

Market Commentary

- The SGD swap curve mostly traded higher last Friday. Shorter tenors traded within range while belly and longer tenors traded 1bps higher.
- The Bloomberg Barclays Asia USD IG Bond Index average OAS tightened 1bps to 137bps, and the Bloomberg Barclays Asia USD HY Bond Index average OAS widened 9bps to 627bps. The HY-IG Index Spread widened 10bps to 490bps.
- Flows in SGD corporates were heavy, with flows in STSP 3.3%-PERPs, UBS 4.85%-PERPs, MINTSP 3.15%-PERPs and CS 5.625%-PERPs.
- UST 10Y Yields fell 7bps to 1.56% after nonfarm payrolls increased last month by 559,000 jobs, below the forecast of 650,000 job gains.

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Credit Summary:

- [Qantas Airways Ltd \("Qantas"\)](#) | **Issuer Profile: Neutral (5):** The media has reported that per a federal law enforcement intelligence report, allegedly up to 150 of Qantas' staff are linked to criminality. Qantas has written to four criminal intelligence agencies seeking further details of the report. As yet, no law enforcement agencies had been in contact with the company over the report.
- [Keppel Corporation Ltd \("KEP"\)](#) | **Issuer profile: Neutral (5) and [KrisEnergy Ltd \("KrisEnergy"\)](#) | Issuer profile: Unrated:** KrisEnergy announced that the company is unable to pay its debts based on actual and/or contingent liabilities and will proceed to liquidation. KrisEnergy is 40%-owned by KEP. KEP has written-down fully the equity stake it holds in KrisEnergy. However, KEP is also a lender to KrisEnergy via its holdings of the KRISSP 0% '24s (carrying value of ~SGD35mn) and a project financing facility with a security package.
- [China Huarong Asset Management Co. \("Huarong"\)](#) | **Issuer profile: Unrated:** Reuters reported that regulators are pushing Huarong to sell non-core assets, while considering offering an implicit guarantee of the liabilities of Huarong coming due this year.
- [Hyflux Ltd \("HYF"\)](#) | **Issuer profile: Unrated:** On 4 June 2021, the judicial managers ("JMs") has filed an application to the court to wind up HYF.
- [National Australia Bank Ltd \("NAB"\)](#) | **Issuer Profile: Positive (2):** Australia's financial crimes regulator, AUSTRAC, is investigating NAB over potential serious and ongoing breaches of anti-money laundering and counter-terrorism financing laws that relate to customer identification procedures and ongoing customer due diligence. We will continue to monitor developments.
- [HSBC Holdings PLC \("HSBC"\)](#) | **Issuer Profile: Neutral (3):** HSBC has announced the appointment of David Liao and Surendra Rosha as co-chief executive officers of Asia Pacific. They will immediately replace current Asia Pacific chief executive officer Peter Wong, who will become non-executive chairman of The Hongkong and Shanghai Banking Corp.

Asian Credit Daily

Credit Headlines

Qantas Airways Ltd (“Qantas”) | Issuer Profile: Neutral (5)

- The media has reported that per a federal law enforcement intelligence report, allegedly up to 150 of Qantas’ staff are linked to criminality.
- Qantas has written to four criminal intelligence agencies seeking further details of the report. As yet, no law enforcement agencies had been in contact with the company over the report. Per the company’s Chief Security Officer, if concerns are raised regarding any of Qantas’ employees, the company will actively support the agencies investigation and take appropriate action. (Company, Sydney Morning Herald, Australian Financial Review)

Keppel Corporation Ltd (“KEP”) | Issuer profile: Neutral (5) and KrisEnergy Ltd (“KrisEnergy”) | Issuer profile: Unrated

- KrisEnergy announced that the company is unable to pay its debts based on actual and/or contingent liabilities and will proceed to liquidation.
- On 4 June 2021, KrisEnergy submitted a winding-up petition to the Grand Court of the Cayman Islands where the company is incorporated.
- KrisEnergy is 40%-owned by KEP. KEP has written-down fully the equity stake it holds in KrisEnergy. However, KEP is also a lender to KrisEnergy via its holdings of the KRISP 0% ‘24s (carrying value of ~SGD35mn) and a project financing facility with a security package. This project financing facility is up to USD87mn (~SGD116mn) though as at 31 December 2020, USD57.7mn (~SGD77mn) has already been drawn down. KEP also has contract assets of SGD29mn attributable to KrisEnergy. KEP is economically exposed to a revolving credit facility which a bank has extended to KrisEnergy. We expect that KEP will need to “make-whole” the bank. As at 31 December 2020, the outstanding principal was ~SGD247mn. Our base case for KEP assumes that a cash outflow of SGD247mn will need to be paid by KEP to the bank, with a non-cash impairment ranging from SGD141mn to SGD181mn. (Company, OCBC)

China Huarong Asset Management Co. (“Huarong”) | Issuer profile: Unrated

- Reuters reported that regulators are pushing Huarong to sell non-core assets, while considering offering an implicit guarantee of the liabilities of Huarong coming due this year.
- The assets include a bank, a trust, an investment firm and a consumer finance firm.
- Reportedly, similar streamlining may be asked of the other three asset management companies. (Reuters)

Hyflux Ltd (“HYF”) | Issuer profile: Unrated

- On 4 June 2021, the judicial managers (“JMs”) has filed an application to the court to wind up HYF.
- Earlier on 5 May 2021, the JMs announced that seven bids have been received of which one is for an investment in the entire HYF group and six were for specific assets within the group.
- As the negotiations with the investor for the entire group were unsuccessful and a restructuring is not possible, the continuation of the JM process is no longer necessary. The remaining asset sale can be facilitated through a winding up of HYF.
- The JMs view that the remaining value of the HYF group are best realised in a liquidation. (Company)

