

Market Commentary

- The SGD swap curve bear flattened last Friday, with the shorter and belly tenors trading 0-2bps lower while the longer tenors traded 1-3bps lower.
- The Bloomberg Barclays Asia USD IG Bond Index average OAS remained mostly unchanged at 166bps, and the Bloomberg Barclays Asia USD HY Bond Index average OAS widened 3bps to 648bps. The HY-IG Index Spread widened 3bps to 481bps.
- Flows in SGD corporates were heavy, with flows in SOCGEN 6.125%-PERPs, STANLN 5.375%-PERPs, CMZB 4.875%'27s, MAPLSP 3.95%-PERPs, OLAMSP 4%'26s, CS 5.625%-PERPs and NTUCSP 3.1%'50s.
- 10Y UST Yields gained 8bps to 0.72% after data indicated that unemployment rate fell significantly from 10.2% in July to 8.4% in August, signaling a gradual US labour market recovery. Additionally new treasury supply is also expected this week.

Credit Research

Andrew Wong

+65 6530 4736

WongVKAM@ocbc.com

Ezien Hoo, CFA

+65 6722 2215

EzienHoo@ocbc.com

Wong Hong Wei, CFA

+65 6722 2533

WongHongWei@ocbc.com

Seow Zhi Qi, CFA

+65 6530 7348

zhiqiseow@ocbc.com

Credit Summary:

- [CMA CGM SA \(acquired Neptune Orient Lines, "NOL"\)](#) | **Issuer Profile: Negative (6):** CMA CGM announced 2Q2020 results. Revenue fell 9.0% y/y to USD7.0bn, dragged by a slowdown in volumes related to the impact of COVID-19 on international trade. Over the quarter, operating expenses fell 14.2% y/y on the back of operational efficiency, lower carried volumes and lower bunker costs. As a result, EBITDA (before gains or losses on disposal of PPE and subsidiaries) was up 26.3% y/y to USD1.2bn. CMA CGM's net profit in 2Q2020 represented USD136.0mn, a reversal of the net loss of USD109.0mn a year ago. Net gearing of CMA CGM has improved q/q to 3.26% from 3.33x at end March 2020 and 3.46x at end 2019.

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Credit Headlines

CMA CGM SA (acquired Neptune Orient Lines, “NOL”) | Issuer Profile: Negative (6)

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- As a result, EBITDA (before gains or losses on disposal of PPE and subsidiaries) was up 26.3% y/y to USD1.2bn. EBITDA margin rose significantly to 17.2% from 13.5% in the preceding quarter and 12.4% a year ago.
- CMA CGM’s net profit in 2Q2020 represented USD136.0mn, a reversal of the net loss of USD109.0mn a year ago. CMA CGM also generated a net operating cash flow of USD1.1bn, up from USD811.1bn a year ago.
- CMA CGM’s business has been classified into three operating segments
 - Container shipping activity: Revenue fell 10.9% y/y to USD5.3bn with volumes carried down 13.3%y/y due to the impact of COVID-19 and average revenue per TEU up 2.8% y/y to USD1,112. EBITDA margin rose to 19.8% from 13.5% a year ago as unit costs by TEU was down 4.6% y/y due to the decline in oil prices, CMA CGM’s cost-cutting initiatives and the reduction in the fleet of vessels and containers deployed. CMA CGM demonstrated its ability to rapidly adapt its deployed capacity to demand.
 - Logistics: Revenue fell 4.7% y/y to USD1.7bn while EBITDA margin rose to 8.8% from 8.1% a year ago. CEVA Logistics’ net loss continued to recover in 2Q2020 (excluding IFRS 16 application) to USD2.1mn.
 - Other activities: Revenue fell 27.1% y/y to USD122.2mn with EBITDA margin stronger at 34.3% (2Q2019: 24.4%).
- Net gearing of CMA CGM has improved q/q to 3.26x from 3.33x at end March 2020 and 3.46x at end 2019. Excluding liabilities under IFRS16, net gearing was 1.63x (1Q20: 1.65x, 4Q19: 1.78x). This was in part due to its larger cash balance (2Q20: 2.5bn, 1Q20: USD2.3bn, 4Q19: USD1.8bn). Of the debt CMA CGM has (excluding liabilities under IFRS16), USD2.8bn are short term. If we were to further exclude securitisation programs which are generally rolled-over, CMA CGM’s adjusted short term debt would be USD2.3bn. Including undrawn committed facilities, CMA CGM has a total of USD2.6bn liquidity. As such, CMA CGM is able to meet its short term financial obligations though it continues to fall within our Negative (6) Issuer Profile in our view.
- The recovery in container shipping seen since April is expected to continue into 3Q2020 for most routes, driven by a recovery in consumption of goods and growth of e-commerce. These factors have driven freight rates higher. That said, the uncertainties relating to the health and economic environment remain. (Company, OCBC).

