

Market Commentary

- The SGD swap curve slightly flattened yesterday, with the shorter and belly tenors trading 0-1bps higher while the longer tenors traded 0-2bps lower.
- The Bloomberg Barclays Asia USD IG Bond Index average OAS tightened 1bps to 168bps, while the Bloomberg Barclays Asia USD HY Bond Index average OAS widened 4bps to 669bps. The HY-IG Index Spread widened 6bps to 500bps.
- Flows in SGD corporates were heavy, with flows in OLAMSP 4%'26s, UBS 4.85%-PERPs, STANLN 5.375%-PERPs, NTUCSP 3.1%'50s, MAPLSP 4.5%-PERPs, STTGDC 3.13%'28s, SOCGEN 6.125%-PERPs and SPHSP 4%-PERPs.
- 10Y UST Yields gained 1bps to 0.68% after minutes from FOMC's July meeting indicated that the Fed will not engage in yield curve control for the time being, but it will keep it as an option for the future.

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

zhiqiseow@ocbc.com

Credit Summary:

- [Singapore Airways Ltd \("SIA"\)](#) | **Issuer Profile: Neutral (5)**: SIA announced that a further SGD2.2bn out of the gross proceeds of SGD8.8bn that was rights from the rights issue (rights issue of equity plus rights issue of mandatory convertible bonds ("MCB")) had been utilised. SIA has an option to raise an additional SGD6.2bn in MCB and we expect SIA to exercise this option as it continues using cash to cover its operating expenses and other needs. The company is undergoing a review of its route network which could bring about material impairments to its existing fleet and in our view lead to a reduction of the company's scale.
- [Qantas Airways Ltd \("Qantas"\)](#) | **Issuer Profile: Neutral (5)**: Qantas announced its preliminary full year financial results for the financial year ended 30 June 2020 ("FY2020"). In FY2020, Qantas' revenue was down by 20.6% y/y to AUD14.3bn (1H FY2020 revenue: AUD9.5bn, up 2.8% y/y). The main drag to revenue was net passenger revenue, which dropped 22.4% y/y while net freight revenue improved 7.6% y/y. EBITDA based on our calculation fell 30.8% y/y to AUD2.2bn. On finance cost of AUD304mn, resultant EBITDA/Interest was 7.4x (FY2019: 9.9x). In FY2020, Qantas took a large impairment of AUD1.5bn (eg: on the A380 fleet), recorded AUD565mn of redundancies and related costs and AUD571mn of de-designation of fuel and foreign exchange hedges with flying activities reduced. These drove the company to report a loss before tax of AUD2.7bn in FY2020 (FY2019 profit before tax: AUD1.2bn). As at 30 June 2020, including lease liabilities as debt, we find adjusted gross debt-to-EBITDA at 3.8x and gross debt-to-equity at 5.6x. While Qantas has a cash balance of AUD3.3bn as at 30 June 2020, its revenue received in advance (a current liability item) was AUD5.0bn and we expect refund needs to continue.

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Credit Headlines

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

- SIA announced that a further SGD2.2bn out of the gross proceeds of SGD8.8bn that was rights from the rights issue (rights issue of equity plus rights issue of mandatory convertible bonds (“MCB”)) had been utilised. In aggregate, SGD4.4bn has been utilised.
- Of the SGD2.2bn, (a) SGD1.1bn has been used to fund operating expenses, settlement of maturing fuel hedging trades and ticket refunds following the cancellation of flights (b) ~SGD0.2bn went towards aircraft purchases and (c) ~SGD0.9bn was used towards debt service, including redeeming SGD500mn of bonds due 9 July 2020 and repayment of funds previously drawn under lines of credit.
- SIA has an option to raise an additional SGD6.2bn in MCB and we expect SIA to exercise this option as it continues using cash to cover its operating expenses and other needs. The company is undergoing a review of its route network which could bring about material impairments to its existing fleet and in our view lead to a reduction of the company’s scale. (Company, OCBC)

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

- Qantas announced its preliminary full year financial results for the financial year ended 30 June 2020 (“FY2020”). In FY2020, Qantas’ revenue was down by 20.6% y/y to AUD14.3bn (1HFY2020 revenue: AUD9.5bn, up 2.8% y/y). The main drag to revenue was net passenger revenue, which dropped 22.4% y/y while net freight revenue improved 7.6% y/y. Other revenue and income (particularly third party service revenue) was negatively affected by the absence of the catering business which has been sold and the impact from COVID-19.
- EBITDA (based on our calculation which does not include other income and other expenses, impairments and redundancies costs) fell 30.8% y/y to AUD2.2bn. On finance cost of AUD304mn, resultant EBITDA/Interest was 7.4x (FY2019: 9.9x).
- In FY2020, Qantas took a large impairment of AUD1.5bn (eg: on the A380 fleet), recorded AUD565mn of redundancies and related costs and AUD571mn of de-designation of fuel and foreign exchange hedges with flying activities reduced. These drove the company to report a loss before tax of AUD2.7bn in FY2020 (FY2019 profit before tax: AUD1.2bn).
- Per company, as borders started closing with demand for passenger air travel curtailed, ticketed passenger revenue fell 97% y/y in 4QFY2020 though swift actions had also led to a fall of 83% y/y in net operating expenses.
- As at 30 June 2020, including lease liabilities as debt, we find adjusted gross debt-to-EBITDA at 3.8x and gross debt-to-equity at 5.6x. Book value equity had dropped significantly to AUD1.5bn as at 30 June 2020 from AUD3.0bn in end-2019 following the losses at the company. In June 2020, Qantas had completed a fully underwritten institutional placement that raised ~AUD1.4bn of new equity and post-period end, another AUD71.7mn of new equity was raised from retail investors.
- While Qantas has a cash balance of AUD3.3bn as at 30 June 2020, its revenue received in advance (a current liability item) was AUD5.0bn and we expect refund needs to continue. The company has AUD1.0bn of undrawn facilities and AUD2.5bn of unencumbered asset base (including aircraft based on market values as at 30 June 2020). Helping to buffer its liquidity profile, the next major debt maturity is in June 2021 (ie: the QANAU 7.5% ‘21s with amount outstanding of AUD400mn). We continue to review Qantas’ numbers. (Company, OCBC)

