

Market Commentary

- The SGD swap curve bull flattened last Friday, with the shorter tenors trading 0-2bps while the belly and longer tenors traded 2-4bps lower.
- The Bloomberg Barclays Asia USD IG Bond Index average OAS remained mostly unchanged at 185bps, and the Bloomberg Barclays Asia USD HY Bond Index average OAS tightened 1bps to 717bps. The HY-IG Index Spread tightened 1bps to 531bps.
- Flows in SGD corporates were heavy, with flows in STTGDC 3.13%'28s, UBS 4.85%-PERPs, HSBC 4.7%-PERPs, STANLN 5.375%-PERPs, ARASP 5.65%-PERPs, CS 5.625%-PERPs, HSBC 5%-PERPs, OLAMSP 6%'22s and UOBSP 3.58%-PERPs.
- 10Y UST Yields gained 1bps to 0.59% as markets awaited for a fresh round of coronavirus aid in the US and ahead of the Fed meeting this week.

Credit Research

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Credit Summary:

- [Ascott Residence Trust \("ART"\)](#) | **Issuer Profile: Neutral (4)**: ART announced that it has entered into two conditional agreements to divest Ascott Guangzhou in China and Citadines Didot Montparnasse Paris in France to two unrelated third parties for an aggregate of SGD191.4mn. We see the ability of ART to generate liquidity from its assets during this highly challenging period as a credit positive. We are likely to downgrade the Issuer Profile of ART and that of other hospitality issuers as there are no material changes to the reopening of international borders as yet.
- [HSBC Holdings PLC \("HSBC"\)](#) | **Issuer Profile: Neutral (3)**: HSBC is being accused of framing Huawei Technologies Co in recent US investigations of the company. HSBC has since denied this, clarifying that the information that was provided by HSBC was only what it was obligated to provide to the US Department of Justice. HSBC as a UK headquartered company but getting most of its earnings from Asia is highly exposed to geo-political tensions at the same time as it tries to implement its extensive restructuring program.
- [CapitaLand Ltd \("CAPL"\)](#) | **Issuer Profile: Neutral (3)**: CAPL provided an update to its profit guidance for its 1H2020 results. 1H2020 PATMI is expected to fall by 85% to 95% y/y from 1H2019's PATMI of SGD875.4mn. This is larger than the previous guidance mainly due to revaluation losses, contributed by CapitaLand Mall Trust and CapitaLand Commercial Trust which reported revaluation losses of SGD553.9mn.
- [Lippo Malls Indonesia Retail Trust \("LMRT"\)](#) | **Issuer Profile: Negative (6)**: LMRT announced 2Q2020 results. Revenue fell 59.9% y/y to SGD27.4mn, mainly due to the temporary closure of retail malls and retail spaces since end March. In view of the uncertainty ahead, LMRT will be adopting a more modest and prudent distribution strategy, which we think implies that the distribution payout will be lower than 90%. Separately, LMRT is divesting Pejaten Village and Binjai Supermall for IDR1.15bn. While the net divestment proceeds of SGD97.2mn should significantly buffer LMRT's liquidity profile, we think LMRT may redeploy this to the acquisition of Lippo Mall Puri though the deal has been repeatedly delayed.

Asian Credit Daily**Credit Headlines****Ascott Residence Trust (“ART”) | Issuer Profile: Neutral (4)**

- ART announced that it has entered into two conditional agreements to divest Ascott Guangzhou in China and Citadines Didot Montparnasse Paris in France to two unrelated third parties for an aggregate of SGD191.4mn. The proposed buyers are unnamed.
- Total estimated net gains is expected at ~SGD23.2mn upon the completion of the transaction (expected in 1Q2021), with both properties proposed to be sold at higher than book value.
- We see the ability of ART to generate liquidity from its assets during this highly challenging period as a credit positive.
- We are likely to downgrade the Issuer Profile of ART and that of other hospitality issuers as there are no material changes to the reopening of international borders as yet. ART is expected to report its 1H2020 financial results tomorrow and we will review its results then. (Company, OCBC)

