Asian Credit Daily

Aug 3, 2018

Credit Headlines: United Overseas Bank Ltd, Sembcorp Industries Ltd, Ascendas Hospitality Trust, Singapore Post Limited, Perennial Real Estate Holdings Ltd, Groupe BPCE, Keppel Corporation Limited, Hyflux Ltd, Barclays PLC, Société Générale, Lippo Malls Indonesia Retail Trust

Market Commentary

- The SGD swap curve steepened yesterday, with swap rates for the shorter tenors trading 2-4bps higher while the longer tenors traded 4-5bps higher.
- Flows in SGD corporates were moderate yesterday, with better buying seen in HSBC 4.7%-PERPs.
- 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 10bps to 476bps.
- Overall, 10Y UST yields fell 2bps to close at 2.99% as investors sought for safe havens with trade tensions between the US and China escalating once again.

Credit Headlines:

United Overseas Bank Ltd ("UOB") | Issuer Profile: Positive (2)

- UOB reported strong 2Q2018 results in line with peer DBS Group Holdings Ltd. Total income was up 11% y/y for 2Q2018 due to a 14% y/y improvement in net interest income (y/y growth in net customer loans and net interest margins improved y/y to 1.83% in 2Q2018 from 1.75% in 2Q2017) and 11% y/y growth in net fee and commission income (mostly loan and trade related). This mitigated other non-interest income weakness (-3% y/y) due to absence of gains from investment securities.
- Operating expenses rose 10% y/y due to higher staff costs and IT related investments but a 50% y/y reduction in allowances for credit and other losses (2Q2017 contained higher specific provisions for oil and gas exposures) and higher share of profit from associates translated to net profit before tax up 24% y/y to SGD1.3bn. Allowances for impaired loans fell across all of UOB's geographic markets.
- By segment, Group Wholesale Banking (comprises corporate and institutional clients) contributed most to the y/y operating income and profit before tax improvement up 18.6% y/y and 37.8% respectively. Other segment performance (Group Retail and Global Markets) was relatively stable. As such, the contribution of Group Wholesale Banking to total operating income and profit before tax increased to 43.0% and 58.0% respectively (40.1% and 52.1% in 2Q2017) which drove the overall improvement in return on shareholder's equity and return on total assets.
- Loans growth of 10% y/y (+4% q/q) was more broad based compared to DBS with loans growing across building and construction, housing loans, financial institutions and manufacturing. This supports the view that the underlying business environment is positive. Broadly stable non-performing loans so far in FY2018 since the higher recognition of distressed oil and gas exposures in FY2017 has translated to a marginally improving non-performing loan ratio although the ratio has remained at 1.7% as at 30 June 2018 (1.7% and 1.8% as at 31 March 2018 and 31 December 2017 respectively). The total allowance coverage ratio at 89% as at 30 June 2018 has also remained relatively stable over the same period.
- Customer deposits also had solid growth rising 11% y/y (+5% q/q) and this translated to an improved loan to deposit ratio of 86.1% as at 30 June 2018 (86.7% as at 30 June 2017). Growth in deposits was an additional support for the improvement in NIMs given y/y growth in lower cost deposits drove the rise in interest bearing liabilities rather than interbank borrowings which are more expensive, the cost of which rose y/y.
- Despite strong earnings growth, CET1 ratios fell q/q and h/h due to regulatory adjustments as well as dividend payments. At the same time, loans growth contributed to a rise in risk weighted assets and translated to UOB's CET1 ratio at 14.5% as at 30 June 2018 (14.9% as at 31 March 2018 and 14.7% as at 31 December 2017. This still remains well above the minimum regulatory CET1 ratio requirement of 10.25% for 2018 (including 1.875% capital conservation buffer and countercyclical capital buffer). (OCBC, Company)

Credit Headlines (cont'd):

Sembcorp Industries Ltd ("SCI") | Issuer Profile: Neutral (4)