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Key Market Movements

	7-Sep	1W chg (bps)	1M chg (bps)		7-Sep	1W chg	1M chg
iTraxx Asiax IG	59	-2	-8	Brent Crude Spot (\$/bbl)	41.70	-7.91%	-6.08%
iTraxx SovX APAC	32	-1	-6	Gold Spot (\$/oz)	1,935.41	-1.65%	-4.92%
iTraxx Japan	59	-2	-2	CRB	149.69	-2.30%	1.93%
iTraxx Australia	61	-3	-9	GSCI	347.11	-3.57%	0.57%
CDX NA IG	67	2	2	VIX	30.75	33.93%	38.45%
CDX NA HY	106	0	1	CT10 (%)	0.718%	1.32	15.40
iTraxx Eur Main	53	-2	-1				
iTraxx Eur XO	324	0	-19	AUD/USD	0.728	-1.25%	1.77%
iTraxx Eur Snr Fin	60	-1	-5	EUR/USD	1.184	-0.83%	0.42%
iTraxx Eur Sub Fin	124	-5	-12	USD/SGD	1.366	-0.38%	0.53%
iTraxx Sovx WE	13	-1	-2	AUD/SGD	0.995	0.86%	-1.23%
USD Swap Spread 10Y	1	0	-1	ASX 200	5,902	-2.61%	-1.71%
USD Swap Spread 30Y	-38	0	5	DJIA	28,133	-1.82%	2.55%
US Libor-OIS Spread	17	1	-1	SPX	3,427	-2.31%	2.26%
Euro Libor-OIS Spread	0	1	1	MSCI Asiax	721	-0.53%	1.35%
				HSI	24,695	-2.86%	0.67%
China 5Y CDS	36	2	-6	STI	2,510	-1.18%	-1.41%
Malaysia 5Y CDS	45	-1	-9	KLCI	1,516	-2.50%	-3.95%
Indonesia 5Y CDS	89	-5	-21	JCI	5,240	-2.00%	1.87%
Thailand 5Y CDS	37	0	-3	EU Stoxx 50	3,261	-1.66%	0.24%
Australia 5Y CDS	15	0	-1				

Source: Bloomberg

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New Issues

- Wending Zhongyuan Company Limited (Guarantor: Central China International Financial Holdings Company Limited) has arranged investor calls commencing 4 September 2020 for its proposed USD bond offering.
- Filinvest Development has mandated banks for its proposed USD bond offering.

Date	Issuer	Size	Tenor	Pricing
3-Sep-20	Bank of Communications Co Ltd/Hong Kong	USD350mn USD800mn	3-year 5-year	3m-US LIBOR+80bps T+105bps
3-Sep-20	Panther Ventures Ltd. (Guarantor: CK Asset Holdings Ltd.)	USD300mn	PerpNC3	3.80%
3-Sep-20	FPC Resources Limited (Guarantor: First Pacific Company Limited)	USD350mn	7NC4	4.375%
3-Sep-20	Zhenro Properties Group Ltd	USD350mn	4.4NC2.4	7.4%
2-Sep-20	China Merchants Bank Co Ltd/Hong Kong	USD800mn	5-year	T+105bps
2-Sep-20	Kaisa Group Holdings Ltd	USD400mn	KAISAG 11.25%'25s	10.75%
2-Sep-20	China South City Holdings Ltd	USD250mn	2Y7M	12.35%
2-Sep-20	Eastern Creation II Investment Holdings Ltd. (Guarantor: Beijing Infrastructure Investment Co.)	USD650mn	3-year	T+108bps
2-Sep-20	Oversea-Chinese Banking Corp Ltd	USD1bn	10NC5	T+158bps
2-Sep-20	BOSCI (BVI) Limited	USD300mn	3-year	T+110bps
1-Sep-20	Industrial & Commercial Bank of China Ltd/Singapore	USD800mn USD1bn	3-year 5-year	T+90bps T+100bps
1-Sep-20	Yango Cayman Investment Ltd (Guarantor: Fujian Yango Group Co Ltd)	USD200mn	2-year	12.2%

Source: OCBC, Bloomberg

Treasury Research & Strategy

Macro Research

Selena Ling

Head of Research & Strategy

LingSSSelena@ocbc.com

Howie Lee

Thailand, Korea &

Commodities

HowieLee@ocbc.com

Tommy Xie Dongming

Head of Greater China

Research

XieD@ocbc.com

Carie Li

Hong Kong & Macau

carierli@ocbcwh.com

Wellian Wiranto

Malaysia & Indonesia

WellianWiranto@ocbc.com

Dick Yu

Hong Kong & Macau

dicksnyu@ocbcwh.com

Terence Wu

FX Strategist

TerenceWu@ocbc.com

Credit Research

Andrew Wong

Credit Research Analyst

WongVKAM@ocbc.com

Ezien Hoo

Credit Research Analyst

EzienHoo@ocbc.com

Wong Hong Wei

Credit Research Analyst

WongHongWei@ocbc.com

Seow Zhi Qi

Credit Research Analyst

ZhiQiSeow@ocbc.com

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