

### Market Commentary

- The SGD swap curve mostly rose yesterday, with the shorter tenors trading around 4bps higher while the belly and the longer tenors traded 3-5bps higher (with the exception of the 20-year trading 6bps lower).
- The Bloomberg Barclays Asia USD IG Bond Index average OAS tightened 1bps to 226bps, and the Bloomberg Barclays Asia USD HY Bond Index average OAS tightened 6bps to 903bps. The HY-IG Index Spread tightened 5bps to 677bps.
- Flows in SGD corporates were heavy, with flows in GSHSP 5.15%'20s, STANLN 4.4%'26s, STHSP 3.95%-PERPs, ARASP 5.2%-PERPs, HSBC 5%-PERPs, ARASP 5.65%-PERPs, CAPLSP 3.65%-PERPs, CS 5.625%-PERPs, PINGIN 2.25%'21s, UBS 4.85%-PERPs, BAERVX 5.9%-PERPs, STANLN 5.375%-PERPs and CMZB 4.875%'27s.
- 10Y UST Yields fell 1.5bps to 0.68% by the end of the day, with risk sentiments softening after the U.S. Secretary of State Mike Pompeo said the U.S. government could no longer certify HKSAR's political autonomy from China.

### Credit Summary:

- [Singapore Telecommunications Ltd \("SingTel"\)](#) | **Issuer Profile: Positive (2)**: SingTel reported FY2020 results for the year ended 31 March, reporting underlying net profit down by 13% y/y to SGD2.46bn dragged by weakness in Australia and onset of COVID-19. Going forward, SingTel will also adopt half-yearly announcement of financial results and also signalled that it will not provide guidance for FY2021 due to the uncertainties resulting from COVID-19. COVID-19 has negatively impacted SingTel, with reduction in roaming, lower prepaid volumes, lower equipment sales compounded by supply chain disruption and lower enterprise spend. 4QFY2020 Australia Consumer revenue has fallen 8.3% y/y while Singapore Consumer revenue fell 13.8% y/y. Group Enterprise revenue also fell, down by 4.5% y/y. Regional associates contributed more in 4QFY2020 with 28.6% y/y rise in pre-tax profit to SGD500mn, mainly due to lower pre-tax losses from Airtel with tariff improvement and strong growth in 4G customers from India. Overall, SingTel's credit metrics remain healthy with reported net debt gearing of 31.8% (3QFY2020: 32.6%) and reported net debt to EBITDA and share of associates' pre-tax profits of 2.0x (3QFY2020: 1.97x). That said, SingTel has slashed the total dividend payment for FY2020 to 12.25cts (from the usual 17.5 cts) due to uncertainties in COVID-19 – we think the results in the coming quarters are likely to be impacted. We think reduction in dividend is prudent as it conserves cash, noting that substantial outlays may be required for 5G investments ahead.

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## Asian Credit Daily

### Credit Headlines

#### Singapore Telecommunications Ltd (“SingTel”) | Issuer Profile: Positive (2)

- SingTel reported FY2020 results for the year ended 31 March, reporting underlying net profit down 13% y/y to SGD2.46bn dragged by weakness in Australia and onset of COVID-19. Going forward, SingTel will also adopt half-yearly announcements of financial results and also signalled that it will not provide guidance for FY2021 due to the uncertainties resulting from COVID-19.
- FY2020 revenue fell 4.8% y/y to SGD16.5bn, with a larger impact arising from 4QFY2020 (-10.2% y/y to SGD3.9bn). Reported EBITDA fell 3.2% y/y to SGD4.5bn, similarly dragged by poorer performance from 4QFY2020 (-11.5% y/y to SGD1.0bn), though share of associates’ pre-tax profits rose to SGD1.74bn (FY2019: SGD1.54bn).
- Overall, COVID-19 has negatively impacted SingTel, with reductions in roaming, lower prepaid volumes, lower equipment sales compounded by supply chain disruption and lower enterprise spend.
- 4QFY2020 Australia Consumer revenue fell 8.3% y/y to AUD1.8bn with reported EBITDA down by 22.0% y/y to AUD543mn. The lower revenue was mainly due to lower mobile revenue (-10.8% y/y to AUD1.29bn) from reduced equipment sales (-22.3% y/y to AUD378mn) from disruptions in delivery and weaker consumer sentiments due to natural disasters and COVID-19 while mobile service (-5.4% y/y to AUD863mn) fell due to data price competition and impact from COVID-19. Meanwhile, retail fixed also declined 6.9% y/y to AUD350mn. We note that reported EBITDA margins fell significantly more than revenue as NBN customers have low resale margins while equipment sales margins were lower.
- 4QFY2020 Singapore Consumer revenue fell 13.8% y/y to SGD465mn though reported EBITDA up 5.1% y/y to SGD181mn. The fall in revenues was mainly due to 12.0% y/y fall in mobile service to SGD218mn due to weaker roaming revenue mainly due to global travel restrictions. Meanwhile, sale of equipment revenue fell 34.5% y/y to SGD92mn due to disruptions in handset supply and weaker consumer spend. Meanwhile, the other segments were more stable such as Broadband (+3.2% y/y to SGD64mn) and Pay TV (+1.4% y/y to SGD50mn). However, reported EBITDA was up due to cost controls, with cost of sales down 27.3% y/y to SGD136mn and staff costs reduced by 39.1% y/y to SGD33mn, noting wage credits.
- Group Enterprise revenue fell 4.5% y/y to SGD1.56bn though reported EBITDA rose 4.9% y/y to SGD397mn. The fall in revenue is mainly due to the carriage segments, which saw steep declines with reasons similar to the Consumer segment. This includes mobile service (-19.9% y/y to SGD146mn) which was impacted by travel restrictions and pricing pressure and sale of equipment (-28.9% y/y to SGD70mn) due to supply disruption of premium handsets. Meanwhile, fixed voice (-13.7% y/y to SGD91mn) continued its decline while data and internet (-7.2% y/y to SGD363mn) fell due to pricing pressures. ICT (+3.8% y/y to SGD871mn) is the growth driver with growth in Business Application Services (+19.8% to SGD156mn), Cyber Security (+1.9% y/y to SGD163mn) and Communications Engineering (+31.3% y/y to SGD51mn). That said, EBITDA rose despite fall in revenues due to steep falls in operating expenses by 8.0% y/y to SGD1.18bn due to writebacks of staff incentive and wage credits.