- SCI announced its 2Q2018 results. Revenue increased 46. 6% y/y to SGD3.3bn mainly due to the increase in sales from the Marine segment (up SGD978.3mn) and the Utilities segment (up 6% y/y or SGD94.8mn) as a result of higher High Sulphur Fuel Oil which is used to index sales in Singapore, higher revenues from India and UK, and commencement of a water treatment plant in China since September 2017. Higher revenues from Marine was from recognition for rigs & floaters (2 jack-up rigs delivered to Borr Drilling) and a semi-submersible rig, the West Rigel.
- Nonetheless, reported gross profit fell 41.3% y/y to SGD189.2mn mainly due to the gross loss from the Marine segment (eg: losses from the sale of West Rigel). Excluding the Marine segment, we estimate that SCI would have only reported a 5% y/y decline in gross profit.
- The Utilities segment continues to be the bright spot at SCI, we estimate that net profit in 2Q2018 before exceptional items was SGD85mn (up 11% y/y), driven by a turnaround in profitability in India-Utilities.
- EBITDA (based on our calculation which does not include other income and other expenses) was SGD241.1mn, down 32.9% y/y. While optically general & administrative expenses is 14.7% y/y lower at SGD92.5mn, 2Q2017 included one-off refinancing expenses at an Indian thermal plant. Per company, due to increase in transformation expenses (ie: those incurred as part of the Marine segment transformation plan) and the allowance for doubtful debts on write-off of property, plant and equipment, general & administrative expenses would have increased by SGD14.2mn instead.
- Finance cost was 15.9% y/y lower at SGD121.6mn driven by the refinancing at the Indian thermal plant, with resultant EBITDA/Interest lower at 2.0x versus 2.5x in 2Q2017 principally due to the lower EBITDA generation mentioned above.
- As at 30 June 2018, unadjusted net gearing at SCI was 1.0x, rising from 0.9x as at 31 March 2018 mainly due to the twin effects of rising average debt levels and the consumption of cash to fund acquisitions and payments to capital source providers. Perpetuals made up SGD1.0bn in amounts outstanding and 6% of total capital. Including 100% of the perpetuals as debt, we find adjusted net gearing at 1.3x and 1.1x if we assume 50% of perpetuals as debt. As at 30 June 2018, SGD7.5bn of assets have been used as collateral to obtain debt, we estimate that this was 34% of total tangible assets, somewhat higher from the 30% in the previous quarter. We maintain SCI's issuer profile at Neutral (4). (Company, OCBC)

Ascendas Hospitality Trust ("ASCHTSP") | Issuer Profile: Neutral (4)

- ASCHT reported its first quarter financial results for FY2019 ("1QFY2019"). ASCHT had divested its China portfolio on 18 May 2018 and had reported this as part of discontinued operations in its financials. Taking into account of contribution from the China Portfolio (ie: on a same-store basis), gross revenue was 9.8% y/y lower at SGD48.2mn while net property income ("NPI") is declined by 9.3% y/y to SGD20.2mn. The decline in NPI was driven by lower contribution from Australia (down SGD1.7mn or 15.5% y/y), exacerbated by unfavourable FX movement in AUD and JPY. All hotels in Australia saw weaker performance except a small hotel Courtyard by Marriot Sydney North Ryde which makes up 7.5% of ASCHT's Australia portfolio valuation.
- Acquisition of The Splaisir Seoul Dongdaemum (previously known as KY-Heritage Hotel Dongdaemun) was completed on 21 May 2018 leading to higher investment properties value and improved portfolio's income stability. A JPY856.6mn (~SGD10.4mn) deposit was also paid for the potential acquisition of three WBF hotels in Osaka, Japan, with two of the acquisitions expected to be completed by September 2018 and the third hotel by January 2019. As at 30 June 2018, aggregate leverage had fallen to 23.7% (versus 30.8% as at 31 March 2018 from recent asset movements). Aggregate leverage is expected to rise somewhat though remain healthy after these acquisitions in Osaka.
- Despite the weaker operating performance, reported interest cover was somewhat stronger at 5.3x, up from 5.1x in Q4FY2018. Weighted interest rates continued to fall to 2.4% from 2.6% in Q4FY2017 (2.8% a year ago) while average gross debt had also decline due to repayment of AUD150mn borrowings maturing in 2018 using the proceeds from the divestment of China portfolio. As at 30 June 2018, there is no outstanding short term debt. As such, ASCHTS has headroom to continue to pursue assets that can enhance the portfolio. (OCBC, Company)

Credit Headlines (cont'd):

Singapore Post Limited ("SPOST") | Issuer Profile: Positive (2)

