

Market Commentary

- The SGD swap curve bull-flattened last Friday, with the shorter and the belly tenors trading 0-1bps lower, while the longer tenors traded 3-6bps lower.
- The Bloomberg Barclays Asia USD IG Bond Index average OAS widened 1bps to 260bps, and the Bloomberg Barclays Asia USD HY Bond Index average OAS widened 6bps to 1000bps. The HY-IG Index Spread widened 5bps to 740bps.
- Flows in SGD corporates were heavy, with flows in MAPLSP 4.5%-PERPs, SOCGEN 4.3%'26s, CS 5.625%-PERPs, SOCGEN 6.125%-PERPs, HSBC 4.7%-PERPs, HSBC 5%-PERPs and UOBSP 3.58%-PERPs.
- 10Y UST Yields remained mostly flat at 0.6% by the end of the day, reacting minimally to the Fed's plan to slow its Treasury purchase.

Credit Research

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Credit Summary:

- [First Real Estate Investment Trust \("FIRT"\)](#) | **Issuer Profile: Negative (6)**: FIRT has announced that it will adopt semi-annual reporting of the financial results, with effect from FY2020, with the next financial results for the half year period ending 30 June 2020.
- [Singapore Telecommunications Ltd \("SingTel"\)](#) | **Issuer Profile: Positive (2)**: SingTel announced that it has obtained SGD4.17bn of credit facilities for general corporate purposes and refinancing of existing facilities. We do not see an immediate use of proceeds from the credit facilities, but this provides greater assurance that SingTel has a credit line to tap on since funding in today's market can be unpredictable.
- [Fraser and Neave Ltd \("FNN"\)](#) | **Issuer Profile: Neutral (4)**: Fraser and Neave Holdings Bhd ("FNNB"), a subsidiary of FNN, announced that the sale and purchase agreement of leasehold land at Ladang Chuping has been rescinded. FNNB will continue to look for opportunities for its proposed integrated crop and dairy farming project. We remain comfortable with FNN's profile for now.
- [Lendlease Group \("LLC"\)](#) | **Issuer Profile: Neutral (3)**: LLC is looking to raise AUD500mn-AUD600mn through pre-selling its cashflows from the development project at Barangaroo at Sydney. We think pre-selling its cashflows is helpful in today's climate to obtain liquidity.
- [National Australia Bank Ltd \("NAB"\)](#) | **Issuer Profile: Positive (2)**: NAB released its 1HFY2020 results earlier than originally scheduled with net profit from continuing operations down 58.4% y/y. The rise in credit impairment charges reflects AUD828mn in forward looking collective provision charges due to the likely economic deterioration from COVID-19. NAB's CET1 capital ratio was stable q/q at 10.4% as at 31 March 2020 and NAB appears solidly positioned as it enters this uncertain and challenging operating environment.
- [HSBC Holdings PLC \("HSBC"\)](#) | **Issuer Profile: Neutral (3)**: HSBC held its annual general meeting last week in which it re-affirmed its commitment to the previously announced restructuring plan. CEO Noel Quinn indicated a need to consider additional actions to address the change in economic conditions from COVID-19 although did not provide additional details.

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Credit Headlines

First Real Estate Investment Trust ("FIRT") | Issuer Profile: Negative (6)

- FIRT has announced that it will adopt semi-annual reporting of the financial results, with effect from FY2020, with the next financial results for the half year period ending 30 June 2020.
- Notwithstanding the cessation of quarterly reporting, dividends will still be paid quarterly. (Company, OCBC)

Singapore Telecommunications Ltd ("SingTel") | Issuer Profile: Positive (2)

- SingTel announced that it has obtained SGD4.17bn of credit facilities for general corporate purposes and refinancing of existing facilities. This includes at the SingTel Group Treasury Pte Ltd level SGD2.5bn 3-year committed revolving credit facility with 13 banks and SGD950mn 1-year committed facilities with 3 banks while Optus Finance Pty Ltd (subsidiary of SingTel) has AUD800mn 364-day committed facilities with a group of banks.
- We do not see an immediate use of proceeds from the credit facilities though we think these may help position SingTel better defensively and offensively.
- We think funding in today's market can be unpredictable; hence there will be greater assurance if SingTel has a credit line to tap on. This may include further cash injections (if needed) into associates and subsidiaries (e.g. Bharti). Separately, the downturn arising from COVID-19 may present opportunities interesting for SingTel.
- We continue to hold SingTel at a Positive (2) Issuer Profile (Company, OCBC)

Fraser and Neave Ltd ("FNN") | Issuer Profile: Neutral (4)