*(to be continued in the next page...)*

## Asian Credit Daily

### Credit Headlines

#### Singapore Telecommunications Ltd (“SingTel”) | Issuer Profile: Positive (2)

- Regional associates contributed more in 4QFY2020 with a 28.6% y/y rise in pre-tax profit to SGD500mn, mainly due to lower pre-tax losses from Airtel (-70.9% y/y to -SGD42mn) with tariff improvement and strong growth in 4G customers from India. Telkomsel pre-tax profit also grew 4.9% y/y to SGD310mn with data revenue growth though SingTel cites competition outside Java and pressures on legacy business.
- SingTel’s credit metrics remain healthy with reported net debt gearing of 31.8% (3QFY2020: 32.6%) and reported net debt to EBITDA and share of associates’ pre-tax profits of 2.0x (3QFY2020: 1.97x). That said, SingTel has slashed the total dividend payment for FY2020 to 12.25cts (from the usual 17.5 cts), due to uncertainties in COVID-19 – we think the results in the coming quarters are likely to be impacted. We think reduction in dividend is prudent as it conserves cash, noting that substantial outlays may be required for 5G investments ahead. We continue to hold SingTel at a Positive (2) Issuer Profile. (Company, OCBC)

## Asian Credit Daily

### Key Market Movements

	28-May	1W chg (bps)	1M chg (bps)		28-May	1W chg	1M chg
iTraxx Asiax IG	101	-5	-18	<b>Brent Crude Spot (\$/bbl)</b>	34.33	-4.80%	67.79%
iTraxx SovX APAC	55	-2	-16	<b>Gold Spot (\$/oz)</b>	1,713.91	-0.76%	0.36%
iTraxx Japan	71	-7	-12	<b>CRB</b>	129.16	-0.32%	19.37%
iTraxx Australia	102	-5	-23	<b>GSCI</b>	297.30	0.27%	23.89%
CDX NA IG	79	-6	-13	<b>VIX</b>	27.62	-9.53%	-17.72%
CDX NA HY	97	2	4	<b>CT10 (%)</b>	0.690%	1.80	7.71
iTraxx Eur Main	71	-8	-10				
iTraxx Eur XO	430	-45	-63	<b>AUD/USD</b>	0.663	0.97%	2.13%
iTraxx Eur Snr Fin	83	-12	-18	<b>EUR/USD</b>	1.103	0.70%	1.91%
iTraxx Eur Sub Fin	175	-32	-48	<b>USD/SGD</b>	1.418	-0.03%	-0.05%
iTraxx Sovx WE	24	-4	-8	<b>AUD/SGD</b>	0.940	-0.96%	-2.14%
<b>USD Swap Spread 10Y</b>	-1	0	-2	<b>ASX 200</b>	5,912	6.51%	11.27%
<b>USD Swap Spread 30Y</b>	-47	-1	-4	<b>DJIA</b>	25,548	5.54%	6.00%
<b>US Libor-OIS Spread</b>	32	1	-37	<b>SPX</b>	3,036	3.87%	6.03%
<b>Euro Libor-OIS Spread</b>	20	1	-5	<b>MSCI Asiax</b>	598	-1.73%	0.23%
				<b>HSI</b>	23,412	-3.58%	-4.74%
<b>China 5Y CDS</b>	51	3	3	<b>STI</b>	2,528	-1.34%	-1.38%
<b>Malaysia 5Y CDS</b>	87	-7	-29	<b>KLCI</b>	1,454	2.13%	5.98%
<b>Indonesia 5Y CDS</b>	165	-7	-63	<b>JCI</b>	4,642	2.97%	2.47%
<b>Thailand 5Y CDS</b>	54	0	-16	<b>EU Stoxx 50</b>	3,051	3.69%	4.06%
<b>Australia 5Y CDS</b>	0	0	0				

