

February 20, 2018

**Credit Headlines:** Australia and New Zealand Banking Group Ltd

**Market Commentary:