

Market Commentary

- The SGD swap curve bear steepened yesterday, with the shorter tenors trading 1bps higher with the exception of 1-year trading 2 bps lower while the belly and longer tenors traded 1-2bps higher.
- The Bloomberg Barclays Asia USD IG Bond Index average OAS tightened 1bps to 184bps, and the Bloomberg Barclays Asia USD HY Bond Index average OAS remained mostly unchanged at 717bps. The HY-IG Index Spread widened 2bps to 533bps.
- Flows in SGD corporates were heavy, with flows in STTGDC 3.13%'28s, HSBC 5%-PERPs, UBS 4.85%-PERPs, BAERVX 5.75%-PERPs, HSBC 4.7%-PERPs, CMZB 4.875%'27s, UBS 5.875%-PERPs and STANLN 5.375%-PERPs.
- 10Y UST Yields gained 3bps to 0.62%, tracking gains for global equity benchmarks while gold prices soared to record high.

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Credit Summary:

- [StarHub Ltd \(“StarHub”\)](#) | **Issuer Profile: Neutral (3)**: StarHub announced that its CEO Peter Kaliaropoulos will retire and step down from 31 Oct 2020 due to unforeseen serious health related matters of a close family member. StarHub has commenced the search for a new CEO.
- [Oxley Holdings Ltd \(“OHL”\)](#) | **Issuer Profile: Negative (6)**: OHL reported negative profit guidance with expectations of a net loss for 2HFY2020 and FY2020 for the year ended 30 June.
- [Mapletree North Asia Commercial Trust \(“MNACT”\)](#) | **Issuer Profile: Neutral (4)**: MNACT reported its first quarter results for the financial year ending 31 Mar 2021. Gross revenue fell by 10.7% y/y to SGD93.7mn, while net property income was down by 19.5% y/y to SGD68.5mn. MNACT has SGD301mn of borrowings maturing by March 2021 against SGD674.1mn of committed and uncommitted undrawn credit facilities and cash balances. As at 30 June 2020, 81% of the total assets are unencumbered.
- [Hyflux Ltd \(“HYF”\)](#) | **Issuer Profile: Unrated**: The Singapore High Court has granted an application by an unsecured working group of banks to apply to be carved out of HYF’s debt moratorium. We understand this is not an approval to exit the debt moratorium but only to be able to apply for such and to put HYF under judicial management.
- [Westpac Banking Corporation \(“Westpac”\)](#) | **Issuer Profile: Positive (2)**: Westpac has announced Scott Collary as Chief Operating Officer in its newly created Group Operating Office that comprises Group Operations and Group Technology. At the same time, Westpac announced that it may have under-reported transactions under its “Threshold Transaction Reports” obligations.
- [Ascott Residence Trust \(“ART”\)](#) | **Issuer Profile: Neutral (4)**: ART’s 1H2020 revenue dropped by 16.1% y/y to SGD208.5mn mainly due to the decrease in revenue from the sale of Ascott Raffles Place in Singapore and Somerset West Lake in Hanoi and decline in revenue from the existing portfolio, though partly offset from the additional contribution from acquisition of Ascendas Hospitality Trust, Quest Macquarie Park Sydney and Citadines Connect Sydney Airport. Per management, assuming zero-income, ART has sufficient liquidity to cover about of two years of pre-COVID-19 fixed costs.

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Credit Headlines

StarHub Ltd (“StarHub”) | Issuer Profile: Neutral (3)

- StarHub announced that its CEO Peter Kaliaropoulos will retire and step down from 31 Oct 2020 due to unforeseen serious health related matters of a close family member.
- StarHub has commenced the search for a new CEO. (Company)

Oxley Holdings Ltd (“OHL”) | Issuer Profile: Negative (6)

- OHL reported negative profit guidance with expectations of a net loss for 2HFY2020 and FY2020 for the year ended 30 June.
- We note that a series of negative profit guidance has been announced by developers including [CapitaLand Ltd](#) and [City Developments Ltd](#). (Company, OCBC)

Mapletree North Asia Commercial Trust (“MNACT”) | Issuer Profile: Neutral (4)

