

Market Commentary

- The SGD swap curve steepened yesterday, with the shorter tenors trading 0-2bps lower, while the belly and the longer tenors traded 0-4bps higher.
- The Bloomberg Barclays Asia USD IG Bond Index average OAS remained unchanged at 259bps, and the Bloomberg Barclays Asia USD HY Bond Index average OAS widened 4bps to 1003bps. The HY-IG Index Spread widened 4bps to 744bps.
- Flows in SGD corporates were moderate, with flows in SOCGEN 6.125%-PERPs, HSBC 4.7%-PERPs and CS 5.625%-PERPs.
- 10Y UST Yields fell 5bps by the end of the day to 0.61%, as market sentiment was mixed due to the lack of catalysts.

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Credit Summary:

- [Fraser's Commercial Trust \("FCOT"\)](#) | **Issuer Profile: Neutral (4):** FCOT has merged with Fraser's Logistics & Industrial Trust which will be renamed to Fraser's Logistics & Commercial Trust, and will be delisted from the SGX-ST today with effect from 9a.m. We expect the delisting to trigger the delisting put clause on FCOT's bonds.
- [Olam International Ltd \("Olam"\)](#) | **Issuer Profile: Neutral (5):** Olam announced that it has secured financing facilities from the International Finance Corporation and the Japan International Cooperation Agency. Proceeds will be used for procurement of agri-commodities, and expanding Olam's cocoa processing facility in Indonesia.
- [Keppel Corp Ltd \("KEP"\)](#) | **Issuer Profile: Neutral (4):** As part of Temasek's pre-conditional partial offer of KEP, KEP has announced that certain additional authorisations are required in connection with this partial offer. In a separate development, KEP entered into an agreement to sell 38mn units in Keppel DC REIT.
- [Starhill Global REIT \("SGREIT"\)](#) | **Issuer Profile: Neutral (4):** SGREIT reported results for the quarter ended 31 March 2020 ("3QFY2020"). Gross revenue declined 8.9% y/y while net property income ("NPI") declined 11.1% y/y. We think SGREIT has minimal refinancing risk in the near term.
- [Ascendas Real Estate Investment Trust \("AREIT"\)](#) | **Issuer Profile: Neutral (3):** AREIT has changed to half-year reporting but has shared an interim update for 1Q2020. AREIT has SGD568mn of debt due in the remaining nine months of 2020 from 1 April, including SGD100mn of SGD-denominated bonds due in August.
- [Hongkong Land Ltd \("HKL"\)](#) | **Issuer Profile: Positive (2):** HKL has issued an interim management statement for 1Q2020. Performance was negatively impacted by COVID-19 pandemic though HKL's overall financial position remained strong with sufficient liquidity to fund its ongoing commitments.
- [Wheelock & Co Ltd \("WHEELK"\)](#) | **Issuer Profile: Neutral (3):** WHEELK has issued a profit warning. It is expecting a loss attributable to equity shareholders for 1Q2020 of ~HKD6bn.
- [China Construction Bank Corporation \("CCB"\)](#) | **Issuer Profile: Neutral (3):** CCB announced 1QFY2020 results with profit before tax up 2.6% y/y. CCB's capital position remains solid, albeit slightly weaker with CET1/CAR capital ratios at 13.8%/17.2%. We continue to watch how performance will unfold given CCB's many important roles.
- [Industry Outlook – Financial Institutions:](#) The European Union has put forward several proposals to keep credit flowing to the economy during COVID-19 and this will be the fourth round of relief measures for EU banks. Such measures look to be needed given bank results so far have included significant increases in provisioning.

