

Market Commentary

- The SGD swap curve slightly steepened yesterday, with the shorter and belly tenors trading 0-1bps lower while the 7-year and the longer tenors traded 0-1bps higher.
- The Bloomberg Barclays Asia USD IG Bond Index average OAS tightened 2bps to 176bps, and the Bloomberg Barclays Asia USD HY Bond Index average OAS tightened 9bps to 695bps. The HY-IG Index Spread tightened 7bps to 520bps.
- Flows in SGD corporates were heavy, with flows in HSBC 4.7%-PERPs, STTGDC 3.13%'28s, UBS 4.85%-PERPs, CS 5.625%-PERPs, TMGSP 4.05%'25s, SINTEC 4.1%-PERPs, NTUCSP 3.1%'50s, OLAMSP 6%'22s and SOCGEN 6.125%-PERPs.
- 10Y UST Yields fell 5bps to 0.51%, the second lowest yield ever recorded, indicating strong demand for safe haven assets amidst recent negotiations on further stimulus package in the US.

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Credit Summary:

- **[OUE Limited \("OUE"\)](#) | Issuer Profile: Neutral (5):** OUE announced its results for 1H2020. Revenue for 1H2020 declined 28% y/y to SGD311.4mn, driven by declines in Hospitality and Development property. OUE recorded a large net loss to owners of SGD207.2mn in 1H2020 as the company took a SGD310.0mn (~USD220mn) fair value loss on investment properties following the announced sale of its USA Bank Tower building in Los Angeles for USD430mn which was significantly lower than the book value as at 31 December 2019 of USD650mn. Cash balance (excluding cash at OUE-CT) was SGD232.5mn as at 30 June 2020. Together with the cash from the sale of the US Bank Tower, this would be almost sufficient to cover near term debt due.
- **Industry Outlook – [Groupe BPCE \("GBPCE"\) / BPCE SA](#) | Issuer Profile: Neutral (3), [Société Générale \("SocGen"\)](#) | Issuer Profile: Neutral (4):** Following relatively weak results by GBPCE and SocGen, management changes were effected in divisions that performed poorly namely the investment bank with losses in the structured equities derivatives business. GBPCE announced that the CEO of subsidiary Natixis, Mr Francois Riahi, will leave while deputy CEOs at SocGen, Mr Severin Cabannes (Deputy CEO and head of Investment Banking) and Mr Philippe Heim (head of International Retail Banking) will also depart sometime this year.

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Credit Headlines

OUE Limited (“OUE”) | Issuer Profile: Neutral (5)

- OUE announced its results for 1H2020. Revenue for 1H2020 declined 28% y/y to SGD311.4mn, driven by declines in Hospitality and Development property (no new projects launched since OUE TwinPeaks though OUE recorded completions from previously sold units on deferred payment schemes). The Hospitality sector in Singapore has been hit hard due to the restriction on international visitors though guests serving stay home notices and workers affected by border closures provided some demand in 1H2020.
- EBITDA (based on our calculation which does not include other income and other expenses) was SGD91.0mn, down 13.4% y/y though managed to cover interest expense of SGD69.5mn by 1.3x in 1H2020. In 1H2020, OUE recorded SGD59.5mn in dividends, mainly received from its equity-accounted investees (eg: Gemdale Properties & Investment Corp Ltd “Gemdale”).
- OUE recorded a large net loss to owners of SGD207.2mn in 1H2020 (net profit of SGD61.9mn in 1H2019) as the company took a SGD310.0mn (~USD220mn) fair value loss on investment properties following the announced sale of its [USA Bank Tower](#) building in Los Angeles for USD430mn which was significantly lower than the book value as at 31 December 2019 of USD650mn. While this was non-cash item, it drove a 5% hit to OUE’s book value of equity, pushing unadjusted net gearing (excluding lease liabilities) somewhat higher to 0.6x (31 December 2019: 0.58x).
- As at 30 June 2020, OUE faces short term debt of SGD719.7mn, though SGD576.3mn relates to short term debt coming due at OUE Commercial Trust (“OUE-CT”, Issuer profile: Unrated). OUE-CT is ~48%-owned by OUE and consolidated at the OUE-level.
- Cash balance (excluding cash at OUE-CT) was SGD232.5mn as at 30 June 2020. The expected completion date of the US Bank Tower disposal is in September 2020. Together with the cash from the sale, this would be almost sufficient to cover near term debt due. OUE’s stake in Gemdale is valued at ~SGD1.0bn as at 5 August 2020 market price which could be sold (if need be) to cover the gap.
- We expect OUE’s issuer profile to weaken within 12 months though for now are comfortable maintaining the issuer profile at Neutral (5) in view of assets which OUE hold. (Company, OCBC)

Industry Outlook – Groupe BPCE (“GBPCE”) / BPCE SA | Issuer Profile: Neutral (3), Société Générale (“SocGen”) | Issuer Profile: Neutral (4)