- Fraser and Neave Holdings Bhd ("FNNB"), which is a 55.48%-owned subsidiary of FNN, announced that the MYR156mn sale and purchase agreement ("SPA") of 4,453.92 hectares of leasehold land at Ladang Chuping has been rescinded as the counterparty (a subsidiary of MSM Malaysia Holdings Bhd) has not granted any extension of time for the satisfaction of conditions under the SPA.
- As a recap, [FNN intended to undertake dairy farming as well as farming of corn grains at the site](#).
- FNNB will continue to look for opportunities for its proposed integrated crop and dairy farming project when such opportunities arise.
- We remain comfortable with FNN's profile for now due to its healthy credit metrics as per [1QFY2020 results for the quarter ending 31 Dec 2019](#) with net gearing at 15%. (Company, OCBC)

Lendlease Group ("LLC") | Issuer Profile: Neutral (3)

- LLC is looking to raise AUD500mn-AUD600mn through pre-selling its cashflows from the development project at Barangaroo at Sydney, according to the AFR. LLC will pay investors from apartment sales at an agreed rate of return.
- We think pre-selling its cashflows is helpful in today's climate to obtain liquidity. (AFR, Bloomberg, OCBC)

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Credit Headlines

National Australia Bank Ltd (“NAB”) | Issuer Profile: Positive (2)

- NAB released its 1HFY2020 results earlier than originally scheduled on May 7th with net profit from continuing operations down 58.4% y/y to AUD1.21bn. As previously disclosed, the main impact on the results were extra-ordinary impacts of AUD1.1bn for software capitalisation changes but reported results were also impacted by AUD1.2bn in credit impairment charges, up 159% y/y.
- Cash earnings were down 51.4% y/y to AUD1.4bn for 1HFY2020. Excluding the extra-ordinary impacts of software capitalisation changes, customer-related remediation and higher collective provisions for the economic impacts of COVID-19 as well as Corporate Functions and Other charges, cash earnings of AUD3.4bn was stable y/y. Excluding only large notable items, cash earnings were down 24.6% y/y.
- Operating income was down 3.4% y/y due to 21.9% y/y fall in other operating income from mark-to-market portfolio losses within Markets and Treasury. This offset a 1.9% y/y improvement in net interest income from and a 29.7% fall in customer remediation expenses.
- Operating expenses rose 1.6% y/y as productivity savings and lower performance based compensation was offset by higher investment and restructuring costs but factoring in additional customer remediation expenses and software capitalisation change, underlying profit fell 31.4% y/y.
- The rise in credit impairment charges reflects AUD828mn in forward looking collective provision charges due to the likely economic deterioration from COVID-19. The ratio of 90+ days past due and gross impaired assets to gross loans and acceptances rose 18bps y/y and 4bps h/h to 0.97% due to more delays in the mortgage portfolio. According to management, NAB has approved requests from more than 70,000 home loans totalling AUD26.5bn in balances and 34,000 business loans totalling AUD17.4bn in balances to defer repayments with these deferrals treated as performing in line with Australia Prudential Regulation Authority’s (APRA) guidance.
- By segment, y/y performance was dispersed with better performance in Consumer Banking and New Zealand whilst Business and Private Banking and Corporate and Institutional Banking performance was softer y/y. MLC Wealth cash earnings fell 46.2% y/y which likely drove the AUD214mn write-down. However, earnings composition rather than relative performance will be more important going forward in our view given COVID-19 impacts with Business and Private Banking contributing 41.1% of total 1HFY2020 cash earnings excluding extra-ordinary items and Corporate Functions and Other charges. This was followed by Corporate and Institutional Banking (20.9%) and Consumer Banking (20.8%) with New Zealand comprising 15.9% and MLC Wealth relatively immaterial at 1.3%.
- NAB’s CET1 capital ratio was stable q/q at 10.4% as at 31 March 2020 as capital note conversion (+18bps) and the 2HFY2019 dividend reinvestment plan (+17bps) was offset by FX translation and mark-to-market losses (-21bps) and EA top-up (-19bps). Recognising the challenges ahead and the need to shore up its capital, NAB is reducing its dividend payout by around 64% and is pursuing a AUD3.5bn capital raising via an institutional placement and share purchase plan. Management is expecting this to improve NAB’s CET1 ratio to 11.2%. Other ratios were solid as at 31 March 2020 with the APRA basis Leverage Ratio at 5.2%, the quarterly average Liquidity Coverage Ratio at 136% and the Net Stable Funding Ratio at 116%.
- We continue to review the numbers. NAB appears solidly positioned as it enters this uncertain and challenging operating environment however the question remains as to what position it will be in when it exits. This part remains unknown although as we mentioned in our Special Interest Commentary [‘Assessing the virus and fundamentals for Australia’s big 4 banks’](#), Australia appears relatively well positioned for returning slowly to some measure of economic normality. (Company, OCBC)

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Credit Headlines

HSBC Holdings PLC (“HSBC”) | Issuer Profile: Neutral (3)

