

### Market Commentary

- The SGD swap curve mostly fell yesterday, with the shorter tenors trading 0-5bps lower (with the exception of the 1-year tenor trading 3bps higher), while the belly and the longer tenors traded 4-6bps lower.
- The Bloomberg Barclays Asia USD IG Bond Index average OAS tightened 6bps to 264bps, and the Bloomberg Barclays Asia USD HY Bond Index average OAS tightened 69bps to 1166bps. The HY-IG Index Spread tightened 64bps to 902bps.
- Flows in SGD corporates were heavy, with flows in STANLN 4.4%'26s, UBS 5.875%-PERPs, HSBC 4.7%-PERPs, SOCGEN 6.125%-PERPs, DBSSP 3.98%-PERPs, UBS 4.85%-PERPs and OCBCSP 4%-PERPs.
- 10Y UST Yields fell 2bps to 0.85%, despite the S&P500 rallying for the third day, as the U.S. weekly jobless claims surged to an all-time high of more than 3 million.

### Credit Research

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### Credit Summary:

- [Lippo Malls Indonesia Retail Trust \("LMRT"\)](#) | **Issuer Profile: Negative (6):** LMRT announced the closure of 11 retail malls from 27 March to 09 Apr 2020. These malls represent 45% of LMRT's total portfolio by area. We think this will be manageable to LMRT as we estimate the closure of the malls represents ~2% loss in revenue for 2020. Meanwhile, we note that IDR has weakened against the SGD by close to 10% since the end of December which is credit negative to LMRT.
- [Mapletree Commercial Trust \("MCT"\)](#) | **Issuer Profile: Neutral (3):** MCT is committing an additional SGD18mn of rental relief to its retail tenants, on top of fully passing on the property tax rebates announced by the government to eligible tenants. Altogether, these will help their retail tenants offset a total of ~2 months of rent. Deferment of payment for the fixed rent of April 2020 will also be offered.
- [CMA CGM \(acquired Neptune Orient Lines, "NOL"\)](#) | **Issuer Profile: Negative (6):** CMA CGM has announced the successful closing of its agreement with China Merchants Port, with the sale of its stakes in eight port terminal to Terminal Link. CMA CGM has received USD814.78mn. This amount is extremely crucial for CMA CGM and has provided CMA CGM with its much needed liquidity boost.
- [OUE Ltd \("OUE"\)](#) | **Issuer Profile: Unrated:** OUE Commercial REIT ("OUE-CT", Issuer profile: Unrated), sponsored by OUE announced that it will be rebranding the 1,077 keys Mandarin Orchard hotel (owned by OUE-CT and master leased to OUE) as "Hilton Singapore Orchard". The hotel is expected to be re-launched in 2022. OUE-CT is targeted to incur capex of ~SGD90mn in the rebranding exercise.
- [ABN Amro Bank N.V. \("ABN"\)](#) | **Issuer Profile: Neutral (3):** ABN has announced that it will incur an EUR183mn trading loss from a single US client that missed margin calls on its trading position. ABN's average quarterly net profit in FY2019 was EUR500mn, hence this charge equates to around 10% of its annual net profits.
- [Singapore Airlines Ltd \("SIA"\)](#) | **Issuer Profile: Neutral (5):** SIA has announced a proposed renounceable rights issue of new common equity and mandatory convertible bonds to existing shareholders to raise gross proceeds of ~SGD8.8bn in aggregate. Temasek Holdings (Private) Limited, who is currently the major shareholder of SIA, will vote in favour of the transactions at the extraordinary general meeting and take up any unsubscribed portions. In our view this is a credit positive to SIA's bonds given the strong support shown by its majority shareholder in alleviating SIA's stretched internal liquidity situation.