- SPOST announced its first quarter results for the financial year ended March 2019 ("1QFY2019"). SPOST revenue increased 3% y/y to SGD372.6mn driven by the increase in revenue at the Post & Parcel and Property segments, which more than offset declines in Logistics and eCommerce. Property has been reclassified under "Revenue" rather than within "Other income and gains". Along with the increase in revenue, EBITDA (based on our calculation) increased 4% y/y to SGD53.3mn while interest expense has declined 39.4% to only SGD2.7mn following the significant decline in average debt levels. As a result, EBITDA/Interest improved significantly to 20.0x versus 11.7x in 1QFY2018.
- Despite the overall minor improvement in operations (before exceptional items), SPOST's reported net profit to owners was dragged by exceptional losses of SGD6.0mn versus an exceptional gain of SGD4.0mn in 1QFY2018. Chiefly, in 1QFY2019, SPOST was negatively affected by loss on derivative instruments whilst this was reported as a gain in 1QFY2018. Share of loss of associated companies and joint ventures was SGD3.5mn in 1QFY2019 versus SGD2.8mn. SPOST ended the quarter with net profit to owners of SGD18.7mn.
- SP Parcels is now reclassified under the Post & Parcel segment. Taking only the Domestic and International postal business ("Post"), we find that operating profit has increased 7% y/y, led by increases in International postal though margins are likely to have fallen, given that Domestic postal is now 36% of Post versus 40% in 1QFY2018. Post & Parcel reported operating profit before exceptional items of SGD41.8mn while Property contributed SGD13.2mn, both these segments helped compensate for the wider operating losses at eCommerce.
- As at 30 June 2018, gross debt-to-equity was 0.14x, stable versus the previous quarter. SPOST was in a cash surplus position of SGD129.4mn (31 March 2018: cash surplus of SGD70.1mn). Perpetuals make up 18% of total capital as at 30 June 2018 and adjusting net debt upwards for the perpetuals (which rank pari passu as unsecured debt at the SPOST holding company level), we find adjusted net gearing at 0.16x, lower than the 0.19x in the previous quarter. We maintain SPOST at an issuer profile of Positive (2). (Company, OCBC)

Perennial Real Estate Holdings Ltd ("PREH") | Issuer Profile: Neutral (5)

- Revenue increased 1.6% y/y to SGD18.1mn, mainly due to higher revenues from Singapore (+45.2% y/y to SGD5.2mn) due to the consolidation of Capitol Singapore following the acquisition of the remaining 50% stake and higher revenue from China (+21.2% y/y to SGD9.4mn) due to improved performance of Perennial Qingyang Mall and Perennial Jihua Mall and new revenue stream from Perennial International Health and Medical Hub ("PIHMH") which commenced operations in June 2018. The only drag was from the management business (-37.4% y/y to SGD5.2mn) due to the partial divestment of TripleOne Somerset in 2Q2017.
- Without SGD28.7mn (2Q2017: SGD45.5mn) increase in fair value of investment properties (due to revaluation of PIHMH), reported EBIT would have increased ~14.5% y/y to SGD13.2mn on the back of stronger revenues from Singapore and China.
- Management mentioned that progress has been made to refinance SGD188mn secured loans and SGD179mn unsecured loans due in 2018, which we think may likely be replaced by another bank loan. We think that PREH will successfully refinance SGD300mn 4.65% '18s due in October despite having only SGD154.7mn cash balance, as there may still be headroom to take on further debt. In addition PREH may divest its 31.2%-stake in AXA Tower.
- Net gearing surged q/q to 0.74x (1Q2018: 0.58x) after acquiring Capitol Singapore. We expect net gearing to increase to ~0.9x when PREH fully commits to its 45% share (USD540mn) in the China High Speed Railway JV. Management mentioned that they are unlikely to push net gearing beyond 1.0x and will seek to recycle assets as a source of capital.
- Going forward, we expect results to pick up, albeit from a low base, with the completion of PIHMH and the expected opening of The Capitol Kempinski Hotel in Oct 2018. (Company, OCBC)

Credit Headlines (cont'd):

Groupe BPCE ("GBPCE") | Issuer Profile: Neutral (4)