- MNACT reported its first quarter results for the financial year ending 31 Mar 2021 (“1QFY2021”). Gross revenue fell by 10.7% y/y to SGD93.7mn, while net property income (“NPI”) was down by 19.5% y/y to SGD68.5mn. This was primary due to rental reliefs granted to tenants and a lower average retail rental rate at Festival Walk (due to COVID-19 situation) and lower average occupancy at Gateway Plaza, though partially offset by favourable movement in exchange rate and full quarter contribution from its newly acquired Japan properties (mBAY POINT Makuhari and Omori Prime Building on 28 February 2020).
- With respect to Festival Walk, gross revenue fell 33.0% y/y to SGD43.1mn with NPI down further by 39.9% y/y to SGD31.5mn due to SGD17.9mn of tenant support. Tenants’ sales and shopper traffic was down by 38.6% and 44.9% respectively. Also due to COVID-19, MNACT reported slight increase in short term renewals with rental rates trend lower. Average rental reversion was -10% over the quarter. We note that expiring leases at Festival Walk is 12.6% of gross rental income in FY2021 with occupancy rate as at 30 June 2020 at 99.3%. We expect MNACT to prioritise occupancy rate over rent rates and also next quarter’s numbers for Festival Walk to continue to be weak as rental reliefs have been extended to retail tenants through to 2QFY2021 (ie. July to Sep 2020).
- As at 28 July 2020, MNACT has received SGD26mn in terms of its insurance claims in relation to the damage sustained when the property was attacked. The assessment of the full quantum of revenue loss and property damage recoverable remains underway.
- Portfolio occupancy was 96.4% as at 30 June 2020. Aggregate leverage was 39.6% vs. 39.3% as at 31 March 2020 due to borrowings to partially fund the acquisition of properties in Japan. The effective interest rate was lower at 2.17% p.a. vs 2.33% p.a. in the preceding quarter. Reported EBITDA/Interest was 3.6x vs 2.7x in 4QFY2020. MNACT has SGD301mn of borrowings maturing by March 2021 against SGD674.1mn of committed and uncommitted undrawn credit facilities and cash balances. As at 30 June 2020, 81% of the total assets are unencumbered. As such, we think its MNACT’s credit metrics remain manageable for now. We will continue to hold MNACT at Neutral (4) Issuer Profile though there is heightened uncertainties and continued headwinds. (Company, OCBC)

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

- The Singapore High Court has granted an application by an unsecured working group of banks to apply to be carved out of HYF’s debt moratorium. The group comprises Mizuho, KfW, Bangkok Bank, BNP Paribas, Standard Chartered Bank, CTBC Bank and Korea Development Bank.
- We understand this is not an approval to exit the debt moratorium but only to be able to apply for such and to put HYF under judicial management.
- The basis of the approval is the lack of a viable, binding restructuring plan with the application to appoint judicial managers for HYF by the unsecured working group of banks to be filed by August 7.
- This comes despite news of another expression of interest in HYF, this time by US based independent advisory firm The Spectrum Solutions Group that expressed interest on behalf of a North American-based fund to “explore the possibility of investing” in HYF.
- Still as per the unsecured working group of banks’ argument, this interest is without any concrete details as with other recent expression of interests on which investors and creditors can evaluate these proposals.
- Given HYF’s restructuring has been going on for over two years, we think the court’s granting of the application could signal that its patience is wearing thin. (Bloomberg, Straits Times, OCBC)

Westpac Banking Corporation (“Westpac”) | Issuer Profile: Positive (2)

- Westpac has announced Scott Collary as Chief Operating Officer in its newly created Group Operating Office that comprises Group Operations and Group Technology.
- Mr Collary was previously at the Bank of Montreal in Canada, and held the role of chief information and operations officer for its North American Personal & Business Banking, Private Wealth and Global Asset Management divisions. Prior to this, Mr Collary worked at Australia & New Zealand Banking Group Ltd (Issuer Profile: Positive (2)) and Citigroup.
- At the same time, Westpac announced that it may have under-reported transactions under its “Threshold Transaction Reports” (“TTR”) obligations. This follows further investigations by Westpac as well as a notice from AUSTRAC. Approximately 175,000 transactions were not reported to AUSTRAC and approximately 365,000 TTRs that were reported may have contained incomplete or inaccurate information. These misreported transactions apparently are related not to auto-reporting of a threshold but scenarios where the legislation requires Westpac to exercise judgement on how multiple transactions may be aggregated and whether a threshold transaction has actually occurred.
- AUSTRAC has notified Westpac that it may amend its statement of claim to include these TTR issues. This statement of claim refers to the current AUSTRAC proceedings for substantial breaches of the Anti-Money Laundering and Counter-Terrorism Financing Act 2006 that were first reported in November 2019.
- These developments highlight the ongoing influence of compliance and regulatory initiatives on place prior to the COVID-19 outbreak, which will add to management’s tasks in dealing with the operating environment ahead. (Company, Bloomberg, OCBC)

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Credit Headlines

Ascott Residence Trust (“ART”) | Issuer Profile: Neutral (4)

