

Market Commentary

- The SGD swap curve rose yesterday, with the shorter tenors trading 0-1bps higher while the belly and longer tenors traded 1-3bps higher (with the exception of the 30-year that traded almost flat).
- The Bloomberg Barclays Asia USD IG Bond Index average OAS remained mostly unchanged at 163bps, and the Bloomberg Barclays Asia USD HY Bond Index average OAS tightened 8bps to 766bps. The HY-IG Index Spread tightened 9bps to 603bps.
- Flows in SGD corporates were heavy, with flows in CATHAY 3.375%'23s, BACR 3.75%'30s, CS 5.625%-PERPs, FRAG 6.125%'21s, STANLN 5.375%-PERPs, CRCTSP 3.375%-PERPs, HSBC 4.7%-PERPs, OLAMSP 4%'26s and SPHSP 3.2%'30s.
- 10Y UST Yields earlier hit a high of 0.836% driven by an improved outlook in stimulus talks between US Treasury Secretary Mnuchin and House Speaker Pelosi and ended off cheaper due to solid demand for 20-year bond auction. Overall, 10Y UST Yields gained 4bps to 0.82%, while S&P closed 0.2% lower.

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Credit Summary:

- [CapitaLand Mall Trust \("CMT"\)](#) | **Issuer Profile: Neutral (3)**: CMT announced 3Q2020 results. Gross revenue was down by 25.3% y/y to SGD50.8mn, while NPI fell 27.6%y/y to SGD104.4mn. As at Sep 2020, almost all of CMT's tenants have resumed operations and portfolio occupancy remained stable at 98.0%. In 9M2020, rental waivers have aggregated SGD183.4mn (including property tax rebates and cash grants). CMT's average cost of debt was 3.1% and aggregate leverage was 34.4% as at 30 Sep 2020. EBITDA/Interest based on our calculation is 3.3x, down from 4.3x a year ago.
- [Keppel Infrastructure Trust \("KIT"\)](#) | **Issuer Profile: Neutral (4)**: KIT announced its operational updates for 3Q2020. Reported Group EBITDA for 3Q2020 increased 7% y/y to SGD83.0mn though reported operational cash flow declined 16% y/y to SGD53.4mn. Per company, this was due to deferral of budgeted capital expenditure (mainly at IXOM, KIT's water treatment and chemical distribution company) to 3Q2020 due to COVID-19 disruptions in 1H2020. KIT's reported net debt-to-EBITDA was 4.5x in 3Q2020 versus 4.2x in 2Q2020, though in our view this leverage level is still manageable.
- [City Developments Ltd \("CDL"\)](#) | **Issuer Profile: Neutral (4)**: CDL announced the resignation of Mr Kwek Leng Peck as non-Executive and Non-Independent Director. The primary reasons for resigning are due to disagreements with the board and management in relation to the Investment in Sincere Property Group ("Sincere") and its continuing provision of financial support to Sincere as well as the management of Millennium & Copthorne Hotels Ltd.

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Credit Headlines

CapitaLand Mall Trust ("CMT") | Issuer Profile: Neutral (3)

- CMT announced 3Q2020 results. Gross revenue was down by 25.3% y/y to SGD50.8mn, while NPI fell 27.6%y/y to SGD104.4mn. This was mainly due to lower gross rental income arising from rental waivers of SGD29.5mn granted by CMT to tenants affected by COVID-19, as well as lower gross turnover and other income.
- As at Sep 2020, almost all of CMT's tenants have resumed operations and portfolio occupancy remained stable at 98.0%. Portfolio shopper traffic and tenants' sales per square foot per month for 3Q2020 have recovered to about 60% and 89% of last year's levels respectively. Suburban malls saw tenants' sales recovering to around 97% of the level a year ago.
- In 9M2020, rental waivers have aggregated SGD183.4mn (including property tax rebates and cash grants). ~2% of tenants have requested for rental reliefs. Rental reversion was down 4.4% (Raffles City Singapore recorded -15.9% rental reversion) with shopper traffic down 40.4% y/y and tenants' sales per sq ft down 13.9% y/y. Supermarket is the only trade category with positive y/y tenants' sales over 9M2020. All other trade categories are down y/y.
- CMT's average cost of debt was 3.1% and aggregate leverage was 34.4% as at 30 Sep 2020. EBITDA/Interest based on our calculation is 3.3x, down from 4.3x a year ago. CMT has SGD226.0mn (made up of SGD100mn CAPITA 3.15% '20s and ~SGD126mn CAPITA 1.039 '20s) maturing in 2020 and SGD484.0mn maturing in 2021. Bank facilities are in place for refinancing of these debt. CMT had SGD67.1mn of cash on hand as at 30 September 2020.
- Lot One asset enhancement is expected to complete in 2H2021. CMT will be renamed to ["CapitaLand Integrated Commercial Trust" \("CICT"\)](#) on 3 November 2020, along with the delisting of CapitaLand Commercial Trust ("CCT"). We see CICT at Neutral (3) Issuer profile. (Company, OCBC)