- GBPCE's underlying 2Q2018 results remain resilient with net banking income up 1.8% y/y to EUR6.2bn. At constant exchange rates, net banking income rose 2.8% y/y. Growth was driven by the Retail Banking & Insurance Division as well as commissions.
- Operating expense growth was lower at 0.7% (+1.6% at constant exchange rates) and this translated to a 3.9% y/y rise in gross operating income to EUR2.0bn (+5.3% at constant exchange rates). Cost of risk was 2.5% lower and this translated to income before tax rising 2.4% y/y to EUR1.7bn.
- 1H2018 results were somewhat similar to 2Q2018 performance with net banking income up 0.5% to EUR12.3bn due to better performance in Asset & Wealth Management, Payments and Insurance. Retail Banking continues to be weak due to low interest rates although higher loan balances to an extent, partly offset the weakness. While overall operating expenses were marginally higher (+1.0%) due to the Single Resolution Fund contribution, a 16.6% y/y fall in 1H2018 cost of risk resulted in a 1.7% rise in 1H2018 income before tax of 3.0bn.
- The business continues to diversify in 1H2018, through changes in business conditions as well as strategic focus. We saw Retail Banking & Insurance contributing 71% of total net banking income in 1H2018 (1H2017: 73%), followed by Asset & Wealth Management contributing 13% (1H2017: 11%) and Corporate & Investment Banking contributions stable at 16%.
- In line with the reducing cost of risk, the ratio of non-performing loans to gross loan outstandings fell to 3.0% as at 30 June 2018 from 3.2% at 1 January, 2018. The impaired loans coverage ratio (including guarantees related to impaired outstandings) improved due to a 1.7% h/h fall in stage 3 or impaired outstandings and cost of risk only gradually increasing. The improved ratio of non-performing loans to gross loan outstandings was also due to decent growth in loan outstandings to customers and credit institutions which rose 2.8% h/h. Retail Banking & Insurance loans rose 4.8% y/y due to growth in home loans (+5.5% y/y) and equipment loans (+7.8% y/y).
- GBPCE's capital ratios remain solid despite falling marginally. It is estimated that CET1 ratio for 2Q2018 was 15.2% against 15.4% in 4Q2017. The fall was due to a combined 29bps impact from one-off adjustments related to first time application of IFRS 9 (-17 bps) and reductions to regulatory capital due to contribution to the Single Resolution Fund and Deposit Guarantee and Resolution Fund (FGDR) recognised as irrevocable payment commitments (IPC) by supervisory authorities (-12bps). Absent these impacts, GBPCE's CET1 ratio would have improved from 15.5%. GBPCE's estimated Total Loss-Absorbing Capacity (TLAC) ratio, including the impact of deduction of IPC, rose to 21.6% in 2Q2018 (1Q2018: 21.5%; 4Q2017: 20.8%). This is now above the target level in its TEC 2020 strategic plan of more than 21.5% by early 2019. (OCBC, Company)

Keppel Corporation Limited ("KEP") | Issuer Profile: Neutral (3)

- KEP announced that it has entered into an agreement to acquire a 50%-stake in a US-based operator of retirement communities, namely Watermark Retirement Communities, Inc ("Watermark") and 50% of the minority interests held by the owners of Watermark in certain retirement communities (ie: the underlying hard assets itself) for a purchase price of up to ~USD77.3mn (~SGD105.6mn).
- Watermark currently manages 52 senior housing communities (~9,400 beds managed) in 21 states with the portfolio expanding to more than 60 communities by 2020.
- Watermark's assets under management was USD2.7bn (~SGD3.7bn). We see this transaction in itself as credit neutral given the small scale of the transaction though it indicates KEP's expansion into an alternative real estate classes. This comes on the back of KEP entering into a non-binding memorandum of understanding with MindChamps to establish a new private fund with an initial target fund size of SGD200mn. MindChamps is a listed preschool and early learning centre operator and the new proposed new private fund targets preschool and early learning real estate. (Company, OCBC)

Credit Headlines (cont'd):

Hyflux Ltd ("HFY") | Issuer Profile: Unrated

- Reportedly, Sembcorp Industries Ltd ("SCI"), Keppel Corp Ltd ("KEP") and YTL Power International Bhd are looking to study bids for HFY's key asset Tuaspring (integrated power and water plant in Singapore).
- As at 31 March 2018, book value for Tuaspring was SGD1.47bn with a net book value of SGD907.5mn after deducting for liabilities. As yet, there is no certainty of whether or not a deal with SCI and KEP will take place and if it takes place, the structure of the deal (eg: purchase consideration, whether or not the buyers will need to take on any liabilities).
- Under a hypothetical scenario where either SCI or KEP buys Tuaspring at (1) Full book value of SGD1.47bn by raising debt and (2) Does not assume Tuaspring's liabilities, we think SCI and KEP's credit profile may deteriorate somewhat, though this transaction in itself is unlikely to change our issuer profile assessment on SCI and KEP. As at 30 June 2018, SCI has a total asset of SGD22.8bn while KEP has a total asset of SGD27.0bn. (Bloomberg, OCBC)

