

### Market Commentary

- The SGD swap curve mostly rose yesterday, with belly tenors trading 1bps higher while longer tenors traded 4-5bps higher, except for the 15-year which traded almost flat.
- The Bloomberg Barclays Asia USD IG Bond Index average OAS tightened 1bps to 149bps, and the Bloomberg Barclays Asia USD HY Bond Index average OAS tightened 12bps to 632bps. The HY-IG Index Spread tightened 13bps to 482bps.
- There were minimal flows in the SGD corporates space yesterday.
- 10Y UST fell 1bps to 0.91% over anticipation regarding Tuesday's U.S. Senate runoff elections.

### Credit Research

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### Credit Summary:

- **[Industry Outlook – Singapore Credit Outlook 2021](#)**: Our Singapore Credit Outlook 2021 was published on Monday January 4th. Amongst the key themes noted and the prevailing rates environment we think investors can push out along the risk spectrum. We also advocate a focus on the shorter-to-belly part of the yield curve. That said, technical considerations should not dominate decision making, and fundamentals continue to remain key.
- **[City Developments Ltd \(“CDL”\) | Issuer Profile: Neutral \(4\)](#)**: CDL has set up a special working group to review and improve the liquidity and profitability of its 51.01% stake in Sincere Property Group (“Sincere”). This follows the completion of a review by Deloitte on 4 Nov 2020 and recent resignation of two independent directors who cited disagreements over the investment in Sincere.
- **[China Aoyuan Group Ltd \(“CAPG”\) | Issuer profile: Negative \(6\)](#)**: CAPG announced that in December 2020, it achieved unaudited property contracted sales of ~RMB19.25bn (representing a y/y increase of 15%). CAPG's cumulative unaudited property contracted sales were ~RMB133.01bn for the full year 2020, representing an increase of 13% y/y.

**Asian Credit Daily****Credit Headlines****Industry Outlook – Singapore Credit Outlook 2021**

- Our [Singapore Credit Outlook 2021](#) was published on Monday January 4<sup>th</sup>. Key highlights include:
  - Credit markets ended 2020 on a constructive note with y/y movements in credit indices hiding unprecedented developments in credit markets. With rates plunging and substantial government support, the search for yield drove credit spreads south despite prevailing pandemic developments. Spread movements were also driven by lower y/y supply in the SGD corporate bond market by number of issues and issuance size that reflected a worsened business environment, weaker corporate fundamentals as well as the uncertain outlook connected with the pandemic.
  - Four key themes will influence credit in 2021 in our view including a K-shaped Recovery, expiring government stimulus, accelerated digital shift and rising Environmental, Social Responsibility and Governance (“ESG”) issues. In particular, the direction of ESG investment is looking more and more like a one way street as the passage of time and the COVID-19 pandemic has addressed certain questions that existed 12 months ago or made them obsolete. There is an increasingly explicit cost of failing in ESG targets in addition to the previously existing implicit ones. This continues to raise the overall quantum of operating risks for issuers as awareness of ESG issues by various stakeholders continues to grow. To this end, we have included in our appendix key ESG influences for the companies we cover based on their disclosures. We hope this enables a better understanding of where these issuers are along the ESG journey.
  - Developments for Financial Institutions in 2020 were a jigsaw puzzle of sorts with government support and bank actions (both past and current) smoothing out the impact of the pandemic on capital and solvency. While risks will continue to dominate in our view, we see Financial Institutions as adequately prepared for higher certainty in 2021, even if that certainty is an awareness of the uncertainty that remains.
  - In early 2020, we opined that REITs are becoming increasingly demarcated by size. Notwithstanding the pandemic, the theme of “big gets bigger” has played out through 2020, with cost of funding compressing, allowing big REITs to continue their acquisitive trend and scale expansion. With the expansionary trend seeing no sign of abating, we expect aggregate leverage for the REIT sector to creep up in 2021 with the market becoming more concentrated.
  - Within the Office REIT sector, we think companies will continue to anchor the workforce in office spaces but adjust the nature of office spaces. That said, demand for office spaces may continue to fall in the short term, leading to higher vacancy rate. For Retail REITs, we continue to experience structural shift towards ecommerce leading to the departure of nonperforming tenants, and negative rental reversion to bring in new tenants. Industrial REITs had been resilient in 2020 and this should likely continue despite some pockets of concern over SME tenants. Upside for Industrial properties though is capped in our view as we expect supply to come back to fore with much of the expected supply in 2020 pushed into 2021 and 2022 instead. With domestic and international borders curbs along with health and safety concerns, travel and hospitality activities remain curtailed which means survivability continues to be a key focus. We expect recovery in the sector though gradual and expect structural changes to the business travel market.

