

Market Commentary

- The SGD swap curve bull-flattened yesterday, with the shorter tenors trading 18-19bps lower, while the belly and the longer tenors traded 20-22bps lower.
- The Bloomberg Barclays Asia USD IG Bond Index average OAS widened 8bps to 269bps, and the Bloomberg Barclays Asia USD HY Bond Index average OAS widened 27bps to 1132bps. The HY-IG Index Spread widened 19bps to 863bps.
- Flows in SGD corporates were heavy, with flows in UBS 5.875%-PERPs, DBSSP 3.98%-PERPs, FPLSP 4.98%-PERPs, MLTSP 3.65%-PERPs, OCBCSP 4%-PERPs, CAPLSP 3.65%-PERPs, SPHRSP 4.1%-PERPs, HSBC 5%-PERPs, SOCGEN 6.125%-PERPs and UBS 4.85%-PERPs.
- Despite hitting an intraday low of 0.60%, 10Y UST Yields gained 5bps to end the day at 0.73%, as the market focused on positive news regarding the proposed manufacture of vaccines and also took signs from the U.S. stock market rally.

Credit Research

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Credit Summary:

- [Singapore Airlines Ltd \("SIA"\)](#) | **Issuer Profile: Neutral (5)**: SIA's 20% associate, Virgin Australia Holdings Ltd ("VAH") confirmed that it has requested financial support from the Australian Government to prepare for a prolonged COVID-19 crisis. We do not expect SIA to extend further financial support to VAH nor other associates. We expect SIA's up to SGD15bn capital call to finance its own operations only.
- [Keppel Corp Ltd \("KEP"\)](#) | **Issuer Profile: Neutral (4)**: KEP announced that it has completed the acquisition of a 50%-stake in Pierfront Capital Fund Management Pte Ltd ("Pierfront"). Pierfront is owned by Pierfront Capital Mezzanine Fund Pte Ltd ("PCMF"), which is in turned ultimately owned by Temasek Holdings (Private) Limited and Sumitomo Mitsui Banking Corporation. The core business of Pierfront will be to act as the investment manager of private funds that would deploy credit investment strategies over real assets jointly sponsored by PCMF and KEP.
- [Wesfarmers Ltd \("WESAU"\)](#) | **Issuer Profile: Neutral (3)**: WESAU has announced that it has sold 5.2% of its stake in Coles Group Ltd ("Coles") and currently only retains a 4.9%-stake. Per WESAU management, the new stake sale of Coles is to help the company maintain a strong balance sheet due to the significant and unprecedented impact of the COVID-19 outbreak on the company and the broader Australian economy.
- [Industry Outlook – Financial Institutions; ABN Amro Bank N.V. \("ABN"\)](#) | **Issuer Profile: Neutral (3)**; [Commerzbank AG \("CMZB"\)](#) | **Issuer Profile: Neutral (4)**: Following on from [ABN's announcement](#) that it will incur an EUR183mn trading loss from a single US client that missed margin calls on its trading position, ABN has further announced that it expects to record a loss for 1Q2020 and both the trading loss and a rise in risk costs. ABN also announced it will delay its interim dividend payment in August and will reassess once the COVID-19 impact becomes clearer. Another bank cancelling dividends for FY2019 is CMZB given prevailing economic uncertainty despite previously planning to pay a small dividend. The board also indicated payment of dividends will be suspended until the virus situation is resolved.

Asian Credit Daily**Credit Headlines****Singapore Airlines Ltd (“SIA”) | Issuer Profile: Neutral (5)**

- SIA’s 20% associate, Virgin Australia Holdings Ltd (“VAH”, Issuer profile: Unrated) confirmed that it has requested financial support from the Australian Government amounting to AUD1.4bn as part of a broader industry support package to prepare for a prolonged COVID-19 crisis. VAH is the second largest airline in Australia by market share in what is effectively a “duopoly” domestic market.
- Per VAH, this is a preliminary proposal and remains subject to approval by VAH’s board and the Australian Government which may or may not include a conversion into equity. VAH had reported statutory net loss from continuing operations for at least five of the financial years immediately preceding COVID-19.
- We do not expect SIA to extend further financial support to VAH nor other associates. We expect SIA’s up to SGD15bn capital call (supported by its major shareholder) to finance its own operations only. (Company, OCBC)

