

Market Commentary

- The SGD swap curve slightly fell last Friday, with the 30-year trading 3bps lower while the other tenors traded 1-2bps lower.
- The Bloomberg Barclays Asia USD IG Bond Index average OAS remained mostly unchanged at 203bps, and the Bloomberg Barclays Asia USD HY Bond Index average OAS remained mostly unchanged at 774bps. The HY-IG Index Spread remained mostly unchanged at 571bps.
- Flows in SGD corporates were heavy, with flows in UBS 4.85%-PERPs, SINTEC 4.1%-PERPs, FPLSP 4.98%-PERPs, STANLN5.375%-PERPs, SOCGEN 6.125%-PERPs, SRENVX 3.125%'35s, OLAMSP 5.5%-PERPs, TMGSP 4.05%'25s, UOBSP 3.58%-PERPs and F 4.125%'24s.
- 10Y UST Yields remained unchanged at 0.67% as the US market was closed last Friday to observe Independence Day.

Credit Research

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Credit Summary:

- [CapitaLand Ltd \("CAPL"\)](#) | **Issuer Profile: Neutral (3)**: CAPL announced adverse profit guidance for 1H2020. We think this is not too surprising given the outbreak of COVID-19, which should weigh significantly on CAPL's retail (38%) and lodging segments (13%) which contributed 51% of FY2019's EBIT.
- [Commerzbank AG \("CMZB"\)](#) | **Issuer Profile: Neutral (4)**: CMZB is facing somewhat of a judgement day in its restructuring efforts with pressure from labour unions and shareholders at opposite ends of the spectrum to either limit job cuts or accelerate them. Ongoing shareholder pressure from Cerberus Capital Management LP (that has amplified in recent weeks) has resulted in CEO Martin Zielke offering his resignation and Supervisory Board Chairman Stefan Schmittmann stating he would step down next month.
- [Century Sunshine Group Holdings Ltd \("CENSUN"\)](#) | **Issuer Profile: Unrated**: CENSUN announced that it has defaulted on the principal amount of the SGD101.75mn bonds due on 3 July 2020 (ie: CENSUN 7.0% '20s) as the company has not been successful in refinancing. The issuer for this bond is incorporated in the Cayman Islands and listed on the Hong Kong Stock Exchange ("HKSE"). Its key operating entities holding the business operations and assets are located in Mainland China. The payment default constitutes an event of default under certain borrowings of the group and certain debts are immediately payable on demand. Per CENSUN, the company is exploring options to restructure the group's debts and proposes to implement a management led restructuring by taking advantage of a court-supervised provisional liquidation regime in the Cayman Island. The company has terminated the subscription agreement in relation to the proposed issue of convertible bonds. Given the default, we have officially ceased coverage of CENSUN.

Asian Credit Daily

Credit Headlines

CapitaLand Ltd (“CAPL”) | Issuer Profile: Neutral (3)

- CAPL announced adverse profit guidance for 1H2020. Operating PATMI is expected to fall by 25% to 35% from SGD361.3mn in 1H2019 while cash PATMI (comprising operating PATMI and portfolio gains) is expected to reduce by 40% to 50% from SGD496.0mn in 1H2019.
- We think this is not too surprising given the outbreak of COVID-19, which should weigh significantly on CAPL’s retail (38%) and lodging segments (13%) which contributed 51% of FY2019’s EBIT. (Company, OCBC)

Commerzbank AG (“CMZB”) | Issuer Profile: Neutral (4)

