

Market Commentary

- The SGD swap curve bull flattened yesterday, with tenors trading 0-1bps lower.
- The Bloomberg Barclays Asia USD IG Bond Index average OAS tightened 1bps to 175bps, and the Bloomberg Barclays Asia USD HY Bond Index average OAS tightened 3bps to 776bps. The HY-IG Index Spread tightened 2bps to 601bps.
- Flows in SGD corporates were heavy, with flows in OCBCSP 3%-PERPs, HSBC 5%-PERPs, STANLN 5.375%-PERPs, HSBC 4.7%-PERPs, UBS 4.85%-PERPs, NTUCSP 3.1%'50s, STRTR 3.73%'21s, SINTEC 4.1%-PERPs, UBS 5.875%-PERPs, STTGDC 3.13%'28s and SIASP 3.13%'27s.
- 10Y UST Yields remained mostly unchanged at 0.65% as investors awaited the presidential debate on Tuesday and the release of employment data due Wednesday and Friday.

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
zhqiseow@ocbc.com

Credit Summary:

- [Keppel Corporation Ltd \("KEP"\)](#) | **Issuer Profile: Neutral (4):** KEP announced a reaffirmation of its Vision 2030 strategic plan to integrate the company to focus on four business segments which will serve customers' green and sustainability needs. Furthermore, KEP has provided updates to its strategic plans, which comes six weeks after Temasek Holdings (Private) Limited walked away from the partial takeover of the company.
- [CapitaLand Mall Trust \("CMT"\)](#) | **Issuer Profile: Positive (2)** and [CapitaLand Commercial Trust \("CCT"\)](#) | **Issuer Profile: Neutral (3):** Unitholders have voted in favour of the combination of CMT and CCT. The resultant entity, CapitaLand and Integrated Commercial Trust, will be the largest REIT in Singapore and third largest in Asia Pacific.
- [Olam International Ltd \("Olam"\)](#) | **Issuer Profile: Neutral (5):** Speaking at the FT Commodities Global Summit, Olam's CEO shared that the company is on target to list its first business by 4Q2021. Earlier in the year, Olam announced that it will be re-organising its businesses into two operating groups, one focusing on Food Ingredients and the other focusing on the agri-businesses.

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Credit Headlines

Keppel Corporation Ltd ("KEP") | Issuer Profile: Neutral (4)

- KEP announced to the market a reaffirmation of its Vision 2030 strategic plan which is to integrate the company to focus on four business segments (1) Energy & Environment (2) Urban Development (3) Connectivity and (4) Asset management. In a nutshell, KEP aims to be a company focusing on serving customers' green and sustainability needs.
- Key focus businesses include renewables, environmental solutions, nearshore floating infrastructure, connectivity solutions (e.g: green data centres) and integrated smart district development. Prior to the announcement of Vision 2030, KEP already carries out some of these activities and is already a leading developer and operator of township development and data centres.
- Under Vision 2030, KEP has emphasised that it is pulling these activities together in an operationally integrated manner, with the changes being communicated to the broader market. Going forward, KEP would also be disclosing its segmental information based on the four business segments compared to the current segmentation based on Offshore & Marine ("KOM"), Property, Infrastructure and Investments.
- KEP is aiming to move towards an asset-light model with a higher proportion of recurring income versus project-based income which would contribute to the group's long-term return on equity target of 15%.
- Aside from the reaffirmation, KEP has provided updates to its strategic plans, which comes six weeks after Temasek Holdings (Private) Limited ("Temasek") [walked away from the partial takeover of the company](#). In October 2019, Kyanite Investment Holdings Pte. Ltd, an indirect wholly-owned subsidiary of Temasek announced a partial takeover offer of KEP which, if successful, would have seen Temasek become a 51%-shareholder of KEP.
- As part of yesterday's update, KEP announced that it has identified SGD17.5bn of assets not including its shipyards, that can be sold down progressively where the proceeds can be used to be invested into new growth areas. Breakdown of the identified assets: (1) SGD7.0bn relates to landbank and projects under development (2) SGD4.8bn relates to assets that can be monetised via REITs/trust and sales to third parties (3) SGD3.9bn in non-core assets such as rigs still owned by KOM and (4) SGD1.8bn from other investments and funds that can be liquidated overtime. Of the SGD17.5bn, SGD3-5bn is targeted to be unlocked in the next 3 years. As at 30 June 2020, KEP's total asset was SGD32.0bn.
- Concurrently, KEP announced that it will be commencing a strategic review of its offshore & marine business through both organic and inorganic options which includes mergers and disposal. In our view, this means that any plans on the shipyards will be part of this strategic review. KOM's closest peer Sembcorp Marine Ltd ("SMM", Issuer profile: Unrated) is now ~43%-owned by Temasek, in a [spin-off from Sembcorp Industries Ltd \("SCI", Issuer profile: Neutral \(4\)\)](#).
- KEP's equity value has increased by 11% since last Friday, with the announcement perceived favourably by equity holders. On credit impact, we are maintaining Keppel at Neutral (4) for now, though tentatively given that specific reorganisation steps have not been released. While a carve out of KOM is a credit positive given that this business had been loss-making, in our view, a "steady-state" issuer profile for KEP ultimately depends on the capital structure of the company following its reorganisation.

