead to an overall property market slowdown](#) in China, barring specific property stimulus measures. CAPG has disclosed that in January 2020, the company achieved property sales of RMB5.06bn on contracted gross floor area (“GFA”) sold of ~433,000 sqm, representing a y/y fall of 9.7% and 16.5% respectively. The average selling price was RMB11,690 per sqm (January 2019 average selling price: RMB10,810 per sqm). (Company, OCBC)

City Developments Ltd (“CDL”) | Issuer Profile: Neutral (3)

- CDL reported 2019 results. Revenue declined 18.8% y/y to SGD3.43bn mainly due to decline in property development revenue (-44.4% y/y to SGD1.14bn) due to the timing of revenue recognition. Meanwhile, hotel operations revenue was stable (+1.5% y/y to SGD1.71bn) and investment properties revenue rose (+22.0% y/y to SGD438mn) due to properties bought in late 2018 and Le Grove Serviced Residences which opened in Jul 2018.
- Reported EBITDA fell 5.2% y/y to SGD1.13bn mainly due to lower revenues.
- Thus far, property sales in Singapore have been decent with a total sales value of SGD3.3bn in 2019 (2018: SGD2.2bn). For the 6 projects launched in 2019, this includes Boulevard 88 (91 sold out of 154 total units), Amber Park (202 sold out of 592), Haus on Handy (32 out of 188), Piermont Grand (484 out of 820), Nouvel 18 (27 out of 156) and Sengkang Grand Residences (237 out of 680).
- Net gearing rose q/q to 63% (3Q2019: 46%) mainly due to the privatisation of Millennium & Copthorne PLC resulting in SGD1.33bn cash outflow as well as reduction in minorities (as a consequent, equity base fell). With net gearing levels significantly higher y/y (2018: 33%), EBITDA/Interest fell to 3.7x (2018: 6.9x).
- We expect net gearing to reach ~70%-80%, as mentioned in our [Credit Outlook 2020](#), due to asset enhancements, property development and redevelopment of its existing portfolio. Should CDL continue to acquire aggressively and credit metrics stretches significantly beyond our expectations, we may revise CDL’s Issuer Profile lower. (Company, OCBC)

Singapore Press Holdings Ltd (“SPH”) | Issuer Profile: Unrated

- SPH is acquiring 6 senior housing properties in Canada for CAD232.9mn (SGD244.5mn). This follows the recently announced [acquisition of 5 aged care assets in Japan for JPY5.26bn \(~SGD65.8mn\)](#).
- We expect the credit metrics of SPH to weaken as a result. (Company, OCBC)

Asian Credit Daily**Credit Headlines****CapitaLand Ltd (“CAPL”) | Issuer Profile: Neutral (3)**

- CAPL reported 2019 results. Revenue rose 11.3% y/y to SGD6.23bn while reported EBIT rose 22.3% y/y to SGD5.1bn, mainly due to the acquisition of Ascendas-Singbridge Pte Ltd (“ASB”) which completed at the end of 2Q2019. Results for CAPL’s various business units differ:
 - CL Singapore and International: Reported EBIT rose 15.1% y/y to SGD2.21bn mainly from growth in the International segment (+192.7% y/y to SGD269.6mn) which is likely due to acquisition of ASB.
 - CL China: Reported EBIT rose 14.7% y/y to SGD2.12bn with higher value of units handed over (+11.9% y/y to RMB12.3bn) due to shift in product mix.
 - CL Lodging: Reported EBIT rose 79.0% y/y to SGD579.6mn due to contribution from Ascendas Hospitality Trust arising from acquisition of ASB and higher revenue from Synergy Global Housing.
 - CL Financial: Reported EBIT rose 73.4% y/y to SGD227.1mn mainly from ASB’s fund management business.
- Thus far, CAPL has been impacted by the COVID-19 outbreak with 4 malls closed in China, reduced serviced residence bookings and lower foot traffic to shopping malls. China retail assets accounts for SGD827.7mn (16.2%) out of CAPL’s total reported EBIT of SGD5.1bn. CL Lodging accounts for SGD579.6mn (11.4%) out of CAPL’s total reported total EBIT. We will continue to monitor developments on COVID-19. A prolonged business disruption will be credit negative for CAPL.
- Reported net gearing fell q/q to 63% (3Q2019: 69%) mainly due to SGD707.4mn net cash generated from operations as well as divestment of 30 business parks in the USA and Singapore to Ascendas REIT for SGD1.66bn (note that Ascendas REIT is not consolidated on CAPL’s balance sheet). We continue to hold CAPL at a Neutral (3) Issuer Profile. (Company, OCBC)