- We [previously mentioned](#) that CMZB is facing somewhat of a judgement day in its restructuring efforts with pressure from labour unions and shareholders at opposite ends of the spectrum to either limit job cuts or accelerate them. Such measures are at the centre of CMZB’s restructuring which is focused on improving returns through business transformation and a reliance on adequate cost reductions. The presence of opposing views and divergent pressures likely forced the cancellation of management’s meeting with CMZB’s supervisory board last week that was to discuss aspects of its proposed restructuring.
- However in a turn of events, ongoing shareholder pressure from Cerberus Capital Management LP (that has amplified in recent weeks) has resulted in CEO Martin Zielke offering his resignation and Supervisory Board Chairman Stefan Schmittmann stating he would step down next month. According to Bloomberg, Deputy Chairman Uwe Tschaeye, who is a labour representative on the Supervisory Board, will automatically become Chairman if no one is selected by the time the current Chairman leaves. This could lead to further conflict on CMZB’s path forward given labour representatives will fight job cuts until after the bank’s digital transformation is complete.
- Internally it appears the desire is to move quickly and appoint an internal candidate as an external one would require a new Supervisory Board Chairman to be in place. However Cerberus Capital Management LP has indicated a desire for a more complete process with a new Supervisory Board Chairman in place before selecting a new CEO, possibly from an external pool. This adds to an unprecedented amount of renewal of CEOs across our bank coverage that started even before COVID-19.
- It has been reported that CMZB’s largest shareholder, the German government, also expressed dissatisfaction with management’s performance. While recent developments and now management changes could indicate the start of a new direction, we expect continued pressure on CMZB’s fundamentals considering both internal and external challenges. (Bloomberg, OCBC)

Asian Credit Daily

Credit Headlines

Century Sunshine Group Holdings Ltd (“CENSUN”) | Issuer Profile: Unrated

- CENSUN announced that it has defaulted on the principal amount of the SGD101.75mn bonds due on 3 July 2020 (ie: CENSUN 7.0% '20s) as the company has not been successful in refinancing. The issuer for this bond is incorporated in the Cayman Islands and listed on the Hong Kong Stock Exchange (“HKSE”). Its key operating entities holding the business operations and assets are located in Mainland China.
- As the refinancing did not go through, CENSUN (being the listed entity and bond issuer) did not have adequate cash and did not proceed with payment of the CENSUN 7.0% '20s. As at 31 March 2020, cash at the bond issuing entity amounted to ~HKD33.3mn.
- We had earlier shared that based on our interpretation of the information memorandum, the issuer has a grace period of five business days to cure non-payment of the bond. Since then, we have **clarified that the grace period does not apply to the principal but only the interest payment portion.**
- CENSUN disclosed that on 24 June 2020 and 30 June 2020, it had also received demands for repayment of borrowings from two bank creditors amounting to ~HKD51mn plus interest accrued.
- The CENSUN bonds are guaranteed by key subsidiaries of the listed company incorporated outside Mainland China, excluding its ~72.3%-owned subsidiary Rare Earth Magnesium Technology Group Holdings Limited (“REMT”) whose shares are separately listed on the HKSE.
- Pursuant to the trust deed, the trustee at its discretion and (1) if so requested in writing to the trustee by an amount representing not less than 25.0% in principal amount of the bonds or (2) directed by an extraordinary resolution at a the meeting of the bondholders (subject in each case to be indemnified or pre-funded), shall give notice to the company that the notes are immediately due and repayable.
- The payment default constitutes an event of default under certain borrowings of the group and certain debts are immediately payable on demand.
- Per CENSUN, the company is exploring options to restructure the group’s debts and proposes to implement a management led restructuring by taking advantage of a court-supervised provisional liquidation regime in the Cayman Islands.
- The company contemplates a restructuring that may involve (1) filing for the appointment of provisional liquidators to key subsidiaries of CENSUN incorporated in the British Virgin Islands (2) equity restructuring to facilitate the raising of cash from third party investors through an equity issue (3) debt restructuring that may involve refinancing and/or a compromise or arrangement of the debts and liabilities for the group (4) potential investment in REMT from one or more third party investors and potential disposal of non-core business/non-operating fixed assets and (5) implementation of further cost control measures. These measures though will take time though the company is in discussion with a third party.
- The company has terminated the subscription agreement in relation to the [proposed issue of convertible bonds](#).
- Given the default, we have officially ceased coverage of CENSUN. We [last held CENSUN’s issuer profile at Negative \(7\)](#) and will continue monitoring the situation on an unrated basis. (Company, OCBC).

