

Market Commentary

- The SGD swap curve fell slightly last Friday, with the shorter and belly tenors trading 1-2bps lower while the 20-year and 30-year traded 1-2 bps higher.
- The Bloomberg Barclays Asia USD IG Bond Index average OAS widened 1bps to 203bps, and the Bloomberg Barclays Asia USD HY Bond Index average OAS widened 2bps to 770bps. The HY-IG Index Spread widened 1bps to 567bps.
- Flows in SGD corporates were heavy, with flows in SINTEC 4.1%-PERPs, SRENVX 0%'35s, STANLN5.375%-PERPs, HSBC 4.7%-PERPs, BACR 3.75%'30s, FPLSP 4.98%-PERPs, UOBSP 3.58%-PERPs, ANZ 3.75%'27s, PINGIN 2.25%'21s and UBS 4.85%-PERPs.
- 10Y UST Yields fell 4bps to 0.64% due to continuing COVID-19 concerns despite a rebound in consumer spending.

Credit Research

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Credit Summary:

- [Commerzbank AG \("CMZB"\)](#) | **Issuer Profile: Neutral (4)**: CMZB is reportedly set to announce details of its revised restructuring plan this week internally at a supervisory board meeting aiming to address investor concerns that the previous restructuring plan announced in September 2019 was not as ambitious as needed. The plan is expected to raise cost cutting programs including eliminating 7,000 jobs and closing 400 branches. CMZB's revised restructuring is expected to be announced externally in August along with its 1H2020 results. CMZB is also working with McKinsey & Co. to review the bank's business model.
- [Ascendas Real Estate Investment Trust \("AREIT"\)](#) | **Issuer Profile: Neutral (3)**: AREIT has responded to questions received for its annual general meeting ("AGM"). In Australia, rental collection from F&B and retail tenants has been suspended while one lease of a leisure/hospitality tenant has been restructured. The impact is less than SGD0.5mn. About SGD3mn of rent in Singapore has been granted deferment (these are covered by security deposits). So far, amount of rent in arrears is less than 1% of portfolio revenue and there has not been any pre-termination by tenants.
- [Singapore Airlines Ltd \("SIA"\)](#) | **Issuer Profile: Neutral (5)**: SIA announced that the board of directors of NokScoot Airlines Co. Ltd ("NokScoot") has passed a resolution to liquidate NokScoot, a 49%-owned associated company of Scoot Tigerair Pte Ltd ("Scoot", an indirect wholly-owned subsidiary of SIA). SIA is likely to record a one-off charge of SGD123.6mn for the first quarter ending 30 June 2020. The carrying value of SIA's investment in NokScoot has been fully written down earlier.
- [CapitaLand Mall Trust \("CMT"\)](#) | **Issuer Profile: Positive (2)**: CMT has obtained a term loan of SGD1.0bn from various banks with tenures ranging from 4 to 7 years. We expect this loan to be used to fund the acquisition of CapitaLand Commercial Trust ("CCT", Issuer Profile: Neutral (3)).

Asian Credit Daily**Credit Headlines****Commerzbank AG (“CMZB”) | Issuer Profile: Neutral (4)**

- CMZB is reportedly set to announce details of its revised restructuring plan this week internally at a supervisory board meeting aiming to address investor concerns that the previous restructuring plan announced in September 2019 was not as ambitious as needed.
- The plan is expected to raise cost cutting programs including eliminating 7,000 jobs (previously a net head count reduction of 2,300 was planned comprising a 4,300 reduction and the creation of 2,000 positions in strategic areas) and closing 400 branches (previously 200).
- CMZB’s revised restructuring is expected to be announced externally in August along with its 1H2020 results and is being driven by (1) a previous lukewarm response to the plan when first announced; (2) a lack of progress since September 2019 and the significantly changed operating environment; and (3) recent pressure from CMZB’s second largest shareholder Cerberus Capital Management LP who is seeking immediate management and strategy changes and board seats.
- CMZB is also working with McKinsey & Co. to review the bank’s business model. CMZB is stuck between a rock and hard place needing to implement drastic measures to address fundamental challenges but at the same time likely to receive significant push back from labour unions on job cuts as has been the case in the past. Such changes however are likely necessary given the accelerated move into digitalisation brought about by COVID-19.
- [We published a Credit Update on CMZB in early June](#) highlighting that while execution risk is high for its plans, we expect the German government to watch any restructuring of CMZB (and resultant impact on Germany’s banking sector) closely to ensure systemic stability is maintained. We think this, along with government support measures through grants to small corporates and government backed loans, can provide a floor to the credit profile of Commerzbank for the time being. (Company, OCBC)

Ascendas Real Estate Investment Trust (“AREIT”) | Issuer Profile: Neutral (3)

- AREIT has responded to questions received for its annual general meeting (“AGM”). In Singapore, AREIT estimates that rental waivers provided to tenants year to date was less than SGD20mn, this amount is in addition to the Singapore government’s tax rebates and cash grants as legislated. For the quarter ended 31 December 2019, AREIT’s gross revenue was SGD699.1mn.
- SME tenants currently make up less than 20% of AREIT’s Singapore portfolio by gross rental income. In Australia, rental collection from F&B and retail tenants has been suspended while one lease of a leisure/hospitality tenant has been restructured. The impact is less than SGD0.5mn.
- About SGD3mn of rent in Singapore has been granted deferment (these are covered by security deposits). AREIT is monitoring this deferment.
- So far, amount of rent in arrears is less than 1% of portfolio revenue and there has not been any pre-termination by tenants. We maintain AREIT’s issuer profile at Neutral (3). (Company, OCBC)

