

Market Commentary

- The SGD swap curve flattened yesterday, with the shorter tenors trading 0-5bps higher while the belly and longer tenors traded 1-5bps lower.
- The Bloomberg Barclays Asia USD IG Bond Index average OAS widened 2bps to 125bps, and the Bloomberg Barclays Asia USD HY Bond Index average OAS widened 17bps to 508bps. The HY-IG Index Spread widened 15bps to 383bps.
- Flows in SGD corporates were heavy, with flows in SLHSP 3.5%'30s, SUNSP 2.95%'27s, TMGSP 4.05%'25s and CCTSP 3.17%'24s.
- 10Y UST Yields remain mostly unchanged at 1.59%, which is a three-month low. The World Health Organisation (WHO) has declared the outbreak of the Wuhan coronavirus as a global health emergency.

Credit Research

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Credit Summary:

- [Singapore Airlines Ltd \("SIA"\)](#) | **Issuer Profile: Neutral (3)**: SIA has announced on Facebook that it will reduce capacity on some Mainland China routes in February due to the rising coronavirus incident and subject to regulatory approval. Routes affected include those to Beijing, Shanghai, Guangzhou, Shenzhen, Chengdu, Xiamen and Chongqing. SIA earlier announced that crew would no longer stay overnight in Shanghai and Beijing as a preventative measure. Capacity cuts include other group airlines SilkAir and Scoot. We note that during SARS, SIA deferred or cancelled non-essential capital expenditure and projects, reduced capacity and managed employee expenses through retrenchments, pay cuts and extended leave to combat a sharp reduction in passenger load factor in 1QFY2014 and operating losses.
- [BreadTalk Group Ltd \("BGL"\)](#) | **Issuer Profile: Neutral (5)**: BGL announced the resignation of Mr Chan Ying Jian with effect from 15 March 2020 as its Group Chief Financial Officer and Group Chief Investment Officer. Dr George Quek Meng Tong, who is the Group Executive Chairman, founder and main shareholder, has taken over the duties of the CEO. Dr Quek will also be taking over BGL's accounting, financial, treasury and tax matters after Mr Chan's resignation.

Asian Credit Daily**Credit Headlines****Singapore Airlines Ltd (“SIA”) | Issuer Profile: Neutral (3)**

- SIA has announced on Facebook that it will reduce capacity on some Mainland China routes in February due to the rising coronavirus incident and subject to regulatory approval. Routes affected include those to Beijing, Shanghai, Guangzhou, Shenzhen, Chengdu, Xiamen and Chongqing. SIA earlier announced that crew would no longer stay overnight in Shanghai and Beijing as a preventative measure.
- Capacity cuts include other group airlines SilkAir (4 Chinese cities including Shenzhen, Xiamen, Chengdu, Chongqing) and Scoot (some flight cancellations to Guangzhou, Nanjing, Macau and Hong Kong, flights suspended to 11 mainland Chinese cities including Harbin, Hangzhou, Shenyang, Xi’an, Changsha, Nanchang, Zhengzhou, Ningbo, Jinan, Nanning and Wuxi from early February until end March 2020 and flight frequencies reduced to 8 cities including Fuzhou, Guangzhou, Haikou, Kunming, Nanjing, Qingdao, Tianjin and Macau, from 1 February to 28 March 2020).
- Per [SIA’s FY2019 annual report](#), revenue from East Asia comprised 52.8% of total system-wide passenger revenue by area of original sale (49% in FY2003) and 32.8% of total system-wide passenger revenue by route region (comprises routes where East Asia is the final destination for flights originating from Singapore). Passengers carried from East Asia comprised 49.3% of total systemwide passenger growth in FY2019. As a proportion of total airline operations revenue, East Asia contributed 58.8% of revenue by area of original sale. East Asia comprises Brunei, Hong Kong SAR, Indonesia, Japan, South Korea, Malaysia, People’s Republic of China, Myanmar, Philippines, Thailand, Taiwan and Vietnam. As such, the coronavirus impact could become material the longer it persists.
- We note that during SARS, where the duration roughly lasted from January to July 2003, SIA deferred or cancelled non-essential capital expenditure and projects, reduced capacity and managed employee expenses through retrenchments, pay cuts and extended leave to combat a sharp reduction in passenger load factor in 1QFY2014 and operating losses. Thereafter, performance recovered sharply on a rebound in air travel in 2HFY2004 (ie: 3rd and 4th quarters of the financial year).
- The cyclicity of the airlines industry is incorporated into SIA’s Neutral (3) issuer profile in view of its underlying industry exposure. Therefore we are currently maintaining our Neutral (3) issuer profile rating for now although continue to monitor developments. However as we mentioned in our [Singapore Credit Outlook 2020](#), we are monitoring SIA’s issuer profile for a downgrade within the next 12 months and are likely to trigger this should profitability at SIA continue to lag its expansion plans. Recent developments will test the tolerance of its credit profile and could shorten our timeframe to review our issuer profile rating unless more near term actions are implemented to limit any deterioration in SIA’s net gearing. We continue to underweight the curve due to rich valuation. (Company, OCBC)