## Asian Credit Daily

### Credit Headlines

#### **Lippo Malls Indonesia Retail Trust (“LMRT”) | Issuer Profile: Negative (6)**

- LMRT announced the closure of its retail malls within the Greater Jakarta region, Bandung and Bali from 27 March to 09 Apr 2020.
- In total, 11 of LMRT’s malls will be closed and tenants will be exempted from the payment of rental fees during the closure. These malls represent 45% of LMRT’s total portfolio by area.
- We think this will be manageable to LMRT as we estimate the closure of the malls represents ~2% loss in revenue for 2020.
- However, given the evolving outbreak of COVID-19, we are wary of potential scenarios which may result in more severe impacts. This includes:
  - If more malls are closed for a longer period, there will be a higher loss in rental income.
  - If retail sales are impacted, we think rental rates and occupancy may dip.
  - If tenants face cashflow issues, this may result in further delays in rental payments.
- Meanwhile, we note that IDR has weakened against the SGD by close to 10% since the end of December. Weakening of IDR against the SGD is credit negative to LMRT as its balance sheet is not hedged with assets mainly in IDR while liabilities include borrowings which are predominantly in SGD.
- We continue to hold LMRT at a Negative (6) Issuer Profile for now. (Company, OCBC)

#### **Mapletree Commercial Trust (“MCT”) | Issuer Profile: Neutral (3)**

- MCT is committing an additional SGD18mn of rental relief to its retail tenants affected by COVID-19, on top of fully passing on the property tax rebates for qualifying commercial and non-residential properties announced by the government to the eligible tenants.
- Altogether, these will help their retail tenants offset a total of ~2 months of rent. Deferment of payment for the fixed rent of April 2020 will also be offered.
- Of the SGD11mn retail support package MCT had previously announced on 24 Feb 2020, SGD8mn has been granted as rental rebates to eligible retail tenants at VivoCity. (Company, OCBC)

#### **CMA CGM (acquired Neptune Orient Lines, “NOL”) | Issuer Profile: Negative (6)**

- CMA CGM has announced the successful closing of its agreement with China Merchants Port, with the sale of its stakes in eight port terminal to Terminal Link. CMA CGM has received USD814.78mn. This amount is extremely crucial for CMA CGM and has provided CMA CGM with its much needed liquidity boost. There was no mention of when the balance amount of the whole transaction of an estimated ~USD150mn will come in. While this transaction is credit positive, we have taken a successful transaction as the base case and therefore will continue to hold CMA CGM at Negative (6) Issuer Profile for now. (Company, OCBC)

**Asian Credit Daily****Credit Headlines****OUE Ltd (“OUE”) | Issuer Profile: Unrated**

- OUE Commercial REIT (“OUE-CT”, Issuer profile: Unrated), sponsored by OUE announced that it will be rebranding the 1,077 keys Mandarin Orchard hotel (owned by OUE-CT and master leased to OUE) as “Hilton Singapore Orchard”. This would be Hilton’s flagship hotel in Singapore and the largest Hilton Hotel in Asia-Pacific. OUE-CT is 47.7% owned by OUE and its subsidiaries (consolidated at OUE level).
- Refurbishments would take place from 2Q2020 onwards and expected to be re-launched in 2022. OUE as the master lease has entered into a Branding and Management Agreement with Conrad International Management Services (Singapore) Pte Ltd on the rebranding.
- OUE-CT is targeted to incur capex of ~SGD90mn in the rebranding exercise with a projected return of ~10% on a stabilised basis and intends to fund this by existing debt.
- Separately on 20 March 2020, OUE-CT announced the establishment of a SGD2bn multicurrency debt issuance programme where from time to time it may issue bonds and perpetuals. (Company, OCBC)