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Credit Headlines

Frasers Commercial Trust ("FCOT") | Issuer Profile: Neutral (4)

- FCOT has merged with Frasers Logistics & Industrial Trust which will be renamed to Frasers Logistics & Commercial Trust, and will be delisted from the SGX-ST today with effect from 9a.m.
- We expect the delisting to trigger the delisting put clause on FCOT's bonds and bondholders will have the option of putting the bonds back to FCOT at par. Given the bonds are trading slightly below par, we think bondholders can consider putting the bond. (Company, OCBC)

Olam International Ltd ("Olam") | Issuer Profile: Neutral (5)

- In a signal of Olam's continued access to debt funding outside of traditional sources of bank debt, Olam announced that it has secured financing facilities amounting to USD176mn from the International Finance Corporation ("IFC") and the Japan International Cooperation Agency ("JICA") consisting of two tranches, namely a 5 year and a 7 year term loan.
- The IFC is a member of the World Bank Group that offers investment, advisory, and asset-management services to encourage private-sector development in less developed countries while JICA is a Japanese governmental agency whose work include assisting economic and social growth in developing countries and the promotion of international cooperation.
- Proceeds from the facilities will be used for procurement of agri-commodities from smallholder farmers in Vietnam, Indonesia, Timor-Leste, Papua New Guinea and Uganda as well as expanding Olam's cocoa processing facility in Indonesia (eg: sustainable cocoa). (Company, OCBC)

Keppel Corp Ltd ("KEP") | Issuer Profile: Neutral (4)

- As part of Temasek's pre-conditional partial offer of KEP, KEP has announced that certain additional authorisations are required in connection with this partial offer given that the legislation amendments or corporate actions have taken place only after the announcement. The additional authorisation include (1) Public Utilities Board ("PUB") approval in connection with the KEP entities holding infrastructure assets (eg: Keppel Marina East Desalination Plant, Ulu Pandan NEWater Plant, SingSpring) (2) Monetary Authority of Singapore approval in relation to Pierfront Capital Fund Management Pte Ltd ("Pierfront"). In March 2020, KEP bought a 50%-stake in Pierfront.
- In a separate development, KEP (via its indirect wholly-owned subsidiary Keppel DC Investment Holdings Pte. Ltd) entered into an agreement to sell 38mn units (representing 2.33%-stake in Keppel DC REIT ("KDC REIT")). KDC REIT is a data centre focused REIT which is Sponsored by Keppel Telecommunications & Transportation Limited ("KPTT, 100%-owned by KEP).
- The aggregate cash consideration is ~SGD92mn (before deducting transaction cost). Upon completion, KEP's indirect interest in KDC REIT will fall to ~20.9% from ~23.3%. The sale is in line with KEP's capital recycling strategy and reinvesting for growth and higher returns, a KEP's focus area for 2020 and 2021. (Company, OCBC)

Asian Credit Daily**Credit Headlines****Starhill Global REIT ("SGREIT") | Issuer Profile: Neutral (4)**

- SGREIT reported results for the quarter ended 31 March 2020 ("3QFY2020"). Gross revenue declined 8.9% y/y to SGD46.7mn while net property income ("NPI") declined 11.1% y/y to SGD35.2mn. This was largely due to the rental assistance extended to tenants in Singapore, Malaysia and China to help them cope with the impact of COVID-19 pandemic. The decline was also due to rental rebate extended to the master tenant during the asset enhancement period of Starhill Gallery in Malaysia. Excluding which, gross revenue and NPI for the REIT would have fallen by 5.2% y/y and 6.4% y/y respectively.
- The asset enhancement works at Starhill Gallery is to convert the property into an integrated development with hotel and retail elements. The revamped property will be renamed The Starhill. Expected completion date is by end 2021. The mall remains partially open as redevelopment works are set in stages.
- For its Singapore retail portfolio, actual occupancy was stable at 99.5% (preceding quarter: 99.7%). For the remaining of FY2020, the Singapore retail segment will see just 4.0% of leases expiry based on gross rents which we think is manageable. Expectedly, footfall at Wisma Atria fell 20.4% y/y while tenant sales was down 15.4% y/y due to strict social distancing measures and lower tourist arrivals.
- On the Singapore office front, actual occupancy fell to 87.4% from 89.2% in the preceding quarter. That said, committed occupancy was higher at 91.4%. This was due to the pre-termination of a single tenant at while Ngee Ann City (Office), even though Wisma Atria (Office) saw actual occupancy rise to 91.3% from 87.7% as at 30 Sep 2019. The Singapore office segment will see 8.6% of leases by gross rents expire for the remaining of FY2020.
- Overall, actual occupancy at SGREIT was somewhat stable q/q at 96.3% (2QFY2020: 96.5%).
- The rental assistance extended to tenants mentioned earlier amounted to SGD13.7mn including SGD10.8mn of property tax rebate from the Singapore government. SGREIT is in the midst of evaluating partial rental rebate and deferments for tenants in Australia which contributed 18.2% of SGREIT's NPI in 3QFY2020. Looking ahead, we expect measures to limit the spread of COVID-19 to continue to weigh on SGREIT's performance via rental decline, tenant sales and shopper traffic decline.
- Aggregate leverage was 36.7% in 3QFY2020 (2QFY2020: 36.3%). Reported interest coverage was also lower q/q at 3.3x from 3.6x. We think SGREIT has minimal refinancing risk in the near term, as it only has SGD55mn worth of short-term revolving credit facilities coming due in FY2020 and SGD100mn worth of borrowings due in FY2021, while having SGD81.4mn cash on hand and 74% of its assets unencumbered. We continue to hold SGREIT at a Neutral (4) Issuer Profile. (Company, OCBC)