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

- KEP (via KC Management One Pte Ltd (“KC One”), an indirect wholly-owned subsidiary of KEP) announced that it has completed the acquisition of a 50%-stake in Pierfront Capital Fund Management Pte Ltd (“Pierfront”). Pierfront is owned by Pierfront Capital Mezzanine Fund Pte Ltd (“PCMF”), which is in turned ultimately owned by Temasek Holdings (Private) Limited (90.91%-stake) and Sumitomo Mitsui Banking Corporation (9.09%-stake).
- KEP had bought this 50%-stake for an aggregate cash consideration of ~USD7.8mn (~SGD10.8mn).
- Under the shareholder’s agreement entered into at completion between PCMF, Pierfront and KC One, KEP and PCMF, the core business of Pierfront will be to act as the investment manager of private funds that would deploy credit investment strategies over real assets jointly sponsored by PCMF and KEP (via its asset management arm Keppel Capital). Specifically, the funds would target investments in private mezzanine debt for real estate and infrastructure projects.
- As a start, Keppel-Pierfront Private Credit Fund, LP has been registered in Singapore, with PCMF and Keppel Capital Three (another wholly-owned subsidiary of Keppel Capital) each committing USD100mn (~SGD142mn) to the fund. While this is KEP’s first foray into private debt, the company is familiar with the real estate and infrastructure asset classes and it has been KEP’s stated aim in growing its asset under management at Keppel Capital. (Company, OCBC)

Asian Credit Daily**Credit Headlines****Wesfarmers Ltd (“WESAU”) | Issuer Profile: Neutral (3)**

- WESAU has announced that it has sold 5.2% of its stake in Coles Group Ltd (“Coles”). Following the sale, WESAU only retains a 4.9%-stake in Coles. As a result of the decline in shareholding of Coles below 10%, WESAU no longer has the right to nominate a director to Coles board. Gross proceeds from the sale amounted to AUD1.06bn for WESAU. Earlier in February 2020, WESAU sold a 4.9%-stake in Coles for gross proceeds of ~AUD1.05bn, retaining a 10.1%-stake in the company.
- As at 31 December 2019, WESAU had a cash balance of AUD436mn and committed unutilised bank facilities of AUD3.1bn.
- Per WESAU management, the new stake sale of Coles is to help the company maintain a strong balance sheet due to the significant and unprecedented impact of the COVID-19 outbreak on the company and the broader Australian economy.
- Coles and WESAU will continue their 50:50 flybuys (a loyalty program) joint venture. For now we are maintaining WESAU’s issuer profile at Neutral (3) though a prolong COVID-19 outbreak which has led to restricted movement in Australia may lead to rising unemployment affecting WESAU’s retail focused income stream. (Company, OCBC)

Industry Outlook – Financial Institutions; ABN Amro Bank N.V. (“ABN”) | Issuer Profile: Neutral (3); Commerzbank AG (“CMZB”) | Issuer Profile: Neutral (4)

- Following on from [ABN’s announcement](#) that it will incur an EUR183mn trading loss from a single US client that missed margin calls on its trading position (ABN closed out the positions to avoid further losses during market volatility arising from the COVID-19 pandemic), it has further announced that it expects to record a loss for 1Q2020 and both the trading loss and a rise in risk costs.
- Given actual and anticipated earnings pressure, ABN announced it will delay its interim dividend payment in August and will reassess once the COVID-19 impact becomes clearer. While this is welcome and necessary for its capital position, part of the drive for the decision is a recommendation from the European Central Bank (“ECB”) on all Eurozone banks to preserve capital in this environment until at least October. As such, ABN joined a list of banks in Italy, Belgium, Ireland, Spain, and Austria who have either announced they are delaying or revisiting their dividend payment plans. Planned share buy backs will also be suspended.
- Another bank cancelling dividends for FY2019 is CMZB given prevailing economic uncertainty despite previously planning to pay a small dividend. The board also indicated payment of dividends will be suspended until the virus situation is resolved.
- While this is a credit positive and helps protect capital buffers and capacity to support the economy, an angle for the decision by banks is to ensure it remains on good terms with the ECB in case further support is needed. The [ECB has already provided support](#) so the banks ultimately are likely to comply with ECB directives at this time. (Bloomberg, OCBC)