**ABN Amro Bank N.V. (“ABN”) | Issuer Profile: Neutral (3)**

- ABN has announced that it will incur an EUR183mn trading loss from a single US client that missed margin calls on its trading position. ABN closed out the positions to avoid further losses during market volatility arising from the COVID-19 pandemic.
- ABN’s average quarterly net profit in FY2019 was EUR500mn, hence this charge equates to around 10% of its annual net profits and is another negative to current operating challenges facing banks from the outbreak.
- We had already flagged a [review of ABN’s FY2019 results](#) that they reflect a challenging 2020 from earnings pressures, rising impairments and compliance costs and ongoing investigations into KYC, AML and possible implication in tax probe in Germany. ABN also will have a new CEO from April 2020 with Mr. Robert Swaak recently appointed as the CEO of ABN for a four year term. The current Neutral (3) issuer profile rating on ABN recognizes its solid capital position but we expect to review this as the operating environment settles down. (Company, OCBC, Bloomberg)

## Asian Credit Daily

### Credit Headlines

#### Singapore Airlines Ltd ("SIA") | Issuer Profile: Neutral (5)

- In a significant move to shore up its capital base and liquidity, SIA has announced a proposed renounceable rights issue of new common equity ("Rights shares") and mandatory convertible bonds ("Rights MCB") to existing shareholders to raise gross proceeds of ~SGD8.8bn in aggregate. Additionally, the announcement also paves the way for a further SGD6.2bn in additional Rights MCB to be issued within 15 months if required. The transactions are subject to approval of shareholders at an extraordinary general meeting ("EGM").
- Temasek Holdings (Private) Limited ("Temasek"), who is currently the major shareholder of SIA, holding a ~55%-stake in the company has via one of its wholly-owned subsidiaries given an irrevocable undertaking to procure Temasek to vote in favour of the resolutions and to subscribe for its pro-rata share in the rights issue. Additionally, Temasek would also be underwriting the transaction(s) where it will be taking up any unsubscribed portions. In effect, in the event that minority equity investors do not take up their entitlement, minority equity investors would be diluted, leaving Temasek with a higher ownership stake in SIA. The Ministry of Finance who holds one Special Share in SIA would not be subscribing to the Rights shares, rights MCB and additional Rights MCBs.
- The offers of rights for common equity and Rights MCB would be made concurrently but can be independently accepted by existing shareholders.
  - **Rights shares:** Up to ~1.8bn rights shares will be issued at an issue price of SGD3.00 per rights share on the basis of three rights shares for every two existing ordinary shares held. The issue price of the rights share represent a discount of ~53.8% to the last transacted price of SGD6.50 per share on 25 March 2020 and a discount of ~31.8% to the theoretical ex-rights price ("TERP") of SGD4.40 per share. It is envisaged that the rights shares would raise ~SGD5.3bn.
  - **Rights MCB:** Up to SGD3.5bn in principal amount of Rights MCBs will be issued on the basis of 295 Rights MCBs for every 100 existing common equity held which are fully convertible into new common equity of SIA on a conversion price of SGD4.84 per share (subject to standard anti-dilution adjustments). The initial conversion price of SGD4.84 per share is 10% to TERP. It is envisaged that the Rights MCB would raise ~SGD3.5bn. Unless previously redeemed, the MCBs would be mandatorily converted into shares on the maturity date in 10 years' time. The MCBs come with zero coupon although the principal amount would increase the longer the MCP remains unredeemed. SIA would retain the rights to redeem the MCBs in whole or in part on every six-month anniversary of the issue date. MCBs holders have no option to put the MCBs back to the company.
  - **Possible capital raisings down the road:** SIA would also be seeking approval from shareholders for the further issuance of up to SGD6.2bn in aggregate principal of additional mandatory convertible bonds on terms that are substantially similar to terms of the Rights MCBs. Should this be needed, SIA envisages that Additional MCBs would be undertaken within 15 months from the date of approval by shareholders for the issue of the Rights MCBs.

