

Market Commentary

- The SGD swap curve bear steepened yesterday, with the shorter and belly tenors trading 0-1bps higher while the longer tenors traded 1-2bps higher.
- The Bloomberg Barclays Asia USD IG Bond Index average OAS remained mostly unchanged at 176bps, and the Bloomberg Barclays Asia USD HY Bond Index average OAS widened 15bps to 779bps. The HY-IG Index Spread widened 14bps to 602bps.
- Flows in SGD corporates were heavy, with flows in HSBC 5%-PERPs, OLAMSP 4%'26s, OCBCSP 3%-PERPs, HSBC 4.7%-PERPs, STRTR 3.73%'21s, AREIT 3%-PERPs and STTGDC 3.13%'28s.
- 10Y UST Yields remain mostly unchanged at 0.65% as markets awaited the presidential debate on Tuesday.

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Credit Summary:

- **Industry Outlook – Singapore Property:** URA released a circular putting in restrictions on the re-issue of Option to Purchase (“OTP”). This has been put in place as there have been instances where the OTP was re-issued multiple times and URA wants to encourage financial prudence.
- **Industry Outlook – Financial Institutions:** The Monetary Authority of Singapore (“MAS”) is reportedly in talks with lenders to extend the debt moratorium program into 2021 to provide extended relief to borrowers affected by COVID-19. Like regulators globally, MAS are seeking to offset any potential “cliff effect” from the end of current debt relief measures. Pivoting to Australia, recent proposed changes to regulations are expected to benefit banks in their ability to support the flow of credit in the economy while insolvency law reform proposals aim to replicate the US Chapter 11 bankruptcy process.

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Credit Headlines

Industry Outlook – Singapore Property

- URA released a circular putting in restrictions on the re-issue of Option to Purchase (“OTP”). Developers are restricted from providing upfront agreement to re-issue OTP and the same purchaser cannot be re-issued OTP for the same unit within 12 months after the expiry of the OTP. However, the validity period of the OTP may be extended up to 12 weeks upon application to URA if both the developer and the buyer are agreeable.
- This circular is put in place as there have been instances where the OTP was re-issued multiple times and URA wants to encourage financial prudence.
- We note that the property market looks resilient despite the outbreak of COVID-19, with 2Q2020 private residential prices rising 0.3% q/q. Meanwhile in August, developers sold 1,256 units (excluding EC), which is the highest number in 11 months. Over the weekend, Hong Leong sold 341 out of 566 units at the new launch of Penrose condominium.
- The move by URA is likely to temper the market slightly and we remain [negative on the outlook of Singapore property](#). (URA, OCBC)

Industry Outlook – Financial Institutions

- The Monetary Authority of Singapore (“MAS”) is reportedly in talks with lenders to extend the debt moratorium program into 2021 to provide extended relief to borrowers affected by COVID-19.
- Although details of the plan and what types of borrowers will be covered under an extension are being finalized, a tiered approach is being considered to provide targeted relief to industries needing the most help for as long as an additional six months.
- Like regulators globally, MAS are seeking to offset any potential “cliff effect” from the end of current debt relief measures that could result in a spike in business failures and ease borrowers into gradually resuming repayments once debt relief measures expire and economies hopefully recover. Recently in Australia, proposed changes to regulations are expected to benefit banks in their ability to support the flow of credit in the economy with the removal of certain responsible lending obligations that will make it easier for banks to approve mortgages and small-business loans through use of borrower’s income and spending information when assessing loan applications while insolvency law reform proposals aim to replicate the US Chapter 11 bankruptcy process by moving to a “debtor in possession” model with stressed borrowers able to continue trading while developing a debt restructuring plan rather than the current all “creditor in possession” one.
- This new process in Australia is expected to start 1 January 2021. The current debt relief program in Singapore is due to end on 31st of December. (Bloomberg, OCBC).