Source: Bloomberg

## Asian Credit Daily

### New Issues

- Tencent Holdings Ltd priced a USD6bn debt offering in 4 parts: (1) a USD1bn 5-year bond at T+145bps, (2) a USD2.25bn 10-year bond at T+170bps, (3) a USD2bn 30-year bond at T+180bps, and (4) a USD750mn 40-year bond at T+185bps, tightening from IPT of T+175bps, T+200bps, T+220bps and T+240bps area respectively.
- Fantasia Holdings Group Co., Limited priced a USD300mn 3NC2 bond at 12.1%, tightening from IPT of 12.5% area.
- Taiyuan State-owned Investment Group Company Limited priced a USD145mn re-tap of its TYSTOW 6.2%'22s at 4.5%, tightening from IPT of 4.7% area.
- CITIC Securities Finance MTN Co., Ltd. (Guarantor: CITIC Securities Company Limited) priced a USD500mn 3-year bond at T+155bps, and a USD500mn 5-year bond at T+170bps area, tightening from IPT of T+210bps and T+235bps area respectively.
- Coastal Emerald Ltd. (Guarantor: China Shandong Hi-Speed Financial Group Ltd.) priced a USD800mn 363-day bond at 3.8%, tightening from IPT of 4.15% area.
- The Korea Development Bank priced a USD1bn 5-year bond at T+90bps, tightening from IPT of T+125bps area.
- Macquarie Bank Ltd priced a USD750mn 10-year bond at T+295bps, tightening from IPT of T+325bps area.
- New Development Bank has mandated banks for its proposed USD COVID-19 bond offering.
- Beijing Hongkun Weiye Real Estate Development Co has mandated banks for its proposed USD bond offering.

## Asian Credit Daily

### New Issues

Date	Issuer	Size	Tenor	Pricing
27-May-20	Tencent Holdings Ltd	USD1bn USD2.25bn USD2bn USD750mn	5-year 10-year 30-year 40-year	T+145bps T+170bps T+180bps T+185bps
27-May-20	Fantasia Holdings Group Co., Limited	USD300mn	3NC2	12.1%
27-May-20	Taiyuan State-owned Investment Group Company Limited	USD145mn	TYSTOW 6.2%'22s	4.5%
27-May-20	CITIC Securities Finance MTN Co., Ltd. (Guarantor: CITIC Securities Company Limited)	USD500mn USD500mn	3-year 5-year	T+155bps T+170bps
27-May-20	Coastal Emerald Ltd. (Guarantor: China Shandong Hi-Speed Financial Group Ltd.)	USD800mn	363-day	3.8%
27-May-20	The Korea Development Bank	USD1bn	5-year	T+90bps
27-May-20	Macquarie Bank Ltd	USD750mn	10-year	T+295bps
26-May-20	Vigorous Champion International Ltd. (Guarantor: China Ping An Insurance Overseas (Holdings) Ltd.)	USD600mn	5-year	T+240bps
26-May-20	BOC Aviation Ltd	USD750mn	3.5-year	T+260bps
26-May-20	Hysan (MTN) Limited (Guarantor: Hysan Development Company Limited)	USD400mn	7-year	T+245bps
21-May-20	Hotel Properties Ltd	SGD170mn	5-year	3.8%
21-May-20	The Bank of East Asia Limited	USD600mn	10NC2	T+375bps
21-May-20	Clark Equipment Co (Guarantor: Doosan Bobcat Inc)	USD300mn	5NC2	5.875%
20-May-20	Henderson Land MTN Limited (Guarantor: Henderson Land Development Company Limited)	USD300mn	5-year	T+210bps
20-May-20	Jining High Tech Urban Construction Investment Co.	USD118mn	3-year	5.5%
20-May-20	Industrial & Commercial Bank of China Limited of Dubai	USD100mn	3-year	3m-US LIBOR+60bps

Source: OCBC, Bloomberg

# Treasury Research & Strategy

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## Macro Research

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