Asian Credit Daily

Credit Headlines

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

- SIA announced that the board of directors of NokScoot Airlines Co. Ltd (“NokScoot”) has passed a resolution to liquidate NokScoot, a 49%-owned associated company of Scoot Tigerair Pte Ltd (“Scoot”, an indirect wholly-owned subsidiary of SIA).
- NokScoot was established in Thailand as a joint venture low cost airline by Nok Airlines Public Company Limited and Scoot.
- SIA is likely to record a one-off charge of SGD123.6mn for the first quarter ending 30 June 2020, comprising a SGD106.9mn charge mainly due to impairment of seven Boeing 777-200 aircraft which had been leased to NokScoot by SIA and provisions of SGD16.7mn to cover its share of liquidation and related costs.
- The carrying value of SIA’s investment in NokScoot has been fully written down earlier. (Company, OCBC)

CapitaLand Mall Trust (“CMT”) | Issuer Profile: Positive (2)

- CMT has obtained a term loan of SGD1.0bn from various banks with tenures ranging from 4 to 7 years. We expect this loan to be used to fund the acquisition of CapitaLand Commercial Trust (“CCT”, Issuer Profile: Neutral (3)). (Company, OCBC)

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Key Market Movements

	29-Jun	1W chg (bps)	1M chg (bps)		29-Jun	1W chg	1M chg
iTraxx Asiax IG	88	3	-15	Brent Crude Spot (\$/bbl)	40.09	-6.94%	13.47%
iTraxx SovX APAC	47	2	-9	Gold Spot (\$/oz)	1,772.18	1.01%	2.42%
iTraxx Japan	58	1	-11	CRB	134.41	-2.58%	1.64%
iTraxx Australia	88	3	-14	GSCI	318.09	-3.79%	3.59%
CDX NA IG	81	1	0	VIX	34.73	-1.11%	26.25%
CDX NA HY	99	0	2	CT10 (%)	0.645%	-6.39	-0.80
iTraxx Eur Main	72	2	-3				
iTraxx Eur XO	409	3	-33	AUD/USD	0.688	-0.41%	3.19%
iTraxx Eur Snr Fin	85	4	-4	EUR/USD	1.126	-0.04%	1.40%
iTraxx Eur Sub Fin	180	18	2	USD/SGD	1.393	-0.04%	1.48%
iTraxx Sovx WE	19	-1	-4	AUD/SGD	0.958	0.38%	-1.68%
USD Swap Spread 10Y	-2	0	-1	ASX 200	5,815	-2.18%	1.03%
USD Swap Spread 30Y	-49	0	-2	DJIA	25,016	-3.31%	-1.45%
US Libor-OIS Spread	24	2	-5	SPX	3,009	-2.86%	-1.16%
Euro Libor-OIS Spread	7	-1	-9	MSCI Asiax	652	0.50%	8.37%
				HSI	24,211	-1.76%	5.44%
China 5Y CDS	52	2	-6	STI	2,576	-2.03%	2.62%
Malaysia 5Y CDS	76	4	-15	KLCI	1,477	-2.24%	0.28%
Indonesia 5Y CDS	135	9	-30	JCI	4,863	-1.13%	2.30%
Thailand 5Y CDS	44	3	-8	EU Stoxx 50	3,204	-1.99%	5.05%
Australia 5Y CDS	0	0	-2				

Source: Bloomberg

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New Issues

- There were no new issues or mandates last Friday.

Date	Issuer	Size	Tenor	Pricing
25-Jun-20	Singapore Technologies Telemedia Pte Ltd	SGD375mn	PerpNC7	4.10%
24-Jun-20	China Aoyuan Group Limited	USD460mn	3.6NC2.6	6.35%
24-Jun-20	NagaCorp Limited (Guarantors: NagaCorp (HK) Limited, Nagaworld Limited, NagaCity Walk Limited, Naga 2 Land Limited and Naga 3 Company Limited)	USD350mn	4NC2	8.5%
24-Jun-20	New Oriental Education & Technology Group, Inc.	USD300mn	5-year	T+185bps
24-Jun-20	Swiss Re Finance (UK) PLC (Guarantor: Swiss Re Ltd.)	SGD350mn	15NC5	3.125%
23-Jun-20	Mega Wisdom Global Limited (Guarantor: Fortune Joy Ventures Limited and Sino-Ocean Capital Holding Limited)	USD300mn	364-day	5.625%
23-Jun-20	Ronshine China Holdings Limited	USD160mn	RONXIN 7.35%'23s	7.35%
23-Jun-20	Agile Group Holdings Limited	USD500mn	4.5NC2.5	5.75%
23-Jun-20	NWD Finance BVI Ltd (Guarantor: New World Development Co Ltd)	USD200mn	NWDEVL 5.25% PerpNC6	5.25%
23-Jun-20	Jingrui Holdings Limited	USD40mn	JINGRU 12%'22s	12.0%
22-Jun-20	Fortune Star (BVI) Limited (Guarantor: Fosun International Limited)	USD600mn	4NC3	6.85%
22-Jun-20	PT Perusahaan Listrik Negara (Persero)	USD500mn USD1bn	10-year 30-year	3.1% 4.1%
22-Jun-20	CLP Power Hong Kong Financing Limited (Guarantor: CLP Power Hong Kong Limited)	USD750mn USD250mn	10-year 15-year	T+160bps T+190bps
22-Jun-20	Minor International PCL (Guarantor: Bangkok Bank PCL)	USD300mn	PERPNC3	3.1%

Source: OCBC, Bloomberg

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