Keppel Infrastructure Trust ("KIT") | Issuer Profile: Neutral (4)

- KIT announced its operational updates for 3Q2020. Reported Group EBITDA for 3Q2020 increased 7% y/y to SGD83.0mn though reported operational cash flow declined 16% y/y to SGD53.4mn. Per company, this was due to deferral of budgeted capital expenditure (mainly at IXOM, KIT's water treatment and chemical distribution company) to 3Q2020 due to COVID-19 disruptions in 1H2020.
- KIT's reported net debt-to-EBITDA was 4.5x in 3Q2020 versus 4.2x in 2Q2020, though in our view this leverage level is still manageable. The increase in net debt-to-EBITDA was mainly driven by a lower annualised EBITDA of SGD379mn (annualised based on 9M2020 performance in contrast to 2Q2020 where only 1H2020 performance was used in the annualised EBITDA figure). We maintain KIT's issuer profile at Neutral (4). (Company, OCBC)

Asian Credit Daily**Credit Headlines****City Developments Ltd ("CDL") | Issuer Profile: Neutral (4)**

- CDL announced the resignation of Mr Kwek Leng Peck ("KLP") as non-Executive and Non-Independent Director. KLP is the cousin of CDL's executive chairman Kwek Leng Beng and uncle to the Chief Executive Officer Mr Sherman Kwek.
- The primary reasons for resigning are due to disagreements with the board and management in relation to the:
 - Investment in Sincere Property Group ("Sincere") and its continuing provision of financial support to Sincere.
 - Management of Millennium & Copthorne Hotels Ltd ("M&C").
- The total investment in Sincere amounts to SGD1.9bn, including liquidity support of RMB1.5bn in bonds and RMB1.5bn corporate guarantee on a bank loan obtained by Sincere. Sincere's liquidity position is challenging and has been negatively impacted by COVID-19 and property cooling measures, including [China's Three Red Lines](#). While there are plans to lighten Sincere's debt load, this is expected to take place over a longer period of time.
- M&C owns and manages the hospitality segment under CDL. 1H2020 results for the hotel operations segment was lacklustre, recording pre-tax losses of SGD208.2mn. For M&C, it has seen its ex-group CEO resigning in Jul 2020 despite being appointed in Apr 2020. M&C has also let go a significant number of staff due to COVID-19.
- While CDL kept it vague on the details of the disagreement, we surmise that the disagreements may stem from differences in strategic direction with decisions to let go of staff from M&C (which reduces expense) while reallocating significant amount of capital to a Chinese property developer. Kwek Leng Peck was first appointed as CDL's director on 1 Aug 1987 and was the Non-Executive Director of Millennium & Copthorne Hotels PLC prior to its privatisation.
- We downgraded CDL to Neutral (4) Issuer Profile in Aug 2020 mainly due to cash burn from its hospitality segment, which we see as a detractor to its credit profile given the significant losses. If losses can be narrowed significantly (e.g. via expense reduction), this will be a credit positive. However, if support for Sincere were to be increased further, this may pressure CDL's credit metrics, noting that net gearing has already climbed to 73% h/h (2019: 63%) mainly due to the acquisition of the stakes in Sincere. We look to CDL's business updates for 3Q2020 for further clarity before assessing how its credit profile may evolve. (Company, OCBC)

Key Market Movements

	22-Oct	1W chg (bps)	1M chg (bps)		22-Oct	1W chg	1M chg
iTraxx Asiax IG	65	-2	-10	Brent Crude Spot (\$/bbl)	41.60	-3.61%	-0.29%
iTraxx SovX APAC	31	-1	-3	Gold Spot (\$/oz)	1,920.15	0.60%	1.05%
iTraxx Japan	65	-2	5	CRB	151.04	-0.31%	2.39%
iTraxx Australia	66	-2	-8	GSCI	360.11	-0.58%	3.49%
CDX NA IG	57	1	4	VIX	28.65	8.52%	6.66%
CDX NA HY	106	0	0	CT10 (%)	0.808%	7.53	13.67
iTraxx Eur Main	55	-2	-3				
iTraxx Eur XO	327	-11	-4	AUD/USD	0.710	0.07%	-1.00%
iTraxx Eur Snr Fin	72	-2	-6	EUR/USD	1.184	1.16%	1.16%
iTraxx Eur Sub Fin	139	-5	-17	USD/SGD	1.356	0.27%	0.66%
iTraxx Sovx WE	12	-1	0	AUD/SGD	0.963	0.20%	1.68%
USD Swap Spread 10Y	3	-1	2	ASX 200	6,122	-1.43%	5.84%
USD Swap Spread 30Y	-35	-1	1	DJIA	28,211	-1.06%	3.38%
US Libor-OIS Spread	13	0	-1	SPX	3,436	-1.52%	3.62%
Euro Libor-OIS Spread	-3	-1	1	MSCI Asiax	750	1.41%	5.28%
				HSI	24,754	0.35%	4.37%
China 5Y CDS	38	-3	-8	STI	2,526	-1.17%	2.53%
Malaysia 5Y CDS	45	-3	-7	KLCI	1,492	-2.03%	-0.89%
Indonesia 5Y CDS	95	-3	-16	JCI	5,096	-1.54%	3.29%
Thailand 5Y CDS	45	-1	0	EU Stoxx 50	3,181	-2.83%	0.52%
Australia 5Y CDS	15	0	-2				