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

- HSBC continues to be in a tug of war, this time being accused of framing Huawei Technologies Co in recent US investigations of the company. HSBC has since denied this, clarifying that the information that was provided by HSBC was only what it was obligated to provide to the US Department of Justice.
- HSBC as a UK headquartered company but getting most of its earnings from Asia is highly exposed to geo-political tensions at the same time as it tries to implement its extensive restructuring program.
- We continue to monitor developments on HSBC. [We lowered our views on HSBC](#) earlier this year to Neutral (3) from Positive (2) to reflect the weaker operating environment and multiple challenges to HSBC’s credit profile. We did not factor in the complications from potential political pressures from multiple angles – while the impact of these is not certain, there could be an impact on fundamentals given it could raise execution risk for the bank’s strategic plan which is now more necessary than before given COVID-19. (Company, Bloomberg, OCBC)

CapitaLand Ltd (“CAPL”) | Issuer Profile: Neutral (3)

- CAPL provided an update to its profit guidance for its 1H2020 results. 1H2020 PATMI is expected to fall by 85% to 95% y/y from 1H2019’s PATMI of SGD875.4mn. This is larger than the [previous guidance](#) mainly due to revaluation losses, contributed by CapitaLand Mall Trust and CapitaLand Commercial Trust which reported revaluation losses of SGD553.9mn. (Company, OCBC)

Asian Credit Daily**Credit Headlines****Lippo Malls Indonesia Retail Trust (“LMRT”) | Issuer Profile: Negative (6)**

- LMRT announced 2Q2020 results. Revenue fell 59.9% y/y to SGD27.4mn, mainly due to the temporary closure of retail malls and retail spaces since end March. We note that the retail malls and retail spaces have progressively resumed operations since 13 May 2020 and by 3 Jul 2020, all retail malls and retail spaces have resumed operations albeit with shorter operating hours.
- Although property operating and maintenance expenses fell significantly (-46.4% y/y to SGD11.0mn) due to lower utilities, repair and maintenance, net property income fell by a larger 70.8% y/y to SGD12.8mn due to the larger fall in revenues. We think revenue may continue to be impacted as its malls continue to operate with a shorter 8hrs in Jul (and potentially August), with tenants charged pro-rated rental and service charges. A number of tenants have restructured fixed rental leases into pure turnover rentals.
- Separately, LMRT has made higher provisions for trade receivables resulting in higher other operating expenses (+69.1% y/y to SGD2.2mn).
- Occupancy has fallen q/q to 88.2% (1Q2020: 90.9%) with the industry average at 80.8%. LMRT reported that 92.4% of existing tenants have resumed operations (though this implies that 7.6% of the tenants have not resumed). We note that Cinemas, gyms and entertainment outlets remain closed (with Leisure & Entertainment making up 5% of gross revenue). LMRT is offering shorter tenor leases for selected tenants.
- Meanwhile, visitor traffic has somewhat rebounded in June 2020 to 4.0mn visitors though this is still significant below Jan 2020’s figures of 13.8mn. Although weekly visitor traffic is increasing (from 1.06mn in 21 Jun 2020 following the [announcement that most of its retail malls and spaces resumed operations](#) to 1.36mn as of 12 Jul), the extrapolated monthly visitor traffic of ~6mn (1.36mn x ~4.4 weeks / mth) is still significantly lower than pre-COVID levels.
- Aggregate leverage remains relatively unchanged h/h at 35.7% (31 Dec 2019: 35.9%). However, in view of the uncertainty ahead, LMRT will be adopting a more modest and prudent distribution strategy, which we think implies that the distribution payout will be lower than 90%. Meanwhile, LMRT has provided for the distribution of LMRTSP 7% PERP, following the payment of LMRTSP 6.6% PERP in June.
- Separately, LMRT is divesting Pejaten Village and Binjai Supermall for IDR1.15bn, which is lower than previous valuation (Dec 2019: IDR1.28bn) due to COVID-19 outbreak and its impact on the valuation of the assets. While the net divestment proceeds of SGD97.2mn (after taxes and expenses related to the divestment) should significantly buffer LMRT’s liquidity profile (currently, cash of SGD47.3mn barely covers SGD44mn of near-term maturities), we think LMRT may redeploy this to the [acquisition of Lippo Mall Puri](#) though the deal has been repeatedly delayed. (Company, OCBC)

