

### Market Commentary

- The SGD swap curve mostly fell yesterday. Most of the tenors traded 1-2 bps lower, although the 2-year traded 1bps higher while the 12-year and 15-year traded 4-6bps lower.
- 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 remained mostly unchanged at 766bps. The HY-IG Index Spread remained mostly unchanged at 603bps.
- Flows in SGD corporates were heavy, with flows in SUNSP 3.8%-PERPs, ESRCAY 5.1%'25s, AREIT 3%-PERPs and STTGDC 3.13%'28s.
- 10Y UST Yields gained 3bps to 0.86%, driven by the progress of stimulus talks and a larger-than-expected decline in new applications for unemployment benefits.

### Credit Research

#### Andrew Wong

+65 6530 4736

[WongVKAM@ocbc.com](mailto:WongVKAM@ocbc.com)

#### Ezien Hoo, CFA

+65 6722 2215

[EzienHoo@ocbc.com](mailto:EzienHoo@ocbc.com)

#### Wong Hong Wei, CFA

+65 6722 2533

[WongHongWei@ocbc.com](mailto:WongHongWei@ocbc.com)

#### Seow Zhi Qi, CFA

+65 6530 7348

[zhiqiseow@ocbc.com](mailto:zhiqiseow@ocbc.com)

### Credit Summary:

- **[First Real Estate Investment Trust \("FIRT"\)](#) | Issuer Profile: Negative (6):** FIRT announced that due to the continuing significant impact of the COVID-19 pandemic to the underlying assets in Indonesia, FIRT will be granting a further rental relief of two months amounting to SGD18.9mn for September and October 2020.
- **[Lippo Malls Indonesia Retail Trust \("LMRT"\)](#) | Issuer Profile: Negative (6):** LMRT announced that it has executed a commitment letter with Deutsche Bank to underwrite an up to USD75mn term loan facility, with a final maturity date of 21 Oct 2022, which will be used for the repayment of an existing SGD175mn facility maturing in Aug 2021. We think this alleviates the near-term liquidity pressure on LMRT.
- **[Qantas Airways Limited \("Qantas"\)](#) | Issuer Profile: Neutral (5):** In its annual general meeting for 2020, Qantas's Chairman Mr Richard Goyder and Chief Executive Officer, Mr Alan Joyce shared key company updates. The main message is that Qantas is in survival mode given domestic and international border closures and have taken steps to raise and preserve liquidity.
- **[Mapletree Commercial Trust \("MCT"\)](#) | Issuer Profile: Neutral (3):** MCT released results for first half of financial year ending 31 March 2021. Gross revenue was down 2.5%y/y to SGD218.7mn and net property income was down 2.6%y/y to SGD171.5mn. Over 1HFY2021, shopper traffic is down 64.6% y/y while tenant sales is down 41.5% y/y. As at 30 September 2020, the aggregate leverage was 33.8% with EBITDA/Interest based on our calculation at 3.8x, down from 4.5x a year ago.
- **[National Australia Bank Ltd \("NAB"\)](#) | Issuer Profile: Positive (2):** NAB announced that several items will be impacting 2H2020 results that are scheduled to be released on 5th November 2020. These include (1) net provisions for customer-related remediation matters of AUD380mn before tax (AUD266mn after tax); (2) net payroll remediation provisions of AUD128mn before tax (AUD90mn after tax); and (3) property related asset impairments of AUD134mn before tax (AUD94mn after tax).
- **[Industry Outlook – Singapore Property](#):** URA released 3Q2020 real estate statistics. Private residential property prices rose 0.8% q/q in 3Q2020. Firmer property prices follow strong uptake in recent months, with Sep 2020 seeing the highest transactions in over 2 years.

**Asian Credit Daily****Credit Headlines****First Real Estate Investment Trust ("FIRT") | Issuer Profile: Negative (6)**

- FIRT announced that due to the continuing significant impact of the COVID-19 pandemic to the underlying assets in Indonesia, FIRT will be granting a further rental relief of two months amounting to SGD18.9mn for September 2020 and October 2020. In Indonesia, COVID-19 cases continue to escalate, with large scale social restrictions imposed. FIRT's main tenant in Indonesia is PT Lippo Karawaci Tbk and LK's subsidiaries ("LK"), which contributed ~83.3% of rental income in 2019.
- Including the second rental relief, the total value of all transactions entered into between FIRT and LK in FY2020 is SGD32.9mn, with transactions with LK regarded as interested person transactions.
- Three smaller assets are located in Singapore while one is located in South Korea. The COVID-19 situation has largely stabilised in these two countries versus 1H2020.
- Additionally, FIRT announced that it has received a request from its other tenant in Indonesia, namely PT Metropolis Propertindo Utama ("MPU") for additional rental relief for 2H2020, flexibility in paying outstanding rents and restructuring of existing master lease agreements in relation to Siloam Sriwijaya, Siloam Hospitals Purwakarta and Siloam Hospitals Kupang & Lippo Plaza Kupang. In 2019, ~12.5% of FIRT's rental income was from MPU and MPU's subsidiaries.
- FIRT has stated that it will consider the requests from MPU. While the additional rental relief of two months has also been extended to MPU, it is conditional upon MPU settling all outstanding rents. Per FIRT, SGD4.7mn are outstanding from MPU as at 22 October 2020 (factoring in the rents that are payable quarterly in advance under its master lease agreements and after deducting rental relief for September 2020 and October 2020). We continue maintaining FIRT's issuer profile at Negative (6). (Company, OCBC)

