

Market Commentary

- The SGD swap curve flattened yesterday, with the shorter tenors trading 1bps higher (with the exception of 4-year traded slightly lower) while the belly and longer tenors traded 1-3bps lower.
- The Bloomberg Barclays Asia USD IG Bond Index average OAS remained mostly unchanged at 156bps, and the Bloomberg Barclays Asia USD HY Bond Index average OAS tightened 9bps to 728bps. The HY-IG Index Spread tightened 9bps to 573bps.
- Flows in SGD corporates were light, with flows in AVSING 3.375%'31s.
- 10Y UST Yields gained 1bps to 0.87%, largely driven by Pfizer Inc's announcement that its Covid-19 vaccine candidate was 95% effective and a weak auction for USD27bn 20-year treasuries.

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Credit Summary:

- [City Developments Ltd \(“CDL”\)](#) | **Issuer Profile: Neutral (4)**: CDL released an announcement with details on several operating statistics of Millennium & Copthorne Hotels Ltd (“M&C”). M&C’s global occupancy rate in Sep 2020 improved q/q to 40% (June 2020: 30%) with RevPAR improving q/q to GBP25.4 (June 2020: GBP20.61). This has helped M&C entities to recover to positive gross operating profit in geographies including Asia (since May), New Zealand (since June) and UK (since October). However, due to shifting business dynamics in the hospitality industry, M&C has outlined three strategic initiatives to ensure sufficient working capital with the objective to weather the potential long-drawn downturn ahead. Overall, the initiatives will slightly reduce M&C’s global room inventory of over 40,000 as of end-2019. Hotels which can return to sustained levels of profitability may be put forth to CDL Hospitality Trust (CDL’s sponsored REIT) for acquisition.

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Credit Headlines

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

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- However, due to shifting business dynamics in the hospitality industry, M&C has outlined three strategic initiatives to ensure sufficient working capital with the objective to weather the potential long-drawn downturn ahead:
 - Initiative 1: M&C will scale up on digital marketing to reach domestic retail customers and potential drive-in consumers, noting that online channels account for 80% of bookings as at Sep 2020 (Dec 2019: 56%) and increased individual bookings from small and medium corporate accounts. More hotels will be re-purposed as pay-per-use co-working spaces following the success of the concept which saw 85% utilisation rate at Grand Copthorne Waterfront and Orchard Hotel. In addition, F&B menus will be reduced, with a focus on dishes with turnover and operating margin.
 - Initiative 2: M&C is targeting to reduce its cost-structure. While staff layouts is outlined as a last resort, total global headcount has fallen by 36% in Sep 2020 compared to end-2019. M&C has been clustering functions and doubling up roles (e.g. deploying staff to multiple functions).
 - Initiative 3: M&C is reviewing three offers for its assets, which may result in significant gains on disposal if concluded. The conclusion may be contingent on re-zoning and regulatory approval for change of use from hospitality. M&C notes that the land values of many properties it holds are higher than acquisition cost, while it has not revalued to market the assets held as investment properties. While M&C looks to undertake the disposal of non-core assets, it will focus on key gateway cities (Singapore, London, New York) and its three brand collections (M Collection, Millennium Collection and Copthorne Collection) and several prized assets in the five-star and luxury categories under Leng’s Collection.
- Overall, the initiatives will slightly reduce M&C’s global room inventory of over 40,000 as of end-2019. Hotels which can return to sustained levels of profitability may be put forth to CDL Hospitality Trust (CDL’s sponsored REIT) for acquisition.
- If M&C can demonstrate a return to profitability on a sustainable basis while CDL pars down significantly on gearing levels, this will be credit positive and we may look to re-upgrade CDL’s Issuer Profile. As a recap, in August 2020, [we downgraded CDL’s Issuer Profile to Neutral \(4\)](#), noting that hotel operations had turned into a detractor to CDL’s credit profile while credit metrics have weakened with no visibility of recovery in the near-term. (Company, OCBC)