Asian Credit Daily**Credit Headlines****National Australia Bank Ltd (“NAB”) | Issuer Profile: Positive (2)**

- Australia’s financial crimes regulator, AUSTRAC, is investigating NAB over potential serious and ongoing breaches of anti-money laundering and counter-terrorism financing laws that relate to customer identification procedures and ongoing customer due diligence.
- The investigation comes following a multi-year engagement between NAB and AUSTRAC reviewing shortcomings of NAB’s anti-money laundering and counter-terrorism program with the disclosed deficiencies resulting in the [engagement moving to the enforcement stage](#).
- AUSTRAC has indicated that “the seriousness of self-disclosed matters presented to AUSTRAC over a prolonged period combined with the accompanying closure rates is concerning” and while it is now determining if it will take legal action, no enforcement action or civil penalty is being considered at this point considering NAB’s remediation actions to date to address previous non-compliance.
- We will continue to monitor developments. While AUSTRAC [recently fined Westpac Banking Corp](#) (“Westpac”) | Issuer Profile: Positive (2)) AUD1.3bn to settle breaches of anti-money laundering laws and for failing to stop child exploitation payments, other enforcement options include enforceable undertakings, infringement notices and remedial directions, all of which will likely increase operating costs on either a one time or ongoing basis. (Company, Bloomberg, AFR, OCBC)

HSBC Holdings PLC (“HSBC”) | Issuer Profile: Neutral (3)

- HSBC has announced the appointment of David Liao and Surendra Rosha as co-chief executive officers of Asia Pacific. They will immediately replace current Asia Pacific chief executive officer Peter Wong who will become non-executive chairman of The Hongkong and Shanghai Banking Corp.
- Mr Liao is currently head of global banking Asia Pacific and has been with HSBC for the past 24 years. Mr Rosha has been with HSBC since 1991 and was CEO of HSBC India since 2018. Both will report to current group chief executive officer Noel Quinn.
- Given HSBC’s push into Asia as part of its strategic plan to 2022, the appointments look appropriate given the need for regional expertise and stability at the management level along with the current operating environment and the ongoing execution of its strategic plan which, by and large, appears to be on track. (Company, Bloomberg, OCBC)

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Key Market Movements

	7-Jun	1W chg (bps)	1M chg (bps)		7-Jun	1W chg	1M chg
iTraxx Asiax IG	88	-2	4	Brent Crude Spot (\$/bbl)	72.00	3.87%	5.45%
iTraxx SovX APAC	26	0	0	Gold Spot (\$/oz)	1,891.60	-0.80%	3.30%
iTraxx Japan	47	1	-1	CRB	210.29	2.20%	1.61%
iTraxx Australia	60	0	-2	GSCI	533.74	2.42%	2.05%
CDX NA IG	51	-1	-1	VIX	16.42	-1.91%	-1.62%
CDX NA HY	110	0	0	CT10 (%)	1.565%	-2.90	-1.18
iTraxx Eur Main	50	-1	-2				
iTraxx Eur XO	247	-2	-10	AUD/USD	0.775	0.14%	-1.26%
iTraxx Eur Snr Fin	58	-1	-2	EUR/USD	1.217	-0.47%	0.03%
iTraxx Eur Sub Fin	108	-9	-1	USD/SGD	1.324	-0.17%	0.07%
iTraxx Sovx WE	6	0	-1	AUD/SGD	1.025	-0.30%	1.34%
USD Swap Spread 10Y	-3	0	-1	ASX 200	7,307	2.03%	3.19%
USD Swap Spread 30Y	-29	0	0	DJIA	34,756	0.85%	-0.06%
US Libor-OIS Spread	5	0	-3	SPX	4,230	0.69%	-0.06%
Euro Libor-OIS Spread	-6	0	-2	MSCI Asiax	891	-0.26%	1.50%
				HSI	28,918	-0.71%	1.07%
China 5Y CDS	38	0	0	STI	3,151	-0.86%	-1.54%
Malaysia 5Y CDS	46	0	-1	KLCI	1,578	-1.00%	-0.57%
Indonesia 5Y CDS	76	0	-1	JCI	6,065	3.82%	2.31%
Thailand 5Y CDS	39	-1	-2	EU Stoxx 50	4,089	0.46%	1.37%
Australia 5Y CDS	15	0	-12				

Source: Bloomberg

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New Issues

- Haimen Zhongnan Investment Development International Co Ltd (Guarantor: Jiangsu Zhongnan Construction Group Co., Ltd.) priced a USD150mn 364-day bond at 12.25%.
- The Export-Import Bank of China priced a USD300mn 3-year zero coupon bond.
- AIA Group Limited priced a SGD500mn PerpNC10 Tier 2 bond at SOR+133bps.
- KEB Hana Bank has arranged investor calls commencing 7 June for its proposed USD bond offering.

Date		Size	Tenor	Pricing
4-June-21	Haimen Zhongnan Investment Development International Co Ltd (Guarantor: Jiangsu Zhongnan Construction Group Co., Ltd.)	USD150mn	364-day	12.25%
4-June-21	The Export-Import Bank of China	USD300mn	3-year	Zero coupon
4-June-21	AIA Group Limited	SGD500mn	PerpNC10	SOR+133bps
3-June-21	Shinsun Holdings (Group) Co.	USD200mn	364-day	11%
3-June-21	CSCIF Asia Ltd (Guarantor: CSC Financial Co., Ltd.)	USD500mn	3-year	T+92.5bps
3-June-21	Chongqing Nan'an Urban Construction & Development Group Co Ltd	USD350mn	5-year	4.7%
3-June-21	Industrial Bank Co., Ltd. Hong Kong Branch	USD600mn	3-year	T+58bps

Source: OCBC, Bloomberg

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