**Lippo Malls Indonesia Retail Trust ("LMRT") | Issuer Profile: Negative (6)**

- LMRT announced that it has executed a commitment letter with Deutsche Bank to underwrite an up to USD75mn term loan facility, with a final maturity date of 21 Oct 2022, which will be used for the repayment of an existing SGD175mn facility maturing in Aug 2021 (which was priced at 3.15% + SOR).
- We think this alleviates the near-term liquidity pressure on LMRT. However, the bigger uncertainty in the near-term will be the [acquisition of Lippo Mall Puri](#) for ~SGD330mn, which will see LMRT undertaking a large fundraising exercise (estimated rights issue: SGD280mn). We continue to hold LMRT at a Negative (6) Issuer Profile. (Company, OCBC)

## Asian Credit Daily

### Credit Headlines

#### **Qantas Airways Limited (“Qantas”) | Issuer Profile: Neutral (5)**

- In its annual general meeting for 2020, Qantas’s Chairman Mr Richard Goyder and Chief Executive Officer, Mr Alan Joyce shared the following updates:
  - Qantas is in survival mode given domestic and international border closures and have taken steps to raise and preserve liquidity. For Qantas, this meant putting significant parts of operations in hibernation including job cuts, consolidating property spaces, cutting sponsorships, renegotiating arrangements with travel agents and reviewing ground handling operations to reduce cash burn.
  - Since March, Qantas has raised AUD1.4bn of equity and AUD2.0bn in debt.
  - In the past month, there has been positive signs pointing towards recovery with South Australia, Northern Territory and Tasmania opening borders to most other states although Queensland and Western Australia’s borders remain shut. The COVID-19 situation in Victoria has come under control while New South Wales clusters have been managed.
  - Qantas expects travel demand to be strong when domestic borders open up and think its domestic market share can increase organically to 70% from the 60% pre-COVID-19 following the re-strategising at its key competitor.
  - Virgin Australia Holdings (“VAH”, Issuer profile: Unrated), historically its key competitor for the domestic market was under voluntary administration had recently been sold to Bain Capital, a private equity firm.
- Internationally, lifting of some travel restrictions with New Zealand and potential for travel bubbles with some parts of Asia will help. Pending the re-opening of its core international markets of US and UK, Qantas will proactively look for new destinations which will allow the company to generate positive cash flow.
- The Qantas Loyalty and Qantas Freight business segments continue to perform well and are key reasons driving the company’s positive cash flow from operations (before restructuring costs). We continue maintaining Qantas’ issuer profile at Neutral (5). (Company, OCBC)

**Asian Credit Daily****Credit Headlines****Mapletree Commercial Trust (“MCT”) | Issuer Profile: Neutral (3)**

- MCT released results for first half of financial year ending 31 March 2021 (“1H FY2021”). Gross revenue was down 2.5%y/y to SGD218.7mn and net property income was down 2.6%y/y to SGD171.5mn, mainly due to COVID-19 rental rebates and the circuit breaker from 7 April 2020 to 18 June 2020, though partially offset by contribution from Mapletree Business City II (acquired in Nov 2019). Excluding MBC II, gross revenue would have fallen by 21.3% y/y to SGD176.5mn, in tandem with NPI (-21.8%y/y to SGD137.7mn).
- Committed portfolio occupancy was 97.7% (down from 98.2% as at 30 June 2020) with expiring leases for FY2021 amounting to 9.9% of its gross rental income (4.1% is from retail while the balance 5.8% is from office and business parks) which we think is manageable. Rental reversion for retail is negative 8.9% while that for office is negative 1.6%, leading to overall negative rental reversion of 3.7% over 1H FY2021.
- Over 1H FY2021, shopper traffic is down 64.6% y/y while tenant sales is down 41.5% y/y. Interestingly, rebound in tenant sales has outpaced shopper traffic. VivoCity recorded SGD183.3mn of tenant sales in 2Q FY2021, ~78.0% of the same period last year. This compares positively against 1Q FY2021 which recorded 36.6% of the same period last year (~SGD76.5mn). As at 30 September 2020, VivoCity was 97.9% committed.
- MCT’s total investment properties were valued at SGD8.7bn as at 30 September 2020, down 2.3% since 31 March 2020 due to the impact from COVID-19. We note that property valuation of PSA Building fell the most by 3.8% to SGD761.0mn, followed by VivoCity (-3.5% y/y to SGD3.1bn) while Mapletree Business City I and II were mostly stable at (-0.4% and -1.7% respectively).
- MCT has completed the refinancing of all bank debts due up till FY2022 (subsequent to the reporting period) and has over SGD600.0mn of cash and undrawn committed facilities available. As at 30 September 2020, the aggregate leverage was 33.8% with EBITDA/Interest based on our calculation at 3.8x, down from 4.5x a year ago. Given that MCT’s assets remain fully unencumbered, we remain comfortable with maintaining its Issuer Profile at Neutral (3). (Company, OCBC)

