

Market Commentary

- The SGD swap curve steepened yesterday, with the shorter and belly tenors trading 0-1bps higher (with the exception of 1-year and 2-year trading 0-1bps lower) while the longer tenors traded 1-2bps higher.
- The Bloomberg Barclays Asia USD IG Bond Index average OAS widened 1bps to 168bps, and the Bloomberg Barclays Asia USD HY Bond Index average OAS widened 2bps to 670bps. The HY-IG Index Spread widened 1bps to 502bps.
- Flows in SGD corporates were heavy, with flows in UBS 4.85%-PERPs, NOLSP 4.4%'21s, CMZB 4.875%'27s, HSBC 5%-PERPs and AREIT 4.75%-PERPs.
- 10Y UST Yields fell 2bps to 0.68%, on the back of a solid performance of the USD23bn 30-year bonds auction.

Credit Research

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Credit Summary:

- [Singapore Airlines Ltd \("SIA"\)](#) | **Issuer Profile: Neutral (5):** SIA announced its decision to cut 4,300 positions across its airlines. This number takes into account of a recruitment freeze, natural attrition, and the take up of voluntary departure schemes. Bloomberg Intelligence estimates that cost savings from the exercise may be SGD20mn per month (SGD240mn per annum) after the expiry of the Jobs Support Scheme for the company from end-March 2021 onwards. In the meantime, it may save SGD13mn per month while the JSS is still in place.
- [Oxley Holdings Ltd \("OHL"\)](#) | **Issuer Profile: Negative (6):** According to the Business Times, a number of buyers for the retail units at The Peak in Cambodia are withholding their completing payment. Separately, OHL has reaffirmed its ability to meet its short-term obligations, in response to queries from the SGX. This is in-line with our expectation.
- [Standard Chartered PLC \("StanChart"\)](#) | **Issuer Profile: Neutral (4):** StanChart announced a restructuring of its existing businesses. In addition, the regional head for Europe and the Americas and head of StanChart's private bank will retire. These changes take effect from 1 January 2021 with now both CEO's of StanChart's two global businesses based in Singapore.
- [Sembcorp Industries Ltd \("SCI"\)](#) | **Issuer Profile: Neutral (4):** Sembcorp (China) Holding Co, a wholly-owned subsidiary of SCI announced that it has signed a Memorandum of Understanding with GDS Holdings Limited, a NASDAQ-listed developer, owner and operator of data centres in China. SCI and GDS will work together to develop and provide renewable energy solutions for GDS data centres located in China.
- [Olam International Ltd \("Olam"\)](#) | **Issuer Profile: Neutral (5):** In a development highlighting Olam's continued bank loan market access, Olam announced that it has refinanced ~USD1.7bn of multi-tranche revolving credit facilities which saw participation from 21 lenders. Proceeds from the facility will be applied towards refinancing of existing loans.

Asian Credit Daily

Credit Headlines

Singapore Airlines Ltd (“SIA”) | Issuer Profile: Neutral (5)

- SIA announced its decision to cut 4,300 positions across its airlines. This number takes into account of a recruitment freeze, natural attrition, and the take up of voluntary departure schemes. Earlier, SIA had announced voluntary departure schemes including early release or retirement with payouts and benefits for cabin crew.
- Bloomberg Intelligence estimates that cost savings from the exercise may be SGD20mn per month (SGD240mn per annum) after the expiry of the Jobs Support Scheme (“JSS”) for the company from end-March 2021 onwards. In the meantime, it may save SGD13mn per month while the JSS is still in place.
- The International Air Transport Association (“IATA”) in its latest views dated 28 July 2020 expects that air travel will not recover to pre-COVID-19 levels until at least 2024. The company expects to operate under 50% of its capacity at the end of financial year ended March 2021 (“FY2021”) compared to pre-COVID-19 levels and we expect the company to put some planes into long term storage given that a potential material impairment had been flagged in its business update for the quarter ended 30 June 2020 (“1QFY2021”).
- In May 2020, SIA announced that it was in discussions to defer delivery of planes, however, to date no update on that front has been announced.
- In March 2020 when SIA’s rights issue of shares and mandatory convertible bonds (“MCBs”) was first proposed, SIA shared that SGD3.3bn (representing ~38% of the gross proceeds) is intended for aircraft purchases and aircraft related payments (or to repay any bridge financing facilities in relation to this). In June 2020, SGD8.8bn in gross proceeds were raised successfully from the rights issue.
- Further on 19 August 2020, SIA announced that cumulatively, SGD4.4bn (50% of the rights issue) had been utilised, which we think a portion had gone towards aircraft purchases and aircraft related payments. SIA has an option for [SGD6.2bn in additional MCBs on terms that are substantially similar](#) to the terms of the completed Rights MCBs which was “underwritten” by its major shareholder.
- For now we maintain SIA’s issuer profile at Neutral (5) on account of the availability of near term liquidity and demonstrated financial support by its major shareholder. A continuous lack of international passenger travel while borders remain close and/or a lack of ability to defer its upcoming capex will continue to pressure its liquidity sources in our view. (Bloomberg, Company, OCBC)