Barclays PLC ("Barclays") | Issuer Profile: Neutral (4)

- Barclays 1H2018 results were somewhat constructive with total income of GBP10.9bn stable y/y. This was due to the reduced negative impact of the non-core division which closed on 1 July 2017 with residual businesses re-integrated into Barclay's operating segments (Barclays UK, Barclays International and Head Office). Otherwise, performance of Barclays UK and Barclays International was softer y/y. Barclays UK total income down 1% y/y due to weaker net interest income (reported net interest margin fell to 3.24% in 1H2018 from 3.69% in 1H2017) while Barclays International was 3% weaker y/y as solid net trading income growth (+13% y/y) was overshadowed by weaker net fee, commission and other income (-6% y/y) and lower net interest income (-14% y/y due to lower loan balances). Barclays International results were also impacted by the weaker USD against the GBP.
- Supporting fundamental performance however was 46% y/y lower credit impairment charges and provisions as well as a 5% y/y fall in operating expenses excluding litigation and conduct – this led to cost-to-income ratio improving to 61% for 1H2018 against 64% for 1H2017. The fall in underlying operating expenses was driven by cost reductions in Barclay's International as well as the non-recurrence of non-core division costs. Lower credit impairment charges were driven by Barclays International due to single name recoveries in Wholesale Banking, better macro conditions in the US and portfolio repositioning.
- As a result, profit before tax (excluding litigation and conduct) rose 20% y/y to GBP3.7bn. Including litigation and conduct charges (comprising a GBP1.4bn settlement with the US Department of Justice for RMBS and a GBP400mn charge for Payment Protection Insurance), profit before tax was down 29% y/y to GBP1.6bn. Driving the strong y/y growth in reported profit before tax were lower litigation and conduct charges in Barclays UK and a substantial fall in credit impairment charges in Barclays International.
- Overall net loans and advances fell 1.0% h/h though – after taking into account changes related to IFRS9 implementation, it grew 1.2% h/h. Within overall loans growth, stage 3 or credit impaired loans fell 6.9% y/y. Loans and advances growth trends show some divergence with loans in Barclays UK up 1% h/h and 11% y/y while loans in Barclays International fell 1% h/h and 7% y/y, principally in the Corporate & Investment Bank. Consumer, card and payments loans in Barclays International were relatively stable.
- Barclays CET1 ratio was weaker y/y and h/h at 13.0% (13.1% as at 30 June 2017; 13.3% as at 31 December 2017) principally driven by higher risk weighted assets from business activity and regulatory methodology changes as well as the negative capital impact from litigation and conduct charges and dividends paid. That said, the CET1 ratio is in line with Barclays' end-state target which includes the Capital Requirements Directive IV Mandatory Distribution Restrictions hurdle of 11.4% and a 1.6% management buffer. (Company, OCBC)

Credit Headlines (cont'd):

Société Générale ("SG") | Issuer Profile: Neutral (4)