Asian Credit Daily**Credit Headlines****Ascendas Real Estate Investment Trust ("AREIT") | Issuer Profile: Neutral (3)**

- AREIT has changed to half-year reporting rather than quarterly reporting. AREIT shared an interim update for 1Q2020 though there was no income statement items provided by AREIT while AREIT pays distributions per unit on a semi-annual basis. AREIT disclosed that portfolio occupancy had improved q/q to 91.7% as at 31 March 2020 (31 December 2019: 90.9%) while its reported aggregate leverage was somewhat higher at 36.2% (31 December 2019: 35.1%).
- AREIT has SGD568mn of debt due in the remaining nine months of 2020 from 1 April 2020, of which SGD100mn consist of SGD-denominated bonds due in August 2020.
- AREIT has SGD200mn in committed unutilised debt facilities and ~SGD1.1bn of uncommitted facilities, which indicates its continued strong access to debt markets. We see refinancing risk at AREIT as manageable notwithstanding that AREIT traditionally holds little cash. Unencumbered properties as a percentage of total investment properties was significant at 92.5% (31 December 2019: 91.8%). This represents some SGD11.8bn of investment properties which remains unencumbered.
- AREIT also faces first call on its sole perpetual in October 2020 amounting to SGD300mn. Based on current forward rates, this perpetual may reset lower to 3.24% versus the cost of replacing the perpetual (we think at ~4.0% - 4.2%), although economic considerations will need to be balanced with reputational risk which impacts continued access to the perpetual market.
- In Singapore, reduction in property tax will be fully passed on to all qualifying tenants. F&B/retail/amenities and food factory tenants which collectively make up less than 4% of Singapore rental income will receive further rent relief for April and May 2020. To date, no tenants have indicated that they want to pre-terminate leases though have foreshadowed that the leasing environment in Singapore is challenging. Based on current expectations, disruption to construction activities means completion date of the built-to-suit property which AREIT is building for Grab (as headquarters) would be delayed to 1Q2021 from 4Q2020. We maintain AREIT's issuer profile at Neutral (3). (Company, OCBC)

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Credit Headlines

Hongkong Land Ltd (“HKL”) | Issuer Profile: Positive (2)