- Following relatively weak results by [GBPCE](#) and [SocGen](#), management changes were effected in divisions that performed poorly namely the investment bank with losses in the structured equities derivatives business.
- GBPCE announced that the CEO of subsidiary Natixis, Mr Francois Riahi, will leave while deputy CEOs at SocGen, Mr Severin Cabannes (Deputy CEO and head of Investment Banking) and Mr Philippe Heim (head of International Retail Banking) will also depart sometime this year. All three had reportedly been in their current positions for around 2 years.
- The management changes are an indication of a strategic overhaul of the equity derivatives businesses with SocGen announcing a EUR684mn goodwill on impairment in its Global Markets & Investor Services business. (Bloomberg, OCBC)

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Key Market Movements

	5-Aug	1W chg (bps)	1M chg (bps)		5-Aug	1W chg	1M chg
iTraxx Asiax IG	69	-4	-10	Brent Crude Spot (\$/bbl)	44.30	1.26%	3.50%
iTraxx SovX APAC	40	-2	-3	Gold Spot (\$/oz)	2,023.37	2.67%	13.37%
iTraxx Japan	61	1	3	CRB	147.92	3.09%	5.20%
iTraxx Australia	73	-4	-7	GSCI	346.67	1.55%	4.15%
CDX NA IG	67	-3	-5	VIX	23.76	-6.60%	-14.16%
CDX NA HY	103	0	2	CT10 (%)	0.510%	-6.39	-15.91
iTraxx Eur Main	57	-3	-4				
iTraxx Eur XO	354	-8	-1	AUD/USD	0.717	-0.24%	2.84%
iTraxx Eur Snr Fin	68	-2	-4	EUR/USD	1.181	0.12%	4.39%
iTraxx Eur Sub Fin	142	-2	-6	USD/SGD	1.373	0.09%	1.43%
iTraxx Sovx WE	16	0	-2	AUD/SGD	0.984	0.32%	-1.36%
USD Swap Spread 10Y	0	1	3	ASX 200	6,003	-0.05%	-0.90%
USD Swap Spread 30Y	-43	-1	7	DJIA	26,828	1.70%	3.88%
US Libor-OIS Spread	18	-1	-3	SPX	3,307	2.74%	5.64%
Euro Libor-OIS Spread	0	-1	-4	MSCI Asiax	712	1.38%	5.59%
				HSI	24,947	0.70%	-1.68%
China 5Y CDS	42	-2	-3	STI	2,516	-2.33%	-5.17%
Malaysia 5Y CDS	56	-3	-9	KLCI	1,576	-0.98%	1.50%
Indonesia 5Y CDS	113	-5	-7	JCI	5,075	-0.81%	2.03%
Thailand 5Y CDS	41	0	0	EU Stoxx 50	3,254	-1.49%	-1.22%

Source: Bloomberg

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New Issues

- Chouzhou International Investment Limited (Guarantor: Yiwu State-owned Capital Operation Co., Ltd.) priced a USD500mn 3-year bond at 3.15%, tightening from IPT of 3.80% area.
- Melco Resorts Finance Ltd priced a USD350mn re-tap of its MPEL 5.75%'28s at 5.592%.
- Aspial Treasury Pte. Ltd. (Guarantor: Aspial Corp Ltd) priced a SGD10mn re-tap of its ASPSP 6.25%'21s.

Date	Issuer	Size	Tenor	Pricing
4-Aug-20	Chouzhou International Investment Limited (Guarantor: Yiwu State-owned Capital Operation Co., Ltd.)	USD500mn	3-year	3.15%
4-Aug-20	Melco Resorts Finance Ltd	USD350mn	MPEL 5.75%'28s	5.75%
4-Aug-20	Aspial Treasury Pte. Ltd. (Guarantor: Aspial Corp Ltd)	SGD10mn	ASPSP 6.25%'21s	6.25%
3-Aug-20	Powerlong Real Estate Holdings Ltd	USD200mn	4NC2	6.5%
3-Aug-20	CICC Hong Kong Finance 2016 MTN Ltd (Guarantor: China International Capital Corp Hong Kong Ltd)	USD500mn	3-year	T+170bps
3-Aug-20	KWG Group Holdings Limited	USD200mn	5-year	5.95%
31-Jul-20	Future Days	USD125mn	5-year	0%
30-Jul-20	Redco Group	USD220mn	2-year	12.875%
29-Jul-20	State Grid Overseas Investment 2016 Ltd (Guarantor: State Grid Corp of China)	USD300mn USD1.15bn	5-year 10-year	T+88bps T+118bps
29-Jul-20	Sunac China Holdings Ltd	USD500mn	4NC2	6.85%
29-Jul-20	Ronshine China Holdings Ltd	USD200mn	4NC2	6.75%
29-Jul-20	Chong Hing Bank Limited	USD50mn	CHOHIN 5.50%'PerpNC5	5.50%
29-Jul-20	CIFI Holdings Group Co Ltd.	USD200mn	CIFIHG 5.95%'25s	5.95%
29-Jul-20	Korea Development Bank	SGD20mn	1-year	3m-SIBOR+26bps

Source: OCBC, Bloomberg

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