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Credit Headlines

BreadTalk Group Ltd (“BGL”) | Issuer Profile: Neutral (5)

- BGL announced the resignation of Mr Chan Ying Jian (“Mr Chan”) with effect from 15 Mar 2020 as its Group Chief Financial Officer and Group Chief Investment Officer.
- This follows the [profit warning announced 2 weeks ago](#).
- We note that recently in Aug 2019, [its then CEO Mr Chu Heng Hwee also announced his resignation](#).
- Dr George Quek Meng Tong (“Dr Quek”), who is the Group Executive Chairman, founder and main shareholder, has taken over the duties of the CEO. Dr Quek will also be taking over BGL’s accounting, financial, treasury and tax matters after Mr Chan’s resignation.
- With Dr Quek in direct control of BGL, we will continue to monitor if BGL will be announcing any strategic shift going forward. (Company, OCBC)

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Key Market Movements

	31-Jan	1W chg (bps)	1M chg (bps)		31-Jan	1W chg	1M chg
iTraxx Asiax IG	59	5	6	Brent Crude Spot (\$/bbl)	59.40	-2.13%	-10.00%
iTraxx SovX APAC	31	3	4	Gold Spot (\$/oz)	1,573.05	0.10%	3.68%
iTraxx Japan	48	5	5	CRB	171.14	-4.14%	-7.88%
iTraxx Australia	53	3	7	GSCI	392.02	-5.23%	-10.13%
CDX NA IG	48	1	2	VIX	15.49	19.34%	12.41%
CDX NA HY	109	0	-1	CT10 (%)	1.589%	-9.49	-32.85
iTraxx Eur Main	46	1	1				
iTraxx Eur XO	227	7	20	AUD/USD	0.672	-1.68%	-4.33%
iTraxx Eur Snr Fin	54	0	2	EUR/USD	1.103	0.03%	-1.65%
iTraxx Eur Sub Fin	114	3	0	USD/SGD	1.362	-0.81%	-1.19%
iTraxx Sovx WE	11	0	0	AUD/SGD	0.915	0.83%	3.22%
USD Swap Spread 10Y	-5	0	-3	ASX 200	7,036	-0.74%	5.26%
USD Swap Spread 30Y	-32	-1	-2	DJIA	28,859	-1.03%	1.12%
US Libor-OIS Spread	20	-2	-15	SPX	3,284	-1.26%	1.64%
Euro Libor-OIS Spread	6	-1	0	MSCI Asiax	662	-4.51%	-3.78%
				HSI	26,758	-5.59%	-5.08%
China 5Y CDS	42	5	11	STI	3,181	-1.67%	-1.31%
Malaysia 5Y CDS	42	4	7	KLCI	1,552	-1.46%	-2.34%
Indonesia 5Y CDS	68	5	6	JCI	6,058	-3.07%	-3.84%
Thailand 5Y CDS	26	4	3	EU Stoxx 50	3,691	-1.23%	-1.45%
Australia 5Y CDS	18	1	1				

Source: Bloomberg

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New Issues

- There were no new issues or mandates.

Date	Issuer	Size	Tenor	Pricing
29-Jan-20	Suntec REIT MTN Pte. Ltd	SGD200mn	7-year	2.95%
23-Jan-20	Westpac Banking Corp	USD1.5bn	10NC5	T+135bps
22-Jan-20	Cyprus Investments, Inc.	USD140mn	3-year	3m-US LIBOR+90bps
21-Jan-20	Scenery Journey Ltd	USD2bn USD2bn	3.75-year 2.75-year	12.0% 11.5%
21-Jan-20	Helenbergh China Holdings Limited	USD250mn	HLBCHN 12.875%'21s	12.25%
21-Jan-20	ReNew Power Pvt Ltd	USD450mn	5.5-year-WAL	5.875%
21-Jan-20	Swire Pacific MTN Financing (HK) Limited	USD500mn	10-year	T+120bps
21-Jan-20	Korea South-East Power Co Ltd	USD300mn	5-year	T+62.5bps
21-Jan-20	Shangri-La Hotel Limited	SGD250mn	10-year	3.5%
20-Jan-20	Dafa Properties Group Limited	USD200mn	364-day	12.75%
20-Jan-20	RongXingDa Development (BVI) Limited	USD300mn	364-day	8.875%
20-Jan-20	Socam Development Ltd	USD180mn	2-year	6.25%
20-Jan-20	Sunshine 100 China Holdings Ltd	USD150mn	SUNCHN 11.5%'21s	12.5%
20-Jan-20	Dexin China Holdings Company Limited	USD200mn	2.25-year	13%
20-Jan-20	Global Prime Capital Pte. Ltd	USD300mn	5NC3	5.95%
20-Jan-20	Wanda Properties Overseas Ltd.	USD400mn	3.5-year	6.875%
20-Jan-20	Thomson Medical Group Limited	SGD175mn	5-year	4.05%

Source: OCBC, Bloomberg

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