

Market Commentary

- The SGD swap curve bear steepened yesterday, with shorter tenors trading 1-3bps higher and belly tenors trading 3-4bps higher. Longer tenors traded 5-6bps higher.
- The Bloomberg Barclays Asia USD IG Bond Index average OAS tightened 1bps to 146bps, and the Bloomberg Barclays Asia USD HY Bond Index average OAS tightened 8bps to 656bps. The HY-IG Index Spread tightened 8bps to 510bps.
- There were very minimal flows in SGD corporates yesterday.
- 10Y UST fell 1bps to 1.08% on the back of President Biden's inauguration while a USD24bn sale of 20-year treasury bonds yielded slightly weak demand.

Credit Research

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Credit Summary:

- [CapitaLand Integrated Commercial Trust \("CICT"\)](#) | **Issuer Profile: Neutral (3)**: CICT announced 4Q and full year 2020 results. For the full year, gross revenue was down by 5.3%/y to SGD745.2mn while portfolio occupancy was 96.4%. CICT's aggregate leverage was 40.6% and EBITDA/Interest based on our calculation was 3.42x as at 31 December 2020.
- [ABN Amro Bank N.V. \("ABN"\)](#) | **Issuer Profile: Neutral (3)**; [UBS Group AG \("UBS"\)](#) | **Issuer Profile: Neutral (3)**: ABN is reportedly close to a settlement with Dutch Prosecutors over anti money laundering breaches over 2013-2018. Of note though is that the Dutch Prosecutor is also weighing the possibility of prosecuting individuals. This has more of an impact in our view on UBS with new UBS CEO Ralph Hamers currently subject to a court probe in the Netherlands over his involvement in ING's past failures to comply with anti-money laundering rules.

Asian Credit Daily**Credit Headlines****CapitaLand Integrated Commercial Trust (“CICT”) | Issuer Profile: Neutral (3)**

- CICT announced 4Q and full year 2020 results. This is the first time the results of CapitaLand Mall Trust and CapitaLand Commercial Trust are presented on a consolidated basis. In addition, RCS Trust (previously held as a joint venture) is now a wholly owned subsidiary.
- For the full year, gross revenue was down by 5.3%/y to SGD745.2mn mainly due to rental waivers granted by landlords to tenants of SGD128.4mn, lower occupancy and lower rental rates. Net property income (“NPI”) was down by 8.1%/y to SGD512.7mn.
- For the quarter, gross revenue rose 36.0%/y to SGD276.5mn and NPI was up 36.4%/y to SGD191.9mn. lifted by the combination with CapitaLand Commercial Trust that was completed over the quarter, on 21 October 2020. Specifically, for the retail assets, gross revenue fell 15.1%/y while NPI was down 16.7%/y over the quarter.
- Portfolio occupancy was 96.4%. CICT has 24.8% of leases expiring in 2021 (16.3% retail and 8.5% office). For Retail, shopper traffic and tenants’ sales in 4Q2020 recovered to about 67.9% and 94.5% of 4Q2019 levels. For Office, for the week ended 15 Jan 2021, ~43% of the community have returned.
- Property valuation fell 0.4% in 31 Dec 2020 from 30 Jun 2020 to SGD22.3bn, largely due to Raffles City Singapore whose valuation fell 2.7%.
- CICT’s aggregate leverage was 40.6% and EBITDA/Interest based on our calculation was 3.42x as at 31 December 2020 (down from CapitaLand Mall Trust’s standalone EBITDA/Interest of 4.22x a year ago). CICT is considering divesting some of its existing assets to bring down its aggregate leverage to put itself in a stronger position to capture opportunities. CICT faces SGD1.2bn of short-term debt in 2021 which it has facilities in place to refinance. This also only represents 13% of total debt which is manageable.
- CapitaSpring is on track to achieve completion in 2H 2021, and has a committed occupancy of 38% as at 19 January 2021, with another 22% under advanced negotiation.
- We continue to hold CICT at Neutral (3) Issuer Profile.

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Credit Headlines

ABN Amro Bank N.V. ("ABN") | Issuer Profile: Neutral (3); UBS Group AG ("UBS") | Issuer Profile: Neutral (3)

- ABN is reportedly close to a settlement with Dutch Prosecutors over anti money laundering breaches over 2013-2018. While there is no guidance on quantum, ING Groep NV ("ING") previously paid a EUR775mn fine to settle a similar case in 2018.
- We think any potential fine can be accommodated under ABN's current credit profile which considers the current challenges the bank faces from the COVID-19 affected operating environment, event risks (including this investigation) and additional costs stemming from its strategic execution. This is because ABN's capital position should provide a buffer until uncertainty reduces. The Basel III CET1 ratio at 17.2% as at 30 September 2020 remained below the bank's capital target range of 17.5%-18.5% but was well above the 2020 revised Maximum Distributable Amount (MDA) trigger level of 9.6% per ECB and DNB capital relief measures (previously 12.09%).
- Of note though is that the Dutch Prosecutor is also weighing the possibility of prosecuting individuals. This has more of an impact in our view on UBS with new UBS CEO Ralph Hamers currently subject to a court probe in the Netherlands over his involvement in ING's past failures to comply with anti-money laundering rules. Mr Hamers commenced as CEO of UBS in November and was previously CEO of ING.
- There are indications that the investigation could take a year, with its influence extended should the Dutch Prosecutor decide to proceed with charges. This makes the CEO situation at UBS potentially fluid and uncertain at a time when solid and stable stewardship is necessary to guide the bank through a potential recovery from COVID-19. We will continue to monitor developments. (Bloomberg, OCBC)