- HKL has issued an interim management statement for 1Q2020. Performance was negatively impacted by COVID-19 pandemic and measures taken to control it. Areas impacted are contracted sales in the Development Properties business and retail rent in Investment Properties business.
 - Investment Properties (Office): Though stable in the quarter, the leasing market in Hong Kong has become subdued since end January. Vacancy in Hong Kong rose to 4.3% as at 31 March 2020, up from 2.9% at end 2019. For its Singapore portfolio, rental reversion in 1Q was positive though vacancy rate rose to 5.5% from 5.0%.
 - Investment Properties (Retail): In Hong Kong, vacancy increased to 1.4% from 0.3% in the preceding quarter. Retail sentiment has deteriorated further and a small number of tenants were required to temporarily close. As such, HKL has provided temporary rent relief to support its retail tenants.
 - Development Properties: For Mainland China, sales office were closed and construction activities were suspended for ~2 months though operations have since resumed. Sales activity has started to recover in April, though yet to normalise. Elsewhere, market sentiments has become more cautious and contracted sales levels have been adversely impacted by subdued demand.
- HKL’s overall financial position remained strong with sufficient liquidity to fund its ongoing commitments. Net debt at 31 March 2020 was USD3.9bn, up USD263mn (~7%) from end 2019. (OCBC, Company)

Wheelock & Co Ltd (“WHEELK”) | Issuer Profile: Neutral (3)

- WHEELK has issued a profit warning. It is expecting a loss attributable to equity shareholders for 1Q2020 of ~HKD6bn mainly due to the losses and reduced profitability of our principal businesses and the effect of unrealised revaluation deficit or impairment of WHEELK’s investment properties, development properties and hotels.
- WHEELK’s financial performance in 2020 has so far been impacted mainly by the very weak economic environment and the extreme market and operating conditions caused by COVID-19. (Company, Bloomberg)

Asian Credit Daily**Credit Headlines****China Construction Bank Corporation ("CCB") | Issuer Profile: Neutral (3)**

- CCB announced 1Q2020 results with profit before tax up 2.6% y/y to RMB98.4bn. This was due to solid performance in operating income (+4.2% y/y) while operating expenses were down 1.3% y/y. As expected, credit impairment losses rose 12.9% y/y but this only partially offset the net operating income performance.
- Net interest income rose 6.7% y/y as loans growth offset a fall in net interest margins (2.19% in 1Q2020 against 2.29% in 1Q2019). Similarly, net fee and commission income rose 5.5% y/y due to growth in commissions on trust and fiduciary activities as well as the settlement and clearing business and the credit card business.
- CCB's balance sheet continued to grow with total assets up 6.6% q/q. Gross loans and advances rose 6.4% q/q while non-performing loans also rose 6.4% q/q in accordance with prevailing regulatory requirements. As such, the non-performing loan ratio was constant at 1.42% q/q, while the non-performing loans allowance coverage ratio improved to 230.3% as at 31 March 2020 against 227.7% as at 31 December 2019.
- CCB's capital position remains solid, albeit slightly weaker, due to higher growth in risk weighted assets against growth in capital with CCB's CET1/CAR capital ratios at 13.8%/17.2% as at 31 March 2020 against 13.9%/17.5% as at 31 December 2019. Other credit ratios remain solid with CCB's leverage ratio at 8.1% as at 31 March 2020 against 8.3% as at 31 December 2019 and its liquidity coverage ratio at 159.2% against 154.8% over the same period.
- While the results are decent and CCB's credit profile is underpinned by its solid business risk with a relatively higher contribution from the Personal Banking segment which influences profit before tax contribution, loan composition and quality, we continue to watch how performance will unfold. This is given CCB's role as a state-owned policy bank and a provider of support for the wider economy and a partner in helping the government smooth over the economic disruption from COVID-19. [Economic contraction in China was 6.8% y/y](#) in 1Q2020, and while production staged a V-shaped recovery, consumption did not and this may impact economic growth for the remainder of 2020.
- CCB has already highlighted some of the support measures employed including provision of loans to business involved in pandemic prevention and control and loans using the People's Bank of China's relending program (provides banks with low cost funds to on-lend) and also amending pricing policies to reduce financing costs for enterprises and waiving service charges to manufacturers, small and micro enterprises and private businesses. Other borrowers impacted by COVID-19 also could defer principal repayment and interest payment. All these measures may suppress income generation in the coming quarters. We continue maintaining CCB's issuer profile at Neutral(3). (Company, OCBC)

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Industry Outlook – Financial Institutions