- ART’s 1H2020 revenue dropped by 16.1% y/y to SGD208.5mn mainly due to the decrease in revenue from the sale of Ascott Raffles Place in Singapore and Somerset West Lake in Hanoi and decline in revenue from the existing portfolio, though partly offset from the additional contribution from acquisition of Ascendas Hospitality Trust (“AHTRUST”), Quest Macquarie Park Sydney and Citadines Connect Sydney Airport.
- EBITDA (based on our calculation which does not include other income and other expenses) was down by 31.0% y/y to SGD79.0mn, while finance cost was higher by 18.2% y/y due to the acquisition of AHTRUST and Quest Macquarie Park Sydney, with resultant EBITDA/Interest lower at 2.5x (1H2019: 4.3x).
- As at 30 June 2020, ART’s reported aggregate leverage was 36.1% - manageable though management has guided that post the announced divestments, aggregate leverage may fall further to ~34%.
- Short term debt as at 30 June 2020 was SGD571.3mn (excluding lease liabilities) versus SGD620mn of cash on hand and unutilised credit facilities. Post period end, ART collected SGD163.3mn of proceeds from the completion of sale of Somerset Liang Court Singapore and an additional SGD60mn in credit facilities. Per management, assuming zero-income, ART has sufficient liquidity to cover about of two years of pre-COVID-19 fixed costs.
- We continue to review ART’s financial results though 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. (Company, OCBC)

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Key Market Movements

	28-Jul	1W chg (bps)	1M chg (bps)		28-Jul	1W chg	1M chg
iTraxx Asiax IG	75	-1	-13	Brent Crude Spot (\$/bbl)	43.54	-1.76%	6.14%
iTraxx SovX APAC	42	0	-6	Gold Spot (\$/oz)	1,962.59	6.55%	10.70%
iTraxx Japan	60	0	0	CRB	143.82	2.23%	7.00%
iTraxx Australia	77	-1	-13	GSCI	342.56	1.56%	7.69%
CDX NA IG	70	0	-9	VIX	24.74	1.14%	-28.76%
CDX NA HY	102	0	4	CT10 (%)	0.617%	1.64	-2.45
iTraxx Eur Main	60	2	-11				
iTraxx Eur XO	359	16	-38	AUD/USD	0.716	0.42%	4.25%
iTraxx Eur Snr Fin	68	3	-16	EUR/USD	1.177	2.08%	4.67%
iTraxx Eur Sub Fin	144	5	-32	USD/SGD	1.378	0.39%	1.15%
iTraxx Sovx WE	16	-1	-3	AUD/SGD	0.986	-0.03%	-2.96%
USD Swap Spread 10Y	-1	1	1	ASX 200	6,091	-1.05%	3.17%
USD Swap Spread 30Y	-41	5	8	DJIA	26,585	-0.36%	6.27%
US Libor-OIS Spread	18	0	-6	SPX	3,239	-0.38%	7.66%
Euro Libor-OIS Spread	2	0	-5	MSCI Asiax	692	-1.94%	6.18%
				HSI	24,603	-1.81%	0.22%
China 5Y CDS	44	2	-8	STI	2,576	-1.55%	-1.10%
Malaysia 5Y CDS	60	-1	-16	KLCI	1,591	0.13%	6.94%
Indonesia 5Y CDS	118	-2	-18	JCI	5,117	1.30%	4.33%
Thailand 5Y CDS	41	0	-4	EU Stoxx 50	3,303	-2.52%	3.08%

Source: Bloomberg

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New Issues

- Chong Hing Bank Limited priced a USD250mn PerpNC5 AT1 at 5.50%, tightening from IPT of 6% area.
- Korea South-East Power Co., Ltd. priced a USD300mn 5.5-year bond at T+80bps, tightening from IPT of T+125bps area.
- China Everbright Bank Co., Ltd., Hong Kong Branch priced a USD700mn 3-year FRN at 3m-US LIBOR+85bps, tightening from IPT of 3m-US LIBOR+125bps area.
- DaFa Properties Group Limited priced a USD150mn 2-year bond at 13.50%, tightening from IPT of 13.875% area.
- CSCIF Asia Limited (Guarantor: CSC Financial Co., Ltd.) has arranged investor calls commencing 27 July 2020 for its proposed USD bond offering.

Date	Issuer	Size	Tenor	Pricing
27-Jul-20	Chong Hing Bank Limited	USD250mn	PerpNC5	5.50%
27-Jul-20	Korea South-East Power Co., Ltd.	USD300mn	5.5-year	T+80bps
27-Jul-20	China Everbright Bank Co., Ltd., Hong Kong Branch	USD700mn	3-year	3m-US LIBOR+85bps
27-Jul-20	DaFa Properties Group Limited	USD150mn	2-year	13.50%
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

Source: OCBC, Bloomberg

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