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Key Market Movements

	29-Sep	1W chg (bps)	1M chg (bps)		29-Sep	1W chg	1M chg
iTraxx Asiax IG	77	2	16	Brent Crude Spot (\$/bbl)	42.46	1.77%	-5.75%
iTraxx SovX APAC	36	2	3	Gold Spot (\$/oz)	1,885.74	-0.76%	-4.17%
iTraxx Japan	69	8	9	CRB	148.73	0.82%	-3.07%
iTraxx Australia	76	2	12	GSCI	350.56	0.92%	-2.61%
CDX NA IG	57	5	-7	VIX	26.19	-5.72%	14.07%
CDX NA HY	104	-1	-1	CT10 (%)	0.658%	-1.31	-6.34
iTraxx Eur Main	59	1	5				
iTraxx Eur XO	343	12	19	AUD/USD	0.709	-1.12%	-3.86%
iTraxx Eur Snr Fin	79	1	17	EUR/USD	1.168	-0.25%	-2.15%
iTraxx Eur Sub Fin	157	2	28	USD/SGD	1.371	-0.42%	-0.78%
iTraxx Sovx WE	12	0	-1	AUD/SGD	0.972	0.71%	3.21%
USD Swap Spread 10Y	4	3	3	ASX 200	5,983	3.44%	-1.50%
USD Swap Spread 30Y	-33	3	5	DJIA	27,584	1.61%	-3.73%
US Libor-OIS Spread	14	0	-3	SPX	3,352	2.15%	-4.46%
Euro Libor-OIS Spread	-2	1	-2	MSCI Asiax	705	-0.99%	-4.18%
				HSI	23,476	-1.98%	-7.65%
China 5Y CDS	50	5	16	STI	2,483	-0.11%	-2.23%
Malaysia 5Y CDS	57	5	11	KLCI	1,512	0.82%	-0.89%
Indonesia 5Y CDS	116	5	22	JCI	4,907	-1.86%	-8.23%
Thailand 5Y CDS	48	3	11	EU Stoxx 50	3,223	1.97%	-2.79%
Australia 5Y CDS	18	1	3				

Source: Bloomberg

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New Issues

- Government of Mongolia priced a USD600mn 5.5-year bond at 5.375%, tightening from IPT of 5.75% area.
- Hong Kong JY Flower Limited (Guarantor: Kunming Industrial Development & Investment Co., Ltd.) has arranged investor calls commencing 28 September 2020 for its proposed USD bond offering.

Date	Issuer	Size	Tenor	Pricing
28-Sep-20	Government of Mongolia	USD600mn	5.5-year	5.375%
25-Sep-20	Woori Card Co., Ltd.	USD100mn	5-year	3m-US LIBOR+100bps
25-Sep-20	ZhongAn Online P&C Insurance Co., Ltd.	USD100mn	ZHONAN 3.5%'26s	3.5%
24-Sep-20	Huarong Finance 2019 Co Ltd (Guarantor: China Huarong International Holdings Ltd)	USD250mn USD600mn USD350mn	PerpNC5 3-year 10-year	4.25% T+205bps T+300bps
24-Sep-20	Overseas-Chinese Banking Corporation Limited	SGD200mn	PerpNC10	3.0%
23-Sep-20	Perenti Finance Pty Ltd (Guarantor: Perenti Global Ltd)	USD450mn	5NC2	6.50%
23-Sep-20	CFLD Cayman Investment Ltd (Guarantor: China Fortune Land Development Co. Ltd)	USD330mn	2-year	8.75%
23-Sep-20	Kaisa Group Holdings Ltd	USD200mn	PerpNC3	10.875%
23-Sep-20	Powerlong Real Estate Holdings Ltd	USD150mn	PWRLNG 6.25%'24s	5.9%
23-Sep-20	Korea National Oil Corp	USD400mn USD300mn	5-year 10-year	T+70bps T+100bps
23-Sep-20	TSMC Global Ltd.	USD1bn USD750mn USD1.25bn	5-year 7-year 10-year	T+50bps T+60bps T+80bps
22-Sep-20	China Merchants Bank Co Ltd/Luxembourg Branch	USD300mn	3-year	T+95bps
22-Sep-20	China Merchants Bank Singapore Branch	USD400mn	3-year	3m-US LIBOR+85bps
22-Sep-20	Zhejiang Baron BVI Co Ltd (Guarantors: Hangzhou Jianggan District Urban Construction & Comprehensive Development Co Ltd)	USD200mn	3-year	2.8%

Source: OCBC, Bloomberg

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