

Oct 10, 2018

Credit Headlines: HSBC Holdings PLC

Market Commentary

- The SGD swap curve was broadly higher yesterday, with swap rates trading 2-4bps higher across the curve.
- Flows in SGD corporates were supportive, with better buying seen in HSBC 5.0%-PERPs, DBSSP 3.98%-PERPs and SRBJNG 4.11% '25s.
- The Bloomberg Barclays Asia USD IG Bond Index average OAS widened 1bps to 139bps while the Bloomberg Barclays Asia USD HY Bond Index average OAS widened 9bps to 478bps.
- 10Y UST yields fell 3bps to close at 3.21% following the Columbus day holiday in the US on weaker US equity performance, particularly in technology stocks.

Credit Headlines:

HSBC Holdings PLC (“HSBC”) | Issuer Profile: Positive (2)

- HSBC has announced an agreement with the US Department of Justice to pay USD765mn in fines to settle claims related to the securitization, issuance, and underwriting of residential mortgage-backed securities between 2005 and 2007.
- This follows a settlement-in-principle agreement reached in July 2018 where the civil money penalty of USD765mn was agreed but was subject to negotiation of definitive and final documentation.
- This amount was already fully provided for in HSBC's 1H2018 results with USD841mn in total settlements and provisions in connection with legal and regulatory matters recognized (USD963mn for North America) so there should be no impact to future profitability and hence fundamentals.
- In our recent Credit Monthly, we were overweight the HSBC 4.70% PERPc22 and neutral the HSBC 5.0% PERPc23 (both Additional Tier 1 loss absorbing capital securities) with the 4.7% seen as better value given earlier call date and higher reset spread. With recent price movements however, we see both now at fair value. (OCBC, Company)

Table 1: Key Financial Indicators

	10-Oct	1W chg (bps)	1M chg (bps)
iTraxx Asiax IG	85	5	4
iTraxx SovX APAC	10	1	-3
iTraxx Japan	57	1	4
iTraxx Australia	77	3	4
CDX NA IG	62	2	4
CDX NA HY	107	-1	0
iTraxx Eur Main	71	4	10
iTraxx Eur XO	287	15	6
iTraxx Eur Snr Fin	88	3	17
iTraxx Sovx WE	27	2	2
AUD/USD	0.712	0.24%	0.07%
EUR/USD	1.151	0.27%	-0.73%
USD/SGD	1.380	-0.03%	-0.09%
China 5Y CDS	64	7	5
Malaysia 5Y CDS	103	10	0
Indonesia 5Y CDS	146	13	3
Thailand 5Y CDS	43	2	1

	10-Oct	1W chg	1M chg
Brent Crude Spot (\$/bbl)	84.87	-1.65%	9.69%
Gold Spot (\$/oz)	1,189.90	-0.62%	-0.50%
CRB	200.37	1.31%	4.90%
GSCI	496.39	-0.31%	7.33%
VIX	15.95	32.92%	12.64%
CT10 (bp)	3.210%	2.88	27.87
USD Swap Spread 10Y (bp)	5	0	-1
USD Swap Spread 30Y (bp)	-10	-1	-3
TED Spread (bp)	17	-3	-3
US Libor-OIS Spread (bp)	17	-1	-4
Euro Libor-OIS Spread (bp)	3	-1	0
DJIA	26,431	-1.28%	2.22%
SPX	2,880	-1.47%	0.11%
MSCI Asiax	612	-4.70%	-3.73%
HSI	26,281	-2.99%	-1.25%
STI	3,165	-3.14%	1.41%
KLCI	1,776	-1.11%	-1.26%
JCI	5,797	-1.34%	-0.59%

New issues

•Maoye International Holdings Ltd. priced a USD100mn re-tap of its USD150mn MAOIH 13.25% '20s (guaranteed by Certain non-PRC restricted subsidiaries of the Issuer) at 100.

<u>Date</u>	<u>Issuer</u>	<u>Size</u>	<u>Tenor</u>	<u>Pricing</u>
9-Oct-18	Maoye International Holdings Ltd	USD100mn	MAOIH 13.25%'20s	100 + accrued interest
8-Oct-18	Shimao Property Holdings Ltd	USD250mn	3NC2	6.375%
8-Oct-18	Kasikornbank PCL	USD100mn	5-year	3mL+95bps
4-Oct-18	Macquarie Group Ltd	USD850mn	11.25NC10.25	CT10+185bps
2-Oct-18	Aspial Corp Ltd	SGD20.75mn	3-year	6.25%
27-Sept-18	The Independent State of Papua New Guinea	USD500mn	10-year	8.375%
26-Sept-18	CIFIC Holdings (Group) Co Ltd	USD300mn	CIFIHG 5.5%'22s	8.625% + accrued interest
26-Sept-18	Surbana Jurong Pte Ltd	SGD350mn	7-year	4.11%
24-Sept-18	CFLD (Cayman) Investment Ltd	USD100mn	CHFOTN 9.0%'21s	8.991% + accrued interest
21-Sept-18	Lum Chang Holdings Limited	SGD40mn	3-year	5.8%
20-Sept-18	Soilbuild Business Space REIT	SGD65mn	Perp NC3	6.0%
19-Sept-18	ICICI Bank UK PLC	SGD100mn	10-year	5.375%
19-Sept-18	BOC Aviation Ltd	USD500mn	5-year	3mL+112.5bps
19-Sept-18	Country Garden Holdings Company Ltd	USD425mn	3-year	7.125%

Source: OCBC, Bloomberg

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