## Asian Credit Daily

### Credit Headlines

#### Industry Outlook – Singapore Credit Outlook 2021

- Singapore private residential property displayed no sign of recession with property prices increasing 2.2% in 2020. Never mind the fall in GDP, we think the K-shaped recovery and cheaper borrowing costs lends confidence for home buyers. The average Singapore household is cash-rich and still getting richer quickly, even through 2020. Using cash and CPF, we estimate that the average household can afford the down payment of a ~SGD2mn property. Supported by an aspirational and wealthy society looking to upgrade, we expect property prices to increase by 5-8% in 2021.
- Amongst these key themes and the prevailing rates environment we think investors can push out along the risk spectrum. We also advocate a focus on the shorter-to-belly part of the yield curve. That said, technical considerations should not dominate decision making, and fundamentals continue to remain key given the still fluid COVID-19 situation and stretched valuations in some parts of the SGD bond market. System-wide credit risk remains elevated and this should limit appetite among market participants for true high yield issuers (with a knock on impact on secondary market liquidity). (OCBC)

#### City Developments Ltd (“CDL”) | Issuer Profile: Neutral (4)

- CDL has set up a special working group to review and improve the liquidity and profitability of its 51.01% stake in Sincere Property Group (“Sincere”). This follows the completion of a review by Deloitte on 4 Nov 2020 and recent resignation of two independent directors who cited disagreements over the investment in Sincere.
- According to the review by Deloitte, Sincere has over 71 projects in 18 cities totalling 8.6mn sqm, including hotels and serviced apartments (174k sqm), commercial and office buildings (2.7mn sqm), business parks (2.0mn sqm) and residential projects (3.7mn sqm).
- The review also identified major bank loans and non-trade liabilities maturing between end 2020 and 2021 which require debt restructuring. Sincere is negotiating with major lenders currently. Thus far, CDL’s position is to limit additional financial exposure to Sincere, though it remains to be seen if further capital needs to be injected given the challenging liquidity situation at Sincere.
- We continue to hold CDL at a Neutral (4) Issuer Profile. (Company, OCBC)

#### China Aoyuan Group Ltd (“CAPG”) | Issuer profile: Negative (6)

- CAPG announced that in December 2020, it achieved unaudited property contracted sales of ~RMB19.25bn (representing a y/y increase of 15%). In November 2020, unaudited property contracted sales was ~RMB15.25bn.
- CAPG’s cumulative unaudited property contracted sales were ~RMB133.01bn for the full year 2020, representing an increase of 13% y/y. (Company, OCBC)