Oxley Holdings Ltd (“OHL”) | Issuer Profile: Negative (6)

- According to the Business Times, a number of buyers for the retail units at The Peak in Cambodia are withholding their completing payment. This is because the development has yet to be fully completed while the buyers are worried about OHL’s finances. Last reported in OHL’s company announcement in late August, 76% of the buyers have settled. As such, we are not overly worried.
- Separately, OHL has reaffirmed its ability to meet its short-term obligations, in response to queries from the SGX. This is in-line with [our expectation](#). (Company, OCBC)

Asian Credit Daily

Credit Headlines

Standard Chartered PLC (“StanChart”) | Issuer Profile: Neutral (4)

- StanChart announced a restructuring of its existing businesses with the combination of its retail banking, private banking and wealth management into one unit named Consumer, Private and Business Banking. Separately, it will also combine its two Asian business segments (ASEAN and South Asia and Greater China and North Asia) under one geographic unit.
- In addition, the regional head for Europe and the Americas and head of StanChart’s private bank will retire.
- Driving these changes is the new operating environment facing StanChart and all banks along with the weaker economic outlook which is necessitating a desire to reduce costs and focus on better performing businesses given the expected low return environment from low interest rates and rising credit costs. In StanChart’s case, this includes a focus on individual clients and its Asian businesses. As per StanChart’s 1H2020 results, Asia (comprising ASEAN, South Asia, Greater China and North Asia) contributed 81.3% to consolidated underlying profit before tax.
- These changes take effect from 1 January 2021 with the CEO’s of StanChart’s two global businesses (retail, private and business banking; corporate, commercial and institutional banking) based in Singapore. (Company, OCBC)

Sembcorp Industries Ltd (“SCI”) | Issuer Profile: Neutral (4)

- Sembcorp (China) Holding Co, a wholly-owned subsidiary of SCI announced that it has signed a Memorandum of Understanding (“MOU”) with GDS Holdings Limited (“GDS Holdings” or “GDS”), a NASDAQ-listed developer, owner and operator of data centres in China. SCI and GDS will work together to develop and provide renewable energy solutions for GDS data centres located in China.
- In 2018, SCI entered into a 20-year agreement to supply renewable energy to power Facebook’s data centre in Singapore. (Company, OCBC)

Olam International Ltd (“Olam”) | Issuer Profile: Neutral (5)

- In a development highlighting Olam’s continued bank loan market access, Olam announced that it has refinanced ~USD1.7bn of multi-tranche revolving credit facilities which saw participation from 21 lenders. Proceeds from the facility will be applied towards refinancing of existing loans.
- In our view, commodity traders are facing a tighter financing environment with some European banks announcing their exit from the commodity trade finance business in recent months. (Company, OCBC)