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Key Market Movements

	31-Mar	1W chg (bps)	1M chg (bps)		31-Mar	1W chg	1M chg
iTraxx Asiax IG	150	-26	80	Brent Crude Spot (\$/bbl)	22.95	-15.47%	-54.57%
iTraxx SovX APAC	75	-12	36	Gold Spot (\$/oz)	1,613.49	-1.15%	1.51%
iTraxx Japan	128	-41	69	CRB	121.69	-2.43%	-23.68%
iTraxx Australia	187	-32	119	GSCI	254.64	-3.41%	-28.96%
CDX NA IG	108	1	44	VIX	57.08	-7.32%	42.31%
CDX NA HY	95	4	-11	CT10 (%)	0.717%	-12.97	-43.17
iTraxx Eur Main	97	-2	31				
iTraxx Eur XO	580	-24	276	AUD/USD	0.615	3.17%	-5.97%
iTraxx Eur Snr Fin	118	8	39	EUR/USD	1.101	2.04%	-1.13%
iTraxx Eur Sub Fin	252	19	94	USD/SGD	1.426	1.45%	-2.46%
iTraxx Sovx WE	24	-4	9	AUD/SGD	0.877	-1.70%	3.71%
USD Swap Spread 10Y	-1	9	1	ASX 200	5,346	12.88%	-17.01%
USD Swap Spread 30Y	-48	10	-11	DJIA	22,327	20.09%	-12.13%
US Libor-OIS Spread	138	25	115	SPX	2,627	17.40%	-11.09%
Euro Libor-OIS Spread	12	0	4	MSCI Asiax	548	3.94%	-14.10%
				HSI	23,175	6.82%	-11.31%
China 5Y CDS	59	-6	10	STI	2,416	8.18%	-19.76%
Malaysia 5Y CDS	128	-28	69	KLCI	1,329	5.48%	-10.37%
Indonesia 5Y CDS	228	-28	135	JCI	4,415	5.23%	-19.04%
Thailand 5Y CDS	84	-21	46	EU Stoxx 50	2,766	11.27%	-16.94%
Australia 5Y CDS	0	-11	16				

Source: Bloomberg

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New Issues

- Korea Electric Power has sent requests for proposals to banks for its proposed USD green bond.
- Export-Import Bank of Korea also sent requests for proposals to banks for its proposed USD bond.

Date	Issuer	Size	Tenor	Pricing
26-Mar-20	State Bank of India of London	USD100mn	2-year	3m-US LIBOR+80bps
25-Mar-20	Binjiang Guotou Limited (Guarantor: Taizhou Xinbinjiang Development Co Ltd)	USD219mn	3-year	7.0%
25-Mar-20	HSBC Holdings PLC	USD2.5bn	10-year	T+415bps
25-Mar-20	SATS Ltd	SGD200mn	5-year	2.88%
23-Mar-20	Maybank Singapore Limited	SGD500mn	10-year	3.7%
24-Mar-20	Xinhu (BVI) 2018 Holding Company Limited (Guarantor: Xinhu Zhongbao Co Ltd)	USD200mn	3-year	11.0%
19-Mar-20	China Construction Bank (Asia) Corporation Limited	USD500mn	PERPNC5	3.18%
13-Mar-20	Export-Import Bank of Korea	USD425mn	5-year	1.375%
13-Mar-20	PCGI Intermediate Limited (Guarantor: PCGI Ltd)	USD137.46mn	PCGIIN 4.75%'24s	4.75%
11-Mar-20	China Cinda (2020) I Management Ltd. (Guarantor: China Cinda (HK) Holdings Co.)	USD700mn USD500mn USD300mn USD500mn	3-year 5-year 7-year 10-year	T+160bps T+195bps T+240bps T+255bps
11-Mar-20	Beijing Capital Polaris Investment Co. Ltd. (Guarantor: Beijing Capital Group Co. Ltd.)	USD300mn	3-year	2.8%
11-Mar-20	Xiang Sheng Holding Limited (Guarantor: Shinsun Real Estate Group Co. Ltd.)	USD53mn	SHXREG 12.5%'22s	12.5%
10-Mar-20	Huantaihu International Investment Co., Ltd. (Guarantor: Huzhou Economic Development Group Co., Ltd.)	USD200mn	3-year	4.5%

Source: OCBC, Bloomberg

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