## Asian Credit Daily

### Credit Headlines

#### National Australia Bank Ltd (“NAB”) | Issuer Profile: Positive (2)

- NAB announced that several items will be impacting 2H2020 results that are scheduled to be released on 5th November 2020. These include (1) net provisions for customer-related remediation matters of AUD380mn before tax (AUD266mn after tax); (2) net payroll remediation provisions of AUD128mn before tax (AUD90mn after tax); and (3) property related asset impairments of AUD134mn before tax (AUD94mn after tax).
- The majority of customer-related remediation provisions are for wealth related matters (remainder for bank related remediation matters). These provisions are related to the recently announced sale of MLC Wealth to IOOF Holdings Ltd (“IOOF”) with MLC Wealth earnings reclassified to Discontinued Operations in 2H2020.
- Management have indicated that the announced provisions and impairments will have a 15bps negative impact to NAB’s CET1 ratio. [In its 3Q2020 trading update](#), NAB’s APRA compliant CET1 was 11.6% as at 30 June 2020 against 10.4% as at 31 March 2020 and 30 September 2019 with the improvement driven mostly by the AUD4.25bn capital raising (+98bps of CET1) via an institutional placement (AUD3bn) and share purchase plan (AUD1.25bn). The ratio is now well above APRA’s 10.5% benchmark for ‘unquestionably strong’ capital ratios in Australia’s banking sector that will be implemented in 1 Jan 2023.
- After tax impacts represent around 29% of 3Q2020 unaudited cash earnings of AUD1.55bn with 1H2020 results materially impacted by extra-ordinary impacts of AUD1.1bn for software capitalisation changes and AUD1.2bn in credit impairment charges. We will review these impacts together with the announcement of NAB’s 2H2020 and FY2020 results. (Company, OCBC)

#### Industry Outlook – Singapore Property

- URA released 3Q2020 real estate statistics. Private residential property prices rose 0.8% q/q in 3Q2020 (2Q2020: +0.3% q/q). In-line with flash estimates, property prices have diverged between market segments. Properties in Outside Central Region (“OCR”) rose 1.7% q/q (2Q2020: +0.1% q/q), Rest of Central Region (“RCR”) prices rose 2.5% q/q (2Q2020: -1.7% q/q) while Core Central Region decreased 3.8% q/q (2Q2020: +2.7% q/q).
- We understand that property demand has been largely anchored by Singaporeans and PRs, who may prefer locations in OCR and RCR given more affordable quantum.
- Firmer property prices follow strong uptake in recent months, with Sep 2020 seeing the highest transactions in over 2 years. Meanwhile, unsold supply in the pipeline has fallen to 26,483 units (2Q2020: 27,977 units). If transaction volumes continue at the current pace, this should lend support to firming property prices.
- However, we think that runaway property prices is unlikely. Despite a significant correction in Singapore’s economic growth, no recession in Singapore’s property market has led to a divergence between price growth and income growth – this has been the reason cited by the government when property cooling measures were implemented. Already, [URA has released a circular putting in restrictions on the re-issue of Option to Purchase \(“OTP”\)](#) in a bid to encourage financial prudence. (URA, OCBC)