*(to be continued)*

## Asian Credit Daily

### Credit Headlines

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

- 42% of the SGD8.8bn of gross proceeds is intended to be used to fund operating expenses, 38% is intended to be used for aircraft purchases and aircraft related payments and the remainder would be used for debt servicing and other contractual payments (including repayment of bridge loans). The company has arranged with DBS Bank where the bank would provide a SGD4.0bn bridging loan to SIA, which supports the company’s near term liquidity needs.
- We would continue to review the details of the proposed transactions and SIA’s issuer profile, though in our view this is a credit positive to SIA’s bonds given the strong support shown by its majority shareholder in alleviating SIA’s internal liquidity situation which we had [pointed out on 19 March 2020 as stretched](#). We estimate SIA’s cash operating expenses at SGD3.5bn per quarter (staff cost was SGD774mn in 3QFY2020), simplistically, the proportion set aside for operating expenses (ie: SGD3.7bn) and the potential additional SGD6.2bn would cover SIA’s cash operating expenses for about nine months. Since our previous report, SIA had also negotiated with unions to implement cost cutting measures. Assuming a 75% reduction to its total salary expense, this stretches the runway to about ten months in our view. (Company, OCBC)

### Key Market Movements

	27-Mar	1W chg (bps)	1M chg (bps)		27-Mar	1W chg	1M chg
iTraxx Asiax IG	132	-52	72	Brent Crude Spot (\$/bbl)	26.63	-1.30%	-48.97%
iTraxx SovX APAC	67	-24	33	Gold Spot (\$/oz)	1,626.02	8.50%	-1.15%
iTraxx Japan	123	-27	71	CRB	126.35	-1.01%	-22.54%
iTraxx Australia	169	-43	111	GSCI	266.17	1.75%	-27.65%
CDX NA IG	97	-50	32	VIX	61	-15.28%	55.77%
CDX NA HY	97	10	-8	CT10 (%)	0.811%	-3.42	-44.95
iTraxx Eur Main	86	-31	30				
iTraxx Eur XO	521	-156	251	AUD/USD	0.612	5.76%	-6.87%
iTraxx Eur Snr Fin	100	-34	32	EUR/USD	1.107	3.53%	0.58%
iTraxx Eur Sub Fin	208	-80	70	USD/SGD	1.428	1.57%	-2.31%
iTraxx Sovx WE	23	-6	11	AUD/SGD	0.874	-3.73%	4.91%
USD Swap Spread 10Y	-9	-1	-3	ASX 200	5,002	3.86%	-24.86%
USD Swap Spread 30Y	-58	7	-20	DJIA	22,552	12.27%	-12.48%
US Libor-OIS Spread	119	9	97	SPX	2,630	9.16%	-11.71%
Euro Libor-OIS Spread	11	-2	5	MSCI Asiax	555	4.62%	-15.01%
				HSI	23,570	3.36%	-11.98%
China 5Y CDS	45	-25	0	STI	2,546	5.63%	-18.17%
Malaysia 5Y CDS	109	-66	59	KLCI	1,345	3.23%	-10.64%
Indonesia 5Y CDS	192	-61	113	JCI	4,632	12.82%	-16.33%
Thailand 5Y CDS	77	-27	44	EU Stoxx 50	2,848	16.04%	-17.60%
Australia 5Y CDS	42	-17	15				

Source: Bloomberg

## Asian Credit Daily

### New Issues

- State Bank of India of London priced a USD100mn 2-year bond at 3m-US LIBOR+80bps.

Date	Issuer	Size	Tenor	Pricing
26-Mar-20	State Bank of India of London	USD100mn	2-year	3m-US LIBOR+80bps
25-Mar-20	Binjiang Guotou Limited (Guarantor: Taizhou Xinbinjiang Development Co Ltd)	USD219mn	3-year	7.0%
25-Mar-20	HSBC Holdings PLC	USD2.5bn	10-year	T+415bps
25-Mar-20	SATS Ltd	SGD200mn	5-year	2.88%
23-Mar-20	Maybank Singapore Limited	SGD500mn	10-year	3.7%
24-Mar-20	Xinhu (BVI) 2018 Holding Company Limited (Guarantor: Xinhu 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%

Source: OCBC, Bloomberg

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