## Key Market Movements

	5-Jan	1W chg (bps)	1M chg (bps)		5-Jan	1W chg	1M chg
iTraxx Asiax IG	56	-2	-2	Brent Crude Spot (\$/bbl)	51.09	-0.39%	3.74%
iTraxx SovX APAC	25	0	0	Gold Spot (\$/oz)	1,939.70	3.28%	4.13%
iTraxx Japan	51	-1	-2	CRB	167.35	1.09%	5.29%
iTraxx Australia	57	-1	-1	GSCI	408.05	0.84%	6.39%
CDX NA IG	52	0	1	VIX	26.97	25.27%	29.85%
CDX NA HY	109	0	-1	CT10 (%)	0.918%	-1.82	-4.77
iTraxx Eur Main	49	1	1				
iTraxx Eur XO	251	13	8	AUD/USD	0.767	0.82%	3.33%
iTraxx Eur Snr Fin	59	1	0	EUR/USD	1.225	0.02%	1.18%
iTraxx Eur Sub Fin	111	-3	0	USD/SGD	1.320	0.56%	1.27%
iTraxx Sovx WE	8	0	-1	AUD/SGD	1.012	-0.25%	-2.01%
USD Swap Spread 10Y	0	-1	0	ASX 200	6,665	0.00%	0.46%
USD Swap Spread 30Y	-26	-1	3	DJIA	30,224	0.08%	1.34%
US Libor-OIS Spread	16	-1	2	SPX	3,701	-0.07%	1.04%
Euro Libor-OIS Spread	-7	0	-2	MSCI Asiax	853	4.64%	6.50%
				HSI	27,473	4.12%	2.37%
China 5Y CDS	28	0	-1	STI	2,859	0.59%	0.67%
Malaysia 5Y CDS	36	-1	0	KLCI	1,603	-2.35%	-1.19%
Indonesia 5Y CDS	67	0	-1	JCI	6,105	1.35%	5.07%
Thailand 5Y CDS	34	0	-1	EU Stoxx 50	3,564	0.60%	0.71%
Australia 5Y CDS	14	0	0				

Source: Bloomberg

### New Issues

- Sumitomo Mitsui Financial Group Inc priced a USD500mn 3-year bond at T+35bps, tightening from IPT of T+60bps area, a USD1bn 5-year bond at T+60bps, tightening from IPT of T+85bps area, a USD500mn 10-year bond T+80bps, tightening from IPT of T+105bps area, and a USD500mn 20-year bond at T+85bps, tightening from IPT of T+115bps area.
- Export-Import Bank of India priced a USD1bn 10-year bond at T+145bps, tightening from IPT of T+185bps area.
- Powerlong Real Estate Holdings Ltd priced a USD100mn re-tap of its PWRLNG 5.95%'25s at 5.25%, tightening from IPT of 5.75% area.
- Yuzhou Group Holdings Co Ltd priced a USD562mn 6NC4 green bond at 6.35%, tightening from IPT of 6.9% area.
- Shimao Group Holdings Ltd priced a USD872mn 10NC5 bond at 3.45%, tightening from IPT of 3.9% area.
- Zhenro Properties Group Ltd priced a USD400mn 5NC3 green bond at 6.63%, tightening from IPT of 7.15% area.
- CAS Holding No. 1 Ltd. has arranged investor calls commencing 4 January for its proposed USD bond offering.
- Zhongsheng Group Holdings Limited has arranged investor calls commencing 4 January for its proposed USD bond offering.

Date	Issuer	Size	Tenor	Pricing
4-Jan-21	Sumitomo Mitsui Financial Group Inc	USD500mn USD1bn USD500mn USD500mn	3-year 5-year 10-year 20-year	T+35bps T+60bps T+80bps T+85bps
4-Jan-21	Export-Import Bank of India	USD1bn	10-year	T+145bps
4-Jan-21	Powerlong Real Estate Holdings Ltd	USD100mn	PWRLNG 5.95%'25s	5.25%
4-Jan-21	Yuzhou Group Holdings Co Ltd	USD562mn	6NC4	6.35%
4-Jan-21	Shimao Group Holdings Ltd	USD872mn	10NC5	3.45%
4-Jan-21	Zhenro Properties Group Ltd	USD400mn	5NC3	6.63%
31-Dec-20	Starhub Ltd	SGD200mn	10-year	2.48%
31-Dec-20	Hotel Properties Limited	SGD50mn	HPLSP 3.8%'25s	3.8%

Source: OCBC, Bloomberg

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