Key Market Movements

| | 11-Sep | 1W chg (bps) | 1M chg (bps) | | 11-Sep | 1W chg | 1M chg |
|-----------------------|--------|-----------------|-----------------|---------------------------|----------|--------|---------|
| iTraxx Asiax IG | 59 | 0 | -7 | Brent Crude Spot (\$/bbl) | 40.03 | -6.17% | -10.04% |
| iTraxx SovX APAC | 32 | 1 | -6 | Gold Spot (\$/oz) | 1,946.75 | 0.66% | 1.82% |
| iTraxx Japan | 61 | 3 | -1 | CRB | 146.17 | -2.82% | -0.47% |
| iTraxx Australia | 62 | 2 | -7 | GSCI | 339.76 | -3.95% | -2.11% |
| CDX NA IG | 66 | 3 | 3 | VIX | 29.71 | 11.82% | 23.64% |
| CDX NA HY | 106 | -1 | 1 | CT10 (%) | 0.685% | -3.27 | 4.38 |
| iTraxx Eur Main | 53 | 2 | 0 | | | | |
| | | | | | | | |
| iTraxx Eur XO | 313 | -11 | -32 | AUD/USD | 0.727 | -0.15% | 1.79% |
| iTraxx Eur Snr Fin | 62 | 4 | -1 | EUR/USD | 1.184 | 0.00% | 0.83% |
| iTraxx Eur Sub Fin | 127 | 8 | -4 | USD/SGD | 1.369 | -0.29% | 0.35% |
| iTraxx Sovx WE | 13 | 0 | -1 | AUD/SGD | 0.995 | -0.12% | -1.41% |
| | | | | | | | |
| USD Swap Spread 10Y | 1 | 0 | 1 | ASX 200 | 5,857 | -1.15% | -4.59% |
| USD Swap Spread 30Y | -37 | 1 | 3 | DJIA | 27,535 | -5.38% | -0.55% |
| US Libor-OIS Spread | 17 | -1 | -2 | SPX | 3,339 | -6.75% | 0.16% |
| Euro Libor-OIS Spread | -2 | -2 | -1 | MSCI Asiax | 710 | -1.47% | -0.31% |
| | | | | HSI | 24,314 | -1.55% | -2.32% |
| China 5Y CDS | 37 | 1 | -5 | STI | 2,483 | -1.08% | -2.42% |
| Malaysia 5Y CDS | 45 | 0 | -8 | KLCI | 1,491 | -1.67% | -4.74% |
| Indonesia 5Y CDS | 90 | 5 | -16 | JCI | 4,891 | -7.37% | -5.76% |
| Thailand 5Y CDS | 38 | 2 | -2 | EU Stoxx 50 | 3,313 | 0.26% | -0.58% |
| Australia 5Y CDS | 15 | 1 | -1 | | | | |

Source: Bloomberg

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New Issues

- Guangzhou Metro Investment Finance BVI Ltd (Guarantor: Guangzhou Metro Investment Finance HK Ltd) priced a USD500mn 5-year bond at T+122.5bps, tightening from IPT of T+170bps area and another USD330mn 10-year bond at T+160bps, tightening from IPT of T+210bps area respectively.
- Xinyuan Real Estate Co Ltd priced a USD300mn 3NP2 bond at 14.5%.
- Filinvest Development Cayman Islands (Guarantor: Filinvest Development Corp.) priced a USD200mn 5-year bond at 4.25%, tightening from IPT of 4.5% area.
- ENN Energy Holdings Ltd priced a USD750mn 10-year green bond at T+200bps, tightening from IPT of T+250bps area.
- Contemporary Ruiding Development Limited (Guarantor : Contemporary Amperex Technology Co., Limited) priced a USD1bn 5-year bond at T+165bps, tightening from IPT of T+215bps area and another USD500mn 10-year bond at T+200bps, tightening from IPT of T+255bps area.
- HSBC Institutional Trust Services (Singapore) Ltd. (in its capacity as trustee of Ascendas Real Estate Investment Trust) priced a SGD300mn PerpNC5 green bond at 3.0%, tightening from IPT of 3.25% area.
- Bangkok Bank PCL has arranged investor calls commencing 11 September 2020 for its proposed USD bond offering.
- CNAC (HK) Finbridge Company Limited (Guarantor: China National Chemical Corporation Limited) has arranged investor calls commencing 10 September 2020 for a possible USD bond offering.
- Tongyang Life Insurance Co., Ltd. has arranged investor calls commencing 10 September 2020 for its proposed USD bond offering.

| Date | Issuer | Size | Tenor | Pricing |
|-----------|--|----------------------|-------------------|------------------------|
| 10-Sep-20 | Guangzhou Metro Investment Finance BVI Ltd (Guarantor: Guangzhou Metro Investment Finance HK Ltd) | USD500mn USD330mn | 5-year 10-year | T+122.5bps T+160bps |
| 10-Sep-20 | Xinyuan Real Estate Co Ltd | USD300mn | 3NP2 | 14.5% |
| 10-Sep-20 | Filinvest Development Cayman Islands (Guarantor: Filinvest Development Corp.) | USD200mn | 5-year | 4.25% |
| 10-Sep-20 | ENN Energy Holdings Ltd | USD750mn | 10-year | T+200bps |
| 10-Sep-20 | Contemporary Ruiding Development Limited (Guarantor : Contemporary Amperex Technology Co., Limited) | USD1bn USD500mn | 5-year 10-year | T+165bps T+200bps |
| 10-Sep-20 | HSBC Institutional Trust Services (Singapore) Ltd. (in its capacity as trustee of Ascendas Real Estate Investment Trust) | SGD300mn | PerpNC5 | 3.0% |
| 9-Sep-20 | The Republic of Korea | USD625mn | 10-year | T+50bps |
| 9-Sep-20 | AIA Group Ltd | USD1.75b | 20-year | T+175bps |

Source: OCBC, Bloomberg

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