Key Market Movements

	21-Jan	1W chg (bps)	1M chg (bps)		21-Jan	1W chg	1M chg
iTraxx Asiax IG	62	1	3	Brent Crude Spot (\$/bbl)	56.08	0.04%	7.31%
iTraxx SovX APAC	27	0	1	Gold Spot (\$/oz)	1,869.22	1.23%	-0.41%
iTraxx Japan	51	0	0	CRB	175.14	0.11%	5.22%
iTraxx Australia	59	0	2	GSCI	433.66	0.03%	6.28%
CDX NA IG	50	0	-5	VIX	21.58	-7.50%	0.05%
CDX NA HY	109	0	0	CT10 (%)	1.085%	-4.39	15.07
iTraxx Eur Main	48	-1	-4				
iTraxx Eur XO	246	-3	-17	AUD/USD	0.776	-0.26%	2.25%
iTraxx Eur Snr Fin	60	-1	-4	EUR/USD	1.211	-0.34%	-1.06%
iTraxx Eur Sub Fin	113	-4	-9	USD/SGD	1.325	0.01%	0.54%
iTraxx Sovx WE	9	--	0	AUD/SGD	1.028	0.19%	-1.72%
USD Swap Spread 10Y	1	0	0	ASX 200	6,817	1.51%	2.20%
USD Swap Spread 30Y	-26	-1	1	DJIA	31,188	0.39%	3.34%
US Libor-OIS Spread	15	0	-1	SPX	3,852	1.33%	3.84%
Euro Libor-OIS Spread	-6	0	-1	MSCI Asiax	923	2.91%	12.20%
				HSI	29,962	6.12%	13.90%
China 5Y CDS	30	-1	2	STI	2,999	0.71%	5.35%
Malaysia 5Y CDS	41	-1	3	KLCI	1,602	-2.15%	-2.81%
Indonesia 5Y CDS	73	0	3	JCI	6,430	-0.08%	4.28%
Thailand 5Y CDS	38	1	3	EU Stoxx 50	3,624	0.21%	5.08%
Australia 5Y CDS	15	0	1				

Source: Bloomberg

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New Issues

- Fortune Star BVI Ltd (Guarantor: Fosun International Limited) priced a USD500mn 6NC4 bond at 5.05%, tightening from IPT of 5.45% area.
- Champion Path Holdings Ltd. (Guarantor: SJM Holdings Ltd.) priced a USD500mn 5NC3 bond at 4.5%, tightening from IPT of 5% area and a USD500mn 7NC4 bond at 4.85%, tightening from IPT of 5.375% area.
- Indonesia Infrastructure Finance PT priced a USD150mn 5-year bond at 1.75%, tightening from IPT of 2.125% area.
- Korea Southern Power Co Ltd priced a USD450mn 5-year green bond at T+40bps, tightening from IPT of T+75bps area.
- Guangzhou Fineland Real Estate Development Co Ltd priced a USD103.75mn 2.5-year bond at 13.6%, tightening from IPT of 13.85% area.
- Asian Infrastructure Investment Bank/The priced a USD3bn 5-year sustainability bond at MS+6bps, tightening from IPT of MS+8bps area.
- Li & Fung Limited priced a USD100mn re-tap of its LIFUNG 4.5%'25s at T+423.4bps.

Date	Issuer	Size	Tenor	Pricing
20-Jan-21	Fortune Star BVI Ltd (Guarantor: Fosun International Limited)	USD500mn	6NC4	5.05%
20-Jan-21	Champion Path Holdings Ltd. (Guarantor: SJM Holdings Ltd.)	USD500mn USD500mn	5NC3 7NC4	4.5% 4.85%
20-Jan-21	Indonesia Infrastructure Finance PT	USD150mn	5-year	1.75%
20-Jan-21	Korea Southern Power Co Ltd	USD450mn	5-year	T+40bps
20-Jan-21	Guangzhou Fineland Real Estate Development Co Ltd	USD103.75mn	2.5-year	13.6%
20-Jan-21	Asian Infrastructure Investment Bank/The	USD3bn	5-year	MS+6bps
20-Jan-21	Li & Fung Limited	USD100mn	LIFUNG 4.5%'25s	T+423.4bps
19-Jan-21	SK Battery America Inc (Guarantor: SK Innovation Co Ltd)	USD300mn USD700mn	3-year 5-year	T+150bps T+175bps
19-Jan-21	CICC Hong Kong Finance 2016 MTN Ltd (Guarantor: China International Capital Corp Hong Kong Ltd)	USD1bn USD500mn	3-year 5-year	T+142.5bps T+155bps
19-Jan-21	Kaisa Group Holdings Ltd	USD300mn	KAISAG 10.875%'23s	9.85%
19-Jan-21	BOC Aviation Ltd	USD100mn	BOCAVI 1.75%'26s	T+150bps

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