## Asian Credit Daily

### Key Market Movements

	23-Oct	1W chg (bps)	1M chg (bps)		23-Oct	1W chg	1M chg
iTraxx Asiax IG	66	0	-7	Brent Crude Spot (\$/bbl)	42.44	-1.14%	1.60%
iTraxx SovX APAC	31	0	-3	Gold Spot (\$/oz)	1,903.36	0.21%	2.15%
iTraxx Japan	66	0	-1	CRB	151.77	0.02%	2.73%
iTraxx Australia	66	0	-9	GSCI	361.48	-0.48%	3.96%
CDX NA IG	57	1	--	VIX	28.11	4.23%	-1.64%
CDX NA HY	106	0	1	CT10 (%)	0.853%	10.73	18.05
iTraxx Eur Main	56	3	-2				
iTraxx Eur XO	334	7	1	AUD/USD	0.711	0.47%	0.59%
iTraxx Eur Snr Fin	74	2	-3	EUR/USD	1.179	0.63%	1.13%
iTraxx Eur Sub Fin	143	4	-10	USD/SGD	1.358	0.04%	1.08%
iTraxx Sovx WE	12	-1	0	AUD/SGD	0.966	-0.45%	0.53%
USD Swap Spread 10Y	3	-1	1	ASX 200	6,156	-0.34%	3.92%
USD Swap Spread 30Y	-35	0	0	DJIA	28,364	-0.46%	5.98%
US Libor-OIS Spread	13	-1	-2	SPX	3,453	-0.86%	6.69%
Euro Libor-OIS Spread	-3	0	0	MSCI Asiax	748	0.83%	5.23%
				HSI	24,786	2.60%	4.40%
China 5Y CDS	38	0	-7	STI	2,528	0.19%	1.91%
Malaysia 5Y CDS	45	-1	-6	KLCI	1,499	-1.00%	0.16%
Indonesia 5Y CDS	95	0	-17	JCI	5,092	-0.26%	3.54%
Thailand 5Y CDS	46	0	1	EU Stoxx 50	3,171	-0.67%	-0.27%
Australia 5Y CDS	15	0	-1				

Source: Bloomberg

## Asian Credit Daily

### New Issues

- Powerlong Real Estate Holdings Ltd priced a USD200mn 4.5NC2.5 bond at 6.1%, tightening from IPT of 6.5% area.
- Times China Holdings Limited priced a USD250mn re-tap of its TPHL6.75%'25s at 6.10%, tightening from IPT of 6.35% area.
- Wens Foodstuffs Group Co Ltd priced a USD350mn 5-year bond at T+200bps, tightening from IPT of T+225bps area and another USD250mn 10-year bond at T+245bps, tightening from IPT of T+270bps area.
- Jiaxing City Investment & Development Group Co Ltd priced a USD300mn 3-year bond at 2.6%, tightening from IPT of 3% area.
- Li & Fung Limited priced a USD100mn re-tap of its LIFUNG 4.5%'25s.
- The Straits Trading Company Limited of Singapore priced a SGD200mn 5-year bond at 3.75%, tightening from IPT of 4% area.
- Lenovo Group Limited has arranged investor calls commencing 22 October 2020 for its proposed USD bond offering.
- Galaxy Pipeline Assets BidCo. Ltd. has arranged investor calls commencing 22 October 2020 for a possible USD bond offering.

Date	Issuer	Size	Tenor	Pricing
22-Oct-20	Powerlong Real Estate Holdings Ltd	USD200mn	4.5NC2.5	6.1%
22-Oct-20	Times China Holdings Limited	USD250mn	TPHL6.75%'25s	6.1%
22-Oct-20	Wens Foodstuffs Group Co Ltd	USD350mn USD250mn	5-year 10-year	T+200bps T+245bps
22-Oct-20	Jiaxing City Investment & Development Group Co Ltd	USD300mn	3-year	2.6%
22-Oct-20	Li & Fung Limited	USD100mn	LIFUNG 4.5%'25s	4.5%
22-Oct-20	The Straits Trading Company Limited of Singapore	SGD200mn	5-year	3.75%
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



# Treasury Research & Strategy

## Macro Research

### Selena Ling

Head of Research & Strategy

[LingSSSelena@ocbc.com](mailto:LingSSSelena@ocbc.com)

### Howie Lee

Thailand, Korea &

Commodities

[HowieLee@ocbc.com](mailto:HowieLee@ocbc.com)

### Tommy Xie Dongming

Head of Greater China

Research

[XieD@ocbc.com](mailto:XieD@ocbc.com)

### Carie Li

Hong Kong & Macau

[carierli@ocbcwh.com](mailto:carierli@ocbcwh.com)

### Wellian Wiranto

Malaysia & Indonesia

[WellianWiranto@ocbc.com](mailto:WellianWiranto@ocbc.com)

### Dick Yu

Hong Kong & Macau

[dicksnyu@ocbcwh.com](mailto:dicksnyu@ocbcwh.com)

### Terence Wu

FX Strategist

[TerenceWu@ocbc.com](mailto:TerenceWu@ocbc.com)

## Credit Research

### Andrew Wong

Credit Research Analyst

[WongVKAM@ocbc.com](mailto:WongVKAM@ocbc.com)

### Ezien Hoo

Credit Research Analyst

[EzienHoo@ocbc.com](mailto:EzienHoo@ocbc.com)

### Wong Hong Wei

Credit Research Analyst

[WongHongWei@ocbc.com](mailto:WongHongWei@ocbc.com)

### Seow Zhi Qi

Credit Research Analyst

[ZhiQiSeow@ocbc.com](mailto:ZhiQiSeow@ocbc.com)

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