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Credit Headlines

Keppel Corporation Ltd (“KEP”) | Issuer Profile: Neutral (4)

- We may lower the issuer profile if the company ends up with having a smaller income stream or asset base without a concurrent reduction in debt. Already KEP’s unadjusted net gearing ratio is relatively high at 1.0x as at 30 June 2020 with EBITDA/Interest coverage below 3.0x. We continue to monitor developments at KEP. (Company, OCBC)

CapitaLand Mall Trust (“CMT”) | Issuer Profile: Positive (2) and CapitaLand Commercial Trust (“CCT”) | Issuer Profile: Neutral (3)

- Unitholders have voted in favour of the combination of CMT and CCT. [“CapitaLand Integrated Commercial Trust” \(“CICT”\)](#) will be the resultant entity from 21 October 2020. CCT will be delisted on 16 October and held as a sub-trust under CMT.
- CICT will be the largest REIT in Singapore and third largest in Asia Pacific. CICT will have 24 properties with a property value of SGD22.4bn (96% Singapore, 4% Germany). CICT will have a 38% exposure to Office, 29% to Integrated developments and 33% to Retail, based on property value. Committed occupancy is 96.3% based on 30 June 2020 figures. We see CICT at Neutral (3) Issuer Profile. (Company, OCBC)

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

- Speaking at the FT Commodities Global Summit, Olam’s CEO shared that the company is on target to list its first business by 4Q2021. The listing venue has not been determined and there could be multiple listings.
- Earlier in the year, Olam announced that it will be [re-organising its businesses into two operating groups](#), one focusing on Food Ingredients (“Olam Food Ingredients”) and the other focusing on the agri-businesses (“Olam Global Agri”). Olam, the listed holding company and SGD-bond issuer, will continue to hold the two new operating groups. It will also develop gestating businesses and incubate new businesses. (Bloomberg, Company)