Key Market Movements

	6-Jul	1W chg (bps)	1M chg (bps)		6-Jul	1W chg	1M chg
iTraxx Asiax IG	81	-7	0	Brent Crude Spot (\$/bbl)	43.00	3.09%	1.65%
iTraxx SovX APAC	44	-4	3	Gold Spot (\$/oz)	1,776.16	0.19%	4.57%
iTraxx Japan	59	-1	2	CRB	140.60	3.86%	4.14%
iTraxx Australia	83	-7	1	GSCI	332.86	3.95%	6.04%
CDX NA IG	74	-5	8	VIX	27.68	-14.09%	7.87%
CDX NA HY	100	1	-3	CT10 (%)	0.678%	5.41	-21.76
iTraxx Eur Main	64	-7	3				
iTraxx Eur XO	373	-24	32	AUD/USD	0.696	1.33%	-0.91%
iTraxx Eur Snr Fin	75	-9	6	EUR/USD	1.126	0.18%	-0.28%
iTraxx Eur Sub Fin	161	-15	6	USD/SGD	1.393	0.02%	-0.38%
iTraxx Sovx WE	18	-1	0	AUD/SGD	0.969	-1.27%	0.55%
USD Swap Spread 10Y	-2	-1	-1	ASX 200	6,043	3.92%	0.74%
USD Swap Spread 30Y	-50	0	-2	DJIA	25,827	0.32%	-1.68%
US Libor-OIS Spread	20	-3	-4	SPX	3,130	1.50%	0.23%
Euro Libor-OIS Spread	4	-2	-7	MSCI Asiax	674	4.40%	4.33%
				HSI	25,373	2.39%	2.43%
China 5Y CDS	45	-7	2	STI	2,653	1.86%	-3.58%
Malaysia 5Y CDS	67	-9	3	KLCI	1,553	4.33%	-0.24%
Indonesia 5Y CDS	121	-15	12	JCI	4,974	1.42%	0.53%
Thailand 5Y CDS	42	-3	4	EU Stoxx 50	3,294	2.82%	-2.66%

Source: Bloomberg

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New Issues

- Dangdai International Investments Ltd (Guarantor: Wuhan Dangdai Science & Technology Industries (Group) Co., Ltd) priced a USD200.5mn re-tap of its DANDAI 10.5%'23s bond at 8.75%, tightening from IPT of 9% area.

Date	Issuer	Size	Tenor	Pricing
03-Jul-20	Dangdai International Investments Ltd (Guarantor: Wuhan Dangdai Science & Technology Industries (Group) Co., Ltd)	USD200.5mn	DANDAI 10.5%'23s	8.75%
02-Jul-20	JGSH Philippines, Limited (Guarantor: JG Summit Holdings, Inc.)	USD600mn	10-year	4.125%
30-Jun-20	Weibo Corp	USD750mn	10-year	T+280bps
30-Jun-20	Neijiang Investment Holding Group Co. Ltd. (Guarantor: Sichuan Development Financing Guarantee Co. Ltd.)	USD75mn	3-year	4.5%
29-Jun-20	Times China Holdings Limited	USD300mn	5NC3	6.75%
29-Jun-20	Golden Wheel Tiandi Holdings Company Limited	USD170mn	2.5NP1.5Y	14.25%
29-Jun-20	Xingchang International Co. (Guarantor: Zhejiang Changxing Financial Holdings Group Co.)	USD160mn	3-year	5.5%
29-Jun-20	AC Energy Finance International Ltd (Guarantor: AC Energy Inc)	USD60mn	ACNRGY 4.75%'24s	4.875%
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%

Source: OCBC, Bloomberg

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