- SG reported its 2Q2018 and 1H2018 results. To better reflect the underlying operations, we will cover the results excluding non-economic items, exceptional items and linearisation of IFRIC 21 as classified by SG. This mostly relates to the 2Q2017 settlement with the Libya Investment Authority for EUR963mn.
- Underlying net banking income in 2Q2018 rose 1.0% y/y to EUR6.5bn. Similar to 1Q2018 and peer BNP Paribas SA's results, performance was supported by SG's International Retail Banking & Financial Services segment with net banking income up 5.4% y/y driven by broad based growth across businesses and geographies and rising interest rates in non-Eurozone countries. Global Banking & Investor Solutions' revenues rose 0.5% y/y which was an improvement over 1Q2018 performance. Together with SG's International businesses, this mitigated ongoing weakness in SG's French Retail Banking with underlying net banking income 2.1% lower y/y.
- Operating expenses continue to rise, up 1.3% y/y with cost management in Global Banking & Investor Solutions only partially mitigating higher transformation investments in Retail Banking and regulatory costs.
- Underlying cost of risk continues to improve (-11% y/y) with improved operating environments both domestically and abroad and as a result, underlying operating income of EUR1.9bn improved 1.6% y/y for 2Q2018. According to management, the improving risk cost is due to more selective origination.
- 1H2018 underlying results were overall weak as a result of the challenging 1Q2018 results with underlying net banking income down 0.7% y/y and underlying operating income down 2.5% to EUR3.8bn as a 1.1% y/y rise in 1H2018 underlying operating expenses overshadowed a 19.2% y/y fall in underlying cost of risks.
- In line with the declining trend in underlying cost of risk, the reported gross doubtful outstandings ratio was lower at 3.9% as at 30 June 2018 (4.2% as at 31 March 2018; 4.4% as at 31 December 2017 and 4.6% as at 30 June 2017). Despite the fall in risk costs, the reported gross coverage ratio for doubtful outstandings was stable q/q at 55% as at 30 June 2018 and marginally improved against 54% as at 31 December 2017.
- SG's balance sheet grew marginally h/h by 1.8% with total assets EUR1,298bn while net customer loans, including lease financing, was stable h/h. Average loan outstandings in French Retail Banking rose 3.0% y/y (mostly in housing and business customers) and rose 7.2% and 7.1% y/y respectively in International Retail Banking and Equipment Finance within International Retail Banking & Financial Services.
- That said, risk weighted assets rose 2.8% h/h while CET1 capital was stable and this translated to a q/q and h/h fall in CET1 ratios to 11.1% as at 30 June 2018 (11.2% as at 31 March 2018; 11.4% as at 31 December 2017). This still remains above SG's minimum phased in CET1 ratio requirement of 8.63% as disclosed in SG's annual report. Including senior non-preferred debt issues and other TLAC adjustments, SG's reported TLAC ratio was 21.9% as at 30 June 2018, up from 21.4% as at 31 December 2017 and above the Financial Stability Board's 2019 and 2022 minimum requirements of 19.5% and 21.5% respectively.
- Although 1H2018 results remain soft following the 2Q2018 improved performance, SG's solid capital ratios continue to insulate the credit profile for now. (Company, OCBC)

Credit Headlines (cont'd):

Lippo Malls Indonesia Retail Trust ("LMRT") | Issuer Profile: Negative (6)

- LMRT reported 2Q2018 results. Revenue increased 5.5% y/y to SGD52.7mn, mainly due to the collection of service charge and utilities recovery charges directly from tenants of the malls and retail spaces of SGD5.7mn (2Q2017: nil).
- NPI fell 7.8% y/y to SGD43.2mn with the incurrence of property operating and maintenance expenses of SGD4.2mn (2Q2017: nil) and increased other property operating expenses of SGD2.8mn (2Q2017: SGD0.8mn) as a result of net allowance of doubtful debt of SGD1.2mn – we will be seeking clarity from LMRT given the size of the allowance.
- Trade receivables from related party tenants still remain high at SGD14.5mn (though slightly decreased from 1Q2018's SGD15.2mn), compared to gross rental income of SGD41.4mn. As related parties should form about 30% of revenue, this implies that related parties continue to fall about 1 quarter behind payments.
- Cash of SGD96.7mn is insufficient to cover SGD304.0mn of debt, though our earlier understanding from management is that some progress has been made to refinance this. We are not overly concerned over LMRT's liquidity, given that all borrowings are unsecured which allow room for LMRT to pledge assets for funding.
- Aggregate leverage increased q/q to 36.0% (1Q2018: 35.0%), which is mainly due to the increase in short term borrowings to SGD304.0mn (1Q2018: SGD278.8mn). The increase in borrowings though was mainly kept as cash which resulted in cash balance increasing to SGD96.7mn (1Q2018: SGD78.3mn), with the remaining cash raised used to repay interest (SGD7.7mn). Although credit metrics remain manageable, we are cautious if LMRT will push aggregate leverage higher in order to fund sizeable acquisitions.
- We continue to see uncertainty relating to the change in management with CEO and Executive Director Ms Chan Lie Ling's resignation. (Company, OCBC)