- The European Union has put forward several proposals to keep credit flowing to the economy during COVID-19. These include a relaxation on leverage ratio limits enabling banks to hold less capital for funds they keep at central banks. In addition, there will be some capital relief when banks invest in software and fund infrastructure and small to medium sized businesses.
- Finally, there will be flexibility in recognition of expected loan losses, with more emphasis placed on longer-term loan risks and not just the sudden shock of the pandemic before setting aside provisions.
- Per Bloomberg, one EU official believes such actions could help support EUR450bn in additional lending.
- This will be the fourth round of relief measures for EU banks with previous measures also aimed at flexibility in recognition of loans and loan provisioning and lowering capital requirements.
- Such measures look to be needed given bank results so far have included significant increases in provisioning to address mostly weaker economic assumptions requiring more general provisions to be raised. We continue to watch regulatory developments. (Bloomberg, OCBC)

Key Market Movements

	29-Apr	1W chg (bps)	1M chg (bps)		29-Apr	1W chg	1M chg
iTraxx Asiax IG	119	-7	-31	Brent Crude Spot (\$/bbl)	21.40	5.06%	-14.16%
iTraxx SovX APAC	71	1	-4	Gold Spot (\$/oz)	1,709.52	-0.27%	5.36%
iTraxx Japan	82	-8	-46	CRB	108.21	1.80%	-12.66%
iTraxx Australia	124	-5	-62	GSCI	230.23	-2.78%	-11.97%
CDX NA IG	92	-2	-16	VIX	33.57	-26.07%	-48.78%
CDX NA HY	94	0	-2	CT10 (%)	0.613%	4.38	-6.17
iTraxx Eur Main	81	-4	-16				
iTraxx Eur XO	493	-16	-87	AUD/USD	0.653	3.24%	5.73%
iTraxx Eur Snr Fin	101	-7	-18	EUR/USD	1.085	0.26%	-1.78%
iTraxx Eur Sub Fin	222	-14	-29	USD/SGD	1.415	0.88%	0.69%
iTraxx Sovx WE	32	-4	8	AUD/SGD	0.924	-2.32%	-4.84%
USD Swap Spread 10Y	1	-3	1	ASX 200	5,371	2.87%	10.92%
USD Swap Spread 30Y	-44	-4	4	DJIA	24,102	4.70%	11.39%
US Libor-OIS Spread	77	-18	-61	SPX	2,863	4.63%	12.67%
Euro Libor-OIS Spread	26	-1	13	MSCI Asiax	597	1.45%	7.14%
				HSI	24,737	3.53%	5.33%
China 5Y CDS	48	-2	-11	STI	2,572	0.88%	1.73%
Malaysia 5Y CDS	116	1	-12	KLCI	1,378	-0.28%	2.60%
Indonesia 5Y CDS	228	8	1	JCI	4,548	-0.42%	0.06%
Thailand 5Y CDS	70	-3	-15	EU Stoxx 50	2,932	5.04%	7.45%
Australia 5Y CDS	29	0	-8				

Source: Bloomberg

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New Issues

- Wharf REIC Finance (BVI) Limited (Guarantor: Wharf Real Estate Investment Company Limited) priced a USD450mn 5-year bond at T+205bps, and a USD300mn 10-year bond at T+235bps, tightening from IPT of T+250bps and T+280bps area respectively.
- Amber Treasure Ventures Limited and its guarantor Nan Hai Corporation Limited have mandated banks for a potential USD bond offering.

Date	Issuer	Size	Tenor	Pricing
28-Apr-20	Wharf REIC Finance (BVI) Limited (Guarantor: Wharf Real Estate Investment Company Limited)	USD450mn USD300mn	5-year 10-year	T+205bps T+235bps
27-Apr-20	Republic of the Philippines	USD1bn USD1.35bn	10-year 25-year	T+180bps 3.375%
27-Apr-20	Korea East-West Power Co. Ltd	USD500mn	5-year	T+150bps
27-Apr-20	Honghe Development Group Co. Ltd	USD108mn	3-year	7%
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

Source: OCBC, Bloomberg

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