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Key Market Movements

	30-Sep	1W chg (bps)	1M chg (bps)		30-Sep	1W chg	1M chg
iTraxx Asiax IG	77	4	17	Brent Crude Spot (\$/bbl)	40.66	-2.66%	-10.20%
iTraxx SovX APAC	36	2	3	Gold Spot (\$/oz)	1,896.13	1.76%	-3.64%
iTraxx Japan	68	2	8	CRB	146.76	-0.66%	-4.21%
iTraxx Australia	77	2	13	GSCI	344.88	-0.89%	-3.72%
CDX NA IG	60	3	-5	VIX	26.27	-2.20%	-0.53%
CDX NA HY	104	-1	-2	CT10 (%)	0.650%	-2.29	-7.16
iTraxx Eur Main	61	3	6				
iTraxx Eur XO	349	16	25	AUD/USD	0.715	1.03%	-3.13%
iTraxx Eur Snr Fin	80	3	19	EUR/USD	1.175	0.74%	-1.59%
iTraxx Eur Sub Fin	157	4	28	USD/SGD	1.368	0.30%	-0.58%
iTraxx Sovx WE	12	0	-1	AUD/SGD	0.978	-0.64%	2.64%
USD Swap Spread 10Y	3	2	3	ASX 200	5,862	-1.04%	-3.27%
USD Swap Spread 30Y	-34	2	4	DJIA	27,453	0.60%	-3.44%
US Libor-OIS Spread	14	0	-2	SPX	3,335	0.60%	-4.71%
Euro Libor-OIS Spread	-2	0	-1	MSCI Asiax	705	-0.88%	-2.78%
				HSI	23,276	-1.86%	-7.55%
China 5Y CDS	51	5	16	STI	2,472	0.34%	-2.40%
Malaysia 5Y CDS	57	5	11	KLCI	1,504	-0.12%	-1.40%
Indonesia 5Y CDS	117	5	23	JCI	4,879	-1.11%	-6.86%
Thailand 5Y CDS	48	4	11	EU Stoxx 50	3,214	1.59%	-1.78%
Australia 5Y CDS	17	1	3				

Source: Bloomberg

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New Issues

- Temasek Financial I Ltd (Guarantor: Temasek Holdings Pte Ltd) priced a USD750mn 10-year bond at T+47.5bps, tightening from IPT of T+75bps area, a USD1bn 30.5-year bond at T+90bps, tightening from IPT of T+110bps area, and another USD1bn 50-year bond at T+110bps, tightening from IPT of T+135bps area.
- CMHI Finance BVI Co Ltd (Guarantor: China Merchants Port Holdings Co. Ltd.) priced a USD400mn PerpNC3 bond at 3.5%, tightening from IPT of 3.85% area, and another USD200mn PerpNC5 bond at 3.875%, tightening from IPT of 4.3% area.
- Hong Kong JY Flower Ltd (Guarantor: Kunming Industrial Development & Investment Co Ltd) priced a USD150mn 3-year bond at 5.5%, tightening from IPT of 6% area.
- Jiayuan International Group Ltd priced a USD200mn 2.5-year bond at 13.75%, tightening from IPT of 13.75% area.
- Jiangsu Yueda Group Co., Ltd. priced a USD100mn re-tap of its JIANYU 5.7%'23s.

Date	Issuer	Size	Tenor	Pricing
29-Sep-20	Temasek Financial I Ltd (Guarantor: Temasek Holdings Pte Ltd)	USD750mn USD1bn USD1bn	10-year 30.5-year 50-year	T+47.5bps T+90bps T+110bps
29-Sep-20	CMHI Finance BVI Co Ltd (Guarantor: China Merchants Port Holdings Co. Ltd.)	USD400mn USD200mn	PerpNC3 PerpNC5	3.5% 3.875%
29-Sep-20	Hong Kong JY Flower Ltd (Guarantor: Kunming Industrial & Investment Co Ltd)	USD150mn	3-year	5.5%
29-Sep-20	Jiayuan International Group Ltd	USD200mn	2.5 year	13.75%
29-Sep-20	Jiangsu Yueda Group Co., Ltd.	USD100mn	JIANYU 5.7%'23s	5.7%
28-Sep-20	Government of Mongolia	USD600mn	5.5-year	5.375%
25-Sep-20	Daewoo Engineering & Construction Co., Ltd.	SGD75mn	3-year	3m-SOR+285bps
25-Sep-20	Woori Card Co., Ltd.	USD100mn	5-year	3m-US LIBOR+100bps
25-Sep-20	ZhongAn Online P&C Insurance Co., Ltd.	USD100mn	ZHONAN 3.5%'26s	3.5%
24-Sep-20	Huarong Finance 2019 Co Ltd (Guarantor: China Huaron International Holdings Ltd)	USD250mn USD600mn USD350mn	PerpNC5 3-year 10-year	4.25% T+205bps T+300bps
24-Sep-20	Overseas-Chinese Banking Corporation Limited	SGD200mn	PerpNC10	3.0%

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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