Table 1: Key Financial Indicators

	3-Aug	1W chg (bps)	1M chg (bps)
iTraxx Asiax IG	84	8	-10
iTraxx SovX APAC	11	-1	-4
iTraxx Japan	56	-1	-6
iTraxx Australia	77	4	-6
CDX NA IG	59	1	-8
CDX NA HY	107	0	1
iTraxx Eur Main	63	2	-11
iTraxx Eur XO	291	10	-28
iTraxx Eur Snr Fin	77	3	-12
iTraxx Sovx WE	25	0	1
AUD/USD	0.737	-0.43%	-0.24%
EUR/USD	1.159	-0.59%	-0.60%
USD/SGD	1.369	-0.56%	-0.33%
China 5Y CDS	64	7	-5
Malaysia 5Y CDS	87	6	-21
Indonesia 5Y CDS	118	10	-18
Thailand 5Y CDS	44	2	-5

	3-Aug	1W chg	1M chg
Brent Crude Spot ($/bbl)	73.33	-1.29%	-5.70%
Gold Spot ($/oz)	1,207.38	-1.38%	-3.62%
CRB	192.65	-1.20%	-2.45%
GSCI	462.03	-0.57%	-3.94%
VIX	12.19	0.41%	-24.47%
CT10 (bp)	2.984%	2.99	15.32
USD Swap Spread 10Y (bp)	7	1	-1
USD Swap Spread 30Y (bp)	-5	1	1
TED Spread (bp)	35	-2	-5
US Libor-OIS Spread (bp)	33	-1	-6
Euro Libor-OIS Spread (bp)	3	0	-1
DJIA	25,326	-0.79%	4.76%
SPX	2,827	-0.36%	4.20%
MSCI Asiax	661	-2.58%	-0.30%
HSI	27,686	-3.88%	-3.01%
STI	3,279	-1.37%	1.34%
KLCI	1,778	0.52%	5.83%
JCI	5,999	0.16%	6.48%

New issues

- Power Finance Corp Ltd has priced a USD300mn 10-year bond at CT10+235bps, tightening from its initial price guidance of CT10+255bps area.
- Sands China Ltd has priced a USD5.5bn deal across three tranches, with the USD1.8bn 5-year bond priced at CT5+175bps, tightening from its initial price guidance of CT5+200bps area; the USD1.8bn 7-year bond priced at CT7+220bps, tightening from its initial price guidance of CT7+235bps area and the USD1.9bn 10-year bond priced at CT10+245bps, tightening from its initial price guidance of CT10+260bps area.
- Wuhan Real Estate Development Investment Group Co Ltd has priced a USD430mn 3-year bond at 5.7%, in line with its initial price guidance.
- Bank of China Ltd/Macau has priced a USD300mn 3-year FRN at 3mL+75bps, in line with its initial price guidance.

Date	Issuer	Size	Tenor	Pricing
2-Aug-18	Power Finance Corp Ltd	USD300mn	10-year	CT10+235bps
2-Aug-18	Sands China Ltd	USD1.8bn	5-year	CT5+175bps
2-Aug-18	Sands China Ltd	USD1.8bn	7-year	CT7+220bps
2-Aug-18	Sands China Ltd	USD1.9bn	10-year	CT10+245bps
2-Aug-18	Wuhan Real Estate Development Investment Group Co Ltd	USD430mn	3-year	5.7%
2-Aug-18	Bank of China Ltd/Macau	USD300mn	3-year	3mL+75bps
31-Jul-18	Lotte Property & Development Co Ltd	USD200mn	3-year	3mL+92.5bps
31-Jul-18	KWG Group Holdings Limited	USD350mn	3NC2	7.875%
31-Jul-18	China Mengniu Dairy Co Ltd	USD500mn	5-year	CT5+148bps
30-Jul-18	CMHI Finance BVI Co Ltd	USD900mn	5-year	CT5+162.5bps
30-Jul-18	CMHI Finance BVI Co Ltd	USD600mn	10-year	CT10+215bps
30-Jul-18	Woori Bank	USD300mn	10-year	CT10+220bps
27-Jul-18	Legend Fortune Ltd	USD300mn	3-year	3mL+128bps
26-Jul-18	Trade Horizon Global Ltd (JUDA)	USD400mn	3-year	3mL+257.5bps
26-Jul-18	China Aoyuan Property Group Ltd (re-tap)	USD175mn	CAPG 6.35%'20s	98.516
26-Jul-18	Industrial Bank of Korea	USD500mn	3-year	3mL+60bps

Source: OCBC, Bloomberg

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