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Key Market Movements

	20-Aug	1W chg (bps)	1M chg (bps)		20-Aug	1W chg	1M chg
iTraxx Asiax IG	64	-1	-13	Brent Crude Spot (\$/bbl)	45.37	-0.13%	5.17%
iTraxx SovX APAC	36	0	-7	Gold Spot (\$/oz)	1,930.20	-1.20%	6.19%
iTraxx Japan	59	1	-2	CRB	152.00	2.06%	8.04%
iTraxx Australia	67	-1	-12	GSCI	358.53	1.91%	6.30%
CDX NA IG	68	1	-2	VIX	22.54	1.17%	-7.85%
CDX NA HY	104	0	3	CT10 (%)	0.675%	-4.56	6.50
iTraxx Eur Main	55	2	-4				
iTraxx Eur XO	335	-1	-11	AUD/USD	0.719	0.50%	2.41%
iTraxx Eur Snr Fin	65	2	-3	EUR/USD	1.184	0.25%	3.46%
iTraxx Eur Sub Fin	135	4	-6	USD/SGD	1.370	0.19%	1.36%
iTraxx Sovx WE	14	0	-4	AUD/SGD	0.985	-0.31%	-1.01%
USD Swap Spread 10Y	-2	0	1	ASX 200	6,115	0.40%	1.90%
USD Swap Spread 30Y	-41	0	6	DJIA	27,693	-1.01%	3.79%
US Libor-OIS Spread	18	-2	-1	SPX	3,375	-0.16%	3.78%
Euro Libor-OIS Spread	-1	0	-4	MSCI Asiax	718	0.32%	3.85%
				HSI	25,179	-0.26%	0.48%
China 5Y CDS	38	-1	-5	STI	2,561	-0.08%	-2.11%
Malaysia 5Y CDS	50	-1	-14	KLCI	1,575	1.20%	-0.89%
Indonesia 5Y CDS	102	-1	-23	JCI	5,273	1.59%	4.39%
Thailand 5Y CDS	39	0	-2	EU Stoxx 50	3,318	-1.35%	-2.09%
Australia 5Y CDS	15	0	-2				

Source: Bloomberg

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New Issues

- Wynn Macau Ltd priced a USD250mn re-tap of its WYNMAC 5.5%'26s at 5.443% and another USD600mn 8NC3 bond at 5.625%.
- Nan Fung Treasury Limited (Guarantor: Nan Fung International Holdings Limited) has arranged investor calls commencing 19 August 2020 for its proposed USD bond offering.

Date	Issuer	Size	Tenor	Pricing
19-Aug-20	Wynn Macau Ltd	USD250mn USD600mn	WYNMAC 5.5%'26s 8NC3	5.443% 5.625%
18-Aug-20	Yibin Grace Group Co (Guarantor: Yibin State-owned Assets Management Co Ltd)	USD140mn	3-year	3.9%
18-Aug-20	ICBCIL Finance Co. (Guarantor: ICBC Financial Leasing Co.)	USD900mn	5-year	T+147.5bps
18-Aug-20	Elect Global Investments Ltd. (Guarantor: Hysan Development Co.)	USD300mn	PerpNC3	4.85%
18-Aug-20	Yangzhou Urban Construction State-owned Asset Holding Group Co Ltd	USD300mn	3-year	3.02%
18-Aug-20	Li & Fung Limited	USD100mn	LIFUNG 4.5%'25s	4.5%
17-Aug-20	National Australia Bank Ltd	USD1.5bn	10-year	T+165bps
17-Aug-20	Vedanta Holdings Mauritius II Ltd. (Guarantors: Vedanta Resources Ltd., Vedanta Holdings Jersey Ltd. and Vedanta Holdings Mauritius Ltd.)	USD1.4bn	3-year	13.0%
17-Aug-20	Shui On Development Holding Ltd (Guarantor: Shui On Land)	USD500mn	4NC2	6.15%
17-Aug-20	HSBC Institutional Trust Services (Singapore) Ltd. (in its capacity as trustee of Ascendas Real Estate Investment Trust)	SGD100mn	10-year	2.65%
17-Aug-20	Olam International Limited	SGD400mn	5.5-year	4.0%
14-Aug-20	Lotte Shopping Co., Ltd. (Guarantor: Kookmin Bank)	USD100mn	3-year	3m-US LIBOR+140bps

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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