

Sept 11, 2018

Credit Headlines: National Australia Bank Ltd

Market Commentary

- The SGD swap curve bear-steepened yesterday, with swap rates for the shorter tenors trading 3-4bps higher while the longer tenors traded 6-7bps higher.
- Flows in SGD corporates were heavy yesterday, with better buying seen in DBSSP 3.98%-PERPs and OCBCSP 4.0%-PERPs.
- The Bloomberg Barclays Asia USD IG Bond Index average OAS widened 1bps to 142bps while the Bloomberg Barclays Asia USD HY Bond Index average OAS widened 2bps to 493bps.
- Overall, 10Y UST yields fell 1bps to close at 2.93% ahead of the European Central Bank meeting on Thursday as it moves away from quantitative easing.

Credit Headlines:

National Australia Bank Ltd (“NAB”) | Issuer Profile: Positive (2)

- Following on from the [announcements](#) of Australia & New Zealand Banking Group Ltd (Issuer Profile: Positive (2)) and Westpac Banking Corporation (Issuer Profile: Positive (2)) to raise their key home loan interest rates by 16bps and 14bps respectively, NAB has decided against raising its standard variable home loan interest rates.
- NAB becomes for now the only of Australia's big 4 banks to keep rates stable – Commonwealth Bank of Australia (unrated by OCBC) raised its home loan rates as well by 15bps.
- NAB's actions seek to separate itself from peers to potentially capture market share and improve perception in the context of findings from the Royal Commission into misconduct in the Banking industry.
- While this move does not initially help address margin pressure from higher short term domestic funding costs and expected higher regulatory and compliance costs, we do not see any significant impact on NAB's fundamentals. NAB's business remains anchored in its strong market position in Business Banking with the Business and Private Banking segment contributing 54% to 1HFY2018 cash earnings (45.1% excluding restructuring related costs). (OCBC, Company)

Table 1: Key Financial Indicators

	11-Sep	1W chg (bps)	1M chg (bps)
iTraxx Asiax IG	81	-4	-3
iTraxx SovX APAC	13	1	2
iTraxx Japan	54	0	-3
iTraxx Australia	73	-1	-3
CDX NA IG	58	-3	-4
CDX NA HY	107	0	0
iTraxx Eur Main	61	-7	-9
iTraxx Eur XO	281	-16	-27
iTraxx Eur Snr Fin	71	-10	-18
iTraxx Sovx WE	25	-2	-4
AUD/USD	0.711	-0.98%	-2.23%
EUR/USD	1.160	0.11%	1.62%
USD/SGD	1.379	-0.22%	-0.25%
China 5Y CDS	58	-3	-5
Malaysia 5Y CDS	104	3	13
Indonesia 5Y CDS	144	0	19
Thailand 5Y CDS	42	0	-1

	11-Sep	1W chg	1M chg
Brent Crude Spot (\$/bbl)	77.43	-0.95%	6.35%
Gold Spot (\$/oz)	1,195.83	0.36%	0.20%
CRB	191.02	-1.00%	-0.35%
GSCI	462.51	-1.32%	0.95%
VIX	14.16	10.11%	7.60%
CT10 (bp)	2.937%	3.84	6.37
USD Swap Spread 10Y (bp)	6	-1	1
USD Swap Spread 30Y (bp)	-7	-1	0
TED Spread (bp)	20	-3	-11
US Libor-OIS Spread (bp)	20	-1	-8
Euro Libor-OIS Spread (bp)	4	0	0
DJIA	25,857	-0.41%	2.15%
SPX	2,877	-0.84%	1.55%
MSCI Asiax	635	-3.89%	-4.89%
HSI	26,613	-3.97%	-6.18%
STI	3,121	-2.69%	-4.99%
KLCI	1,799	-0.79%	-0.36%
JCI	5,831	-2.29%	-4.05%

New issues

- Expand Lead Ltd has priced a USD300mn 3-year bond (guaranteed by Minmetals Land Ltd, keepwell provider: China Minmetals Corp) at 6.40%, tightening from its initial price guidance of 6.75%.
- Poly Real Estate Finance Ltd has priced a USD500mn 5-year bond at CT5+220bps, tightening from its initial price guidance of CT5+235bps area.
- AVIC International Finance & Investment Ltd has priced a USD100mn re-tap of its CATIC 4.375%'21s (guaranteed by AVIC International Holding Corporation) at 4.459%.
- Commerzbank Aktiengesellschaft has priced a SGD400mn 10NC5 Tier 2 bond at 4.2%, tightening from its initial price guidance of 4.375%.
- Societe Generale SA has priced a USD1.75bn deal across two tranches, with the USD1bn 5-year bond at CT5+145bps, tightening from its initial price guidance of CT5+155bps area and the USD750mn 10-year bond at CT10+185bps, tightening from its initial price guidance of CT10+195ps area.
- Seven & I Holdings Co Ltd has scheduled investor calls for its potential USD 3-year bond issuance.
- JT International Financial Services BV has scheduled for investor meetings from 12-13 Sept for its potential EUR/GBP/USD bond issuance.

<u>Date</u>	<u>Issuer</u>	<u>Size</u>	<u>Tenor</u>	<u>Pricing</u>
10-Sept-18	Societe Generale SA	USD1bn	5-year	CT5+145bps
10-Sept-18	Societe Generale SA	USD750mn	10-year	CT10+185bps
10-Sept-18	Expand Lead Ltd	USD300mn	3-year	6.40%
10-Sept-18	Poly Real Estate Finance Ltd	USD500mn	5-year	CT5+220bps
10-Sept-18	AVIC International Finance & Investment Ltd	USD100mn	CATIC 4.375%'21s	4.459%
10-Sept-18	Commerzbank Aktiengesellschaft	SGD400mn	10NC5	4.2%
6-Sept-18	Toyota Tsusho Corp	USD500mn	5-year	CT5+95bps
6-Sept-18	Anhui Transportation Holding Group (H.K.) Ltd	USD350mn	3-year	5.0%
6-Sept-18	Export-Import Bank of China	USD300mn	5-year	3mL+70bps
5-Sept-18	Sinopec Group Overseas Development (2018) Limited	USD750mn	5-year	CT5+110bps
5-Sept-18	Sinopec Group Overseas Development (2018) Limited	USD500mn	7-year	CT7+135bps
5-Sept-18	Sinopec Group Overseas Development (2018) Limited	USD750mn	10-year	CT10+145bps
5-Sept-18	Sinopec Group Overseas Development (2018) Limited	USD400mn	30-year	4.60%
5-Sept-18	Credit Suisse Group AG	USD1.5bn	PerpNC7	7.25%

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