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Key Market Movements

	27-Jul	1W chg (bps)	1M chg (bps)		27-Jul	1W chg	1M chg
iTraxx Asiax IG	75	-2	-13	Brent Crude Spot (\$/bbl)	43.14	-0.32%	5.17%
iTraxx SovX APAC	42	-1	-6	Gold Spot (\$/oz)	1,915.74	5.39%	8.06%
iTraxx Japan	60	-1	0	CRB	143.05	1.58%	6.42%
iTraxx Australia	77	-2	-13	GSCI	342.01	1.35%	7.52%
CDX NA IG	70	0	-9	VIX	25.84	0.62%	-25.60%
CDX NA HY	102	0	3	CT10 (%)	0.591%	-1.97	-5.08
iTraxx Eur Main	58	-1	-12				
iTraxx Eur XO	349	3	-47	AUD/USD	0.711	1.27%	3.48%
iTraxx Eur Snr Fin	66	-2	-18	EUR/USD	1.166	1.88%	3.74%
iTraxx Eur Sub Fin	139	-2	-37	USD/SGD	1.382	0.51%	0.84%
iTraxx Sovx WE	16	-2	-3	AUD/SGD	0.982	-0.73%	-2.54%
USD Swap Spread 10Y	-1	1	1	ASX 200	6,022	0.34%	1.99%
USD Swap Spread 30Y	-41	6	8	DJIA	26,470	-0.76%	5.81%
US Libor-OIS Spread	18	-1	-6	SPX	3,216	-0.28%	6.87%
Euro Libor-OIS Spread	2	-1	-5	MSCI Asiax	686	-0.79%	5.30%
				HSI	24,705	-1.53%	0.63%
China 5Y CDS	44	1	-7	STI	2,580	-1.49%	-0.96%
Malaysia 5Y CDS	60	-4	-16	KLCI	1,590	-0.42%	6.82%
Indonesia 5Y CDS	119	-6	-17	JCI	5,083	0.07%	3.65%
Thailand 5Y CDS	41	0	-4	EU Stoxx 50	3,311	-1.63%	3.33%

Source: Bloomberg

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New Issues

- Chong Hing Bank Limited has arranged investor calls commencing 24 July 2020 for its proposed USD green bond offering.
- China Construction Bank Corp. Hong Kong Branch has arranged investor calls commencing 27 July 2020 for its proposed USD green bond offering.

Date	Issuer	Size	Tenor	Pricing
23-Jul-20	Taihu Pearl Oriental Company Limited (Guarantor: Huzhou City Investment Development Group Co., Ltd.)	USD300mn	3-year	3.15%
23-Jul-20	Megaworld Corp.	USD350mn	7-year	4.375%
23-Jul-20	Manila Water Company, Inc.	USD500mn	10NC5	4.5%
23-Jul-20	Mirae Asset Daewoo Co., Ltd.	USD300mn USD300mn	3-year 5-year	T+205bps T+245bps
23-Jul-20	Fantasia Holdings Group Co., Limited	USD350mn	3NC2	9.45%
22-Jul-20	SPIC MTN Company Ltd. (Guarantor: State Power Investment Corporation Limited)	USD1bn	5-year	T+138bps
22-Jul-20	San Miguel Corporation	USD500mn	PerpNC5	5.5%
21-Jul-20	Horse Gallop Finance Limited (Guarantor: ICBC International Holdings Limited)	USD700mn	5-year	CT5+150bps
21-Jul-20	Malayan Banking Berhad	USD300mn	40-year	3.07%
21-Jul-20	STT GDC Pte. Ltd.	SGD400mn	8-year	3.13%
20-Jul-20	Huarong Leasing Management Hong Kong Company Limited	USD300mn	363-day	2.75%
20-Jul-20	Shanghai Pudong Development Bank Co., Ltd., Hong Kong Branch	USD500mn	3-year	3m-US LIBOR+85bps

Source: OCBC, Bloomberg

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