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Key Market Movements

	26-Feb	1W chg (bps)	1M chg (bps)		26-Feb	1W chg	1M chg
iTraxx Asiax IG	55	8	-4	Brent Crude Spot (\$/bbl)	55.21	-6.61%	-9.03%
iTraxx SovX APAC	30	3	1	Gold Spot (\$/oz)	1,640.87	1.81%	3.72%
iTraxx Japan	47	4	0	CRB	168.49	-3.06%	-4.13%
iTraxx Australia	54	8	4	GSCI	382.82	-5.16%	-5.77%
CDX NA IG	56	11	6	VIX	27.85	87.80%	91.28%
CDX NA HY	107	-2	-1	CT10 (%)	1.360%	-20.57	-32.35
iTraxx Eur Main	50	9	4				
iTraxx Eur XO	253	41	24	AUD/USD	0.660	-1.14%	-2.40%
iTraxx Eur Snr Fin	59	11	4	EUR/USD	1.087	0.59%	-1.36%
iTraxx Eur Sub Fin	119	22	4	USD/SGD	1.398	-0.27%	-2.91%
iTraxx Sovx WE	11	1	0	AUD/SGD	0.923	0.91%	-0.53%
USD Swap Spread 10Y	-6	-1	-1	ASX 200	6,722	-5.91%	-5.19%
USD Swap Spread 30Y	-39	-5	-7	DJIA	27,081	-7.36%	-6.58%
US Libor-OIS Spread	14	1	-8	SPX	3,128	-7.18%	-5.08%
Euro Libor-OIS Spread	6	0	-1	MSCI Asiax	662	-3.80%	-4.59%
				HSI	26,661	-3.60%	-4.61%
China 5Y CDS	40	6	-3	STI	3,133	-2.52%	-3.31%
Malaysia 5Y CDS	44	9	2	KLCI	1,504	-1.95%	-4.35%
Indonesia 5Y CDS	65	7	-3	JCI	5,753	-2.96%	-7.86%
Thailand 5Y CDS	29	3	7	EU Stoxx 50	3,573	-6.88%	-5.47%
Australia 5Y CDS	18	2	1				

Source: Bloomberg

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New Issues

- Minmetals Bounteous Finance (BVI) Limited (Guarantor: China Minmetals Corporation) priced a USD1bn PERPNC4.5 bond at 3.375%, tightening from IPT of 3.7% area.
- Bank of Communications (Hong Kong) Limited priced a USD500mn AT1 PERPNC5 at 3.725%, tightening from IPT of 4.1% area.
- Elect Global Investments Ltd. (Guarantor: Hysan Development Co.) priced a USD850mn PERPNC5.5 at 4.1%, tightening from IPT of 4.4% area.

Date	Issuer	Size	Tenor	Pricing
25-Feb-20	Minmetals Bounteous Finance (BVI) Limited (Guarantor: China Minmetals Corporation)	USD1bn	PERPNC4.5	3.375%
25-Feb-20	Bank of Communications (Hong Kong) Limited	USD500mn	AT1 PERPNC5	3.725%
25-Feb-20	Elect Global Investments Ltd. (Guarantor: Hysan Development Co.)	USD850mn	PERPNC5.5	4.1%
24-Feb-20	China Overseas Finance (Cayman) VIII Ltd. (Guarantor: China Overseas Land & Investment Ltd.)	USD300mn USD500mn USD200mn	5-year 10-year 15-year	T+123bps T+145bps T+175bps
24-Feb-20	Hong Seng Limited (Parent Guarantor: Hong Yang Group Company Limited)	USD275mn	2.5-year	10.875%
24-Feb-20	Bocom Leasing Management Hong Kong Co. (Keepwell and asset purchase deed provider: Bank of Communications Financial Leasing Co.)	USD300mn USD500mn	3-year 5-year	T+83bps T+95bps
24-Feb-20	BPHL Capital Management Limited (Guarantor: Beijing Properties (Holdings) Limited)	USD600mn	3-year	5.95%
24-Feb-20	Greenland Global Investment Limited (Guarantor: Greenland Holding Group Co Ltd)	USD300mn	4-year	6.75%
24-Feb-20	Oxley MTN Pte. Ltd. (Guarantor: Oxley Holdings Ltd)	SGD75mn	3-year	6.5%
21-Feb-20	Yango Cayman Investment Ltd (Guarantor: Fujian Yango Group Co Ltd)	USD88mn	YANGOG 12.5%'21s	12.5%
20-Feb-20	Shui On Development (Holding) Limited (Guarantor: Shui On Land Limited)	USD400mn	5NC3	5.5%
20-Feb-20	Semiconductor Manufacturing International Corp.	USD600mn	5-year	T+133bps
20-Feb-20	Kunming Municipal Urban Construction Investment & Development Co., Ltd.	USD200mn	KMCONS 5.8%'22s	5.95%

Source: OCBC, Bloomberg

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