- HSBC held its annual general meeting last week in which it re-affirmed its commitment to the [previously announced restructuring plan](#).
- That said, the impact of COVID-19 will reshape certain aspects of the plan and reinforce the urgency of others including USD4.5bn in cost reductions.
- CEO Noel Quinn indicated a need to consider additional actions to address the change in economic conditions from COVID-19 although did not provide additional details.
- The current plan, which included 35,000 in job cuts or 15% of the global workforce, has already been altered with HSBC announcing previously that all staff reductions that are yet to be notified will be paused. (Company, Bloomberg, OCBC)

Key Market Movements

	27-Apr	1W chg (bps)	1M chg (bps)		27-Apr	1W chg	1M chg
iTraxx Asiax IG	124	6	-10	Brent Crude Spot (\$/bbl)	21.10	-17.48%	-15.36%
iTraxx SovX APAC	71	5	0	Gold Spot (\$/oz)	1,721.84	1.54%	5.75%
iTraxx Japan	91	12	-28	CRB	112.75	-8.92%	-8.98%
iTraxx Australia	131	11	-41	GSCI	241.45	-10.77%	-7.68%
CDX NA IG	94	1	-17	VIX	35.93	-5.82%	-45.18%
CDX NA HY	93	-1	-2	CT10 (%)	0.612%	0.65	-6.28
iTraxx Eur Main	84	0	-10				
iTraxx Eur XO	502	-3	-71	AUD/USD	0.643	1.50%	4.26%
iTraxx Eur Snr Fin	110	2	-2	EUR/USD	1.083	-0.31%	-2.81%
iTraxx Eur Sub Fin	241	8	3	USD/SGD	1.422	-0.07%	0.34%
iTraxx Sovx WE	33	0	9	AUD/SGD	0.915	-1.54%	-3.78%
USD Swap Spread 10Y	3	-4	7	ASX 200	5,268	-1.58%	8.79%
USD Swap Spread 30Y	-42	-3	10	DJIA	23,775	-1.93%	9.88%
US Libor-OIS Spread	81	-21	-57	SPX	2,837	-1.32%	11.62%
Euro Libor-OIS Spread	31	10	19	MSCI Asiax	584	-2.18%	4.74%
				HSI	24,128	-0.83%	2.74%
China 5Y CDS	51	4	-2	STI	2,534	-2.46%	0.21%
Malaysia 5Y CDS	120	13	2	KLCI	1,373	-2.81%	2.26%
Indonesia 5Y CDS	225	18	10	JCI	4,496	-2.99%	-1.09%
Thailand 5Y CDS	72	5	-5	EU Stoxx 50	2,809	-2.74%	2.95%
Australia 5Y CDS	30	1	-8				

Source: Bloomberg

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New Issues

- Perennial Real Estate Holdings Limited priced a SGD33.5mn 2-year bond at 3.9%.
- Wharf REIC Finance (BVI) Limited and its Guarantor Wharf Real Estate Investment Company Limited arranged investor calls commencing 27 Apr for a proposed USD bond offering.

Date	Issuer	Size	Tenor	Pricing
24-Apr-20	Perennial Real Estate Holdings Limited	SGD33.5mn	2-year	3.9%
23-Apr-20	Kookmin Bank	USD500mn	5-year	T+150bps
23-Apr-20	Pingdu State-owned Assets Management Co., Ltd. (Guarantor: Pingdu Construction Investment Development Co., Ltd.)	USD200mn	3-year	5.75%
23-Apr-20	PSA Treasury Pte Ltd (Guarantor: PSA International Pte Ltd)	USD650mn	10-year	T+165bps
22-Apr-20	Xiaomi Best Time International Limited (Guarantor: Xiaomi Corp)	USD600mn	10-year	T+290bps
22-Apr-20	ST Engineering RHQ Ltd. (Guarantor: Singapore Technologies Engineering Ltd.)	USD750mn	5-year	T+120bps
22-Apr-20	BOC Aviation Ltd	USD1bn	5-year	T+300bps
22-Apr-20	Hongkong International (Qingdao) Company Limited (Keepwell deed, Deed of Eipu and Irrevocable Standby Facility Provider: Qingdao City Construction Investment (Group) Limited)	USD300mn	3-year	3.99%
20-Apr-20	Export-Import Bank of Korea	USD700mn	3-year	3m-US LIBOR+120bps
17-Apr-20	SATs Ltd	SGD100mn	5-year	2.6%
17-Apr-20	Lenovo Group Limited	USD650mn	5-year	5.875%
16-Apr-20	Sunny Express Enterprises Corp. (Guarantor: China National Travel Service Group Corporation Limited)	USD300mn USD600mn	5-year 10-year	T+230bps T+255bps

Source: OCBC, Bloomberg

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