Source: Bloomberg

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New Issues

- Meituan Dianping priced a USD750mn 5-year bond at T+180bps, tightening from IPT of T+230bps area and another USD1.25bn 10-year bond at T+225bps, tightening from IPT of T+275bps area.
- Greentown China Holdings Limited priced a USD300mn 4.5NC2.5 bond at 4.7%, tightening from IPT of 5.2% area.
- Jiangning Jingkai Overseas Investment Co., Ltd. priced a USD200mn 364-day bond at 3.15%, tightening from IPT of 3.6% area.
- KB Capital Co Ltd priced a USD300mn 5-year bond at T+120bps, tightening from IPT of T+150bps area.
- Sinochem Offshore Capital Co Ltd (Guarantor: Sinochem Hong Kong Group Co Ltd) priced a USD500mn PerpNC3 at 3%, tightening from IPT of 3.3% area.
- China SCE Group Holdings Ltd priced a USD500mn 4.5NC2.5 bond at 7%, tightening from IPT of 7.4% area.
- Zhongliang Holdings Group Co Ltd priced a USD200mn 1.75-year at 10.125%, tightening from IPT of 10.5% area.
- Sino Trendy Investment Ltd (Guarantor: Guangxi Communications Investment Group Co Ltd) priced a USD200mn 5-year bond at 3%, tightening from IPT of 3.3% area.
- Korea Land & Housing Corp. has arranged investor calls commencing 21 October 2020 for its proposed USD social bond offering.
- Jiaying City Investment and Development Group Co., Ltd. has arranged investor calls commencing 21 October 2020 for its proposed USD bond offering.
- Gansu Provincial Highway Aviation Tourism Investment Group Co., Ltd. has arranged investor calls commencing 22 October 2020 for its proposed USD bond offering.

New Issues

Date	Issuer	Size	Tenor	Pricing
21-Oct-20	Meituan Dianping	USD750mn USD1.25bn	5-year 10-year	T+180bps T+225bps
21-Oct-20	Greentown China Holdings Limited	USD300mn	4.5NC2.5	4.7%
21-Oct-20	Jiangning Jingkai Overseas Investment Co., Ltd.	USD200mn	364-day	3.15%
21-Oct-20	KB Capital Co Ltd	USD300mn	5-year	T+120bps
21-Oct-20	Sinochem Offshore Capital Co Ltd (Guarantor: Sinochem Hong Kong Group Co Ltd)	USD500mn	PerpNC3	3.0%
21-Oct-20	China SCE Group Holdings Ltd	USD500mn	4.5NC2.5	7.0%
21-Oct-20	Zhongliang Holdings Group Co Ltd	USD200mn	1.75-year	10.125%
21-Oct-20	Sino Trendy Investment Ltd (Guarantor: Guangxi Communications Investment Group Co Ltd)	USD200mn	5-year	3.0%
20-Oct-20	China Everbright Limited	USD300mn	PerpNC3	3.8%
20-Oct-20	Hubei Science & Technology Investment Group Hong Kong Ltd (Guarantor: Hubei Science & Technology Investment Group Co Ltd)	USD300mn	5-year	2.9%
20-Oct-20	Foxconn Far East Ltd (Guarantor: Hon Hai Precision Industry Co Ltd)	USD800mn USD600mn	5-year 10-year	T+135bps T+175bps
20-Oct-20	India Green Energy Holdings	USD325mn	3.5NC3	5.375%
20-Oct-20	Peak Re (BVI) Holding (Guarantor: Peak Reinsurance Co Ltd)	USD250mn	PerpNC5	5.35%
20-Oct-20	CapitaLand Retail China Trust	SGD100mn	PerpNC5	3.375%
19-Oct-20	China Development Bank	USD1bn USD500mn	5-year 10-year	T+75bps T+95bps
19-Oct-20	Korea Development Bank	USD500mn USD500mn	3-year 5.5-year	T+40bps T+52.5bps

Source: OCBC, Bloomberg

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