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Key Market Movements

	19-Nov	1W chg (bps)	1M chg (bps)		19-Nov	1W chg	1M chg
iTraxx Asiax IG	60	1	-6	Brent Crude Spot (\$/bbl)	44.34	1.23%	3.28%
iTraxx SovX APAC	28	1	-3	Gold Spot (\$/oz)	1,871.13	-0.30%	-1.73%
iTraxx Japan	59	1	-6	CRB	155.72	1.41%	2.71%
iTraxx Australia	60	1	-6	GSCI	372.68	0.81%	2.91%
CDX NA IG	54	-1	-5	VIX	23.84	1.66%	-18.30%
CDX NA HY	108	1	2	CT10 (%)	0.857%	-2.45	8.80
iTraxx Eur Main	50	-2	-4				
iTraxx Eur XO	281	-20	-49	AUD/USD	0.729	0.79%	3.04%
iTraxx Eur Snr Fin	63	-5	-10	EUR/USD	1.184	0.26%	0.58%
iTraxx Eur Sub Fin	117	-10	-24	USD/SGD	1.343	0.45%	1.07%
iTraxx Sovx WE	10	0	-3	AUD/SGD	0.979	-0.35%	-1.98%
USD Swap Spread 10Y	0	1	-3	ASX 200	6,512	1.46%	4.54%
USD Swap Spread 30Y	-31	3	4	DJIA	29,438	0.14%	4.41%
US Libor-OIS Spread	15	1	2	SPX	3,568	-0.14%	4.11%
Euro Libor-OIS Spread	-4	-1	-2	MSCI Asiax	793	2.04%	6.94%
				HSI	26,544	1.21%	8.16%
China 5Y CDS	32	2	-7	STI	2,789	2.78%	9.63%
Malaysia 5Y CDS	38	1	-8	KLCI	1,605	2.21%	5.71%
Indonesia 5Y CDS	75	1	-20	JCI	5,558	0.87%	8.41%
Thailand 5Y CDS	38	1	-7	EU Stoxx 50	3,482	0.43%	7.39%
Australia 5Y CDS	14	0	-2				

Source: Bloomberg

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New Issues

- China Gezhouba Group (Hong Kong) Overseas Investment Co. (Guarantor: China Gezhouba Group Corp) priced a USD200mn PerpNC5 at 4.15%, tightening from IPT of 4.4% area.
- AC Energy Finance International Limited (Guarantor : AC Energy, Inc.) priced a USD300mn PerpNC5 green bond at 5.10%.
- Rowen International Co., Limited (Guarantor: Weihai Wendeng District Bluesea Investment & Development Co., Ltd.) has mandated banks for its proposed USD bond offering.
- Changxing Urban Construction Investment Group Co. has arranged investor calls commencing 18 November 2020 for its proposed USD bond offering.

Date	Issuer	Size	Tenor	Pricing
18-Nov-20	China Gezhouba Group (Hong Kong) Overseas Investment Co. (Guarantor: China Gezhouba Group Corp)	USD200mn	PerpNC5	4.15%
18-Nov-20	AC Energy Finance International Limited (Guarantor : AC Energy, Inc.)	USD300mn	PerpNC5	5.10%
17-Nov-20	Central China Real Estate Ltd	USD300mn	3.5NC2	7.875%
17-Nov-20	Australia & New Zealand Banking Group Ltd	USD1.5bn	15NC10	T+170bps
17-Nov-20	Saudi Arabian Oil Co	USD500mn USD1bn USD2bn USD2.25bn USD2.25bn	3-year 5-year 10-year 30-year 50-year	T+110bps T+125bps T+145bps 3.3% 3.65%
17-Nov-20	Aviva Singlife Holdings Pte Ltd	SGD550mn	10.25NC5.25	3.375%
16-Nov-20	Jingrui Holdings Ltd	USD240mn	2.25-year	14.5%
16-Nov-20	Zhongliang Holdings Group Company Limited	USD50mn	ZHLGHD 1.75%'22s	10.125%
12-Nov-20	SingPost Group Treasury Pte Ltd	SGD250mn	10-year	2.53%
12-Nov-20	Shandong Hi-Speed Group (Hong Kong) Co. (Guarantor: Shandong Hi-Speed Group Co Ltd)	USD400mn	3-year	T+220bps
12-Nov-20	Yili Holding Investment Limited (Guarantor: Inner Mongolia Yili Industrial Group Co., Ltd)	USD500mn	5-year	T+125bps
12-Nov-20	Huaxin Cement International Finance Company Limited (Guarantor: Huaxin Cement Co)	USD300mn	5-year	T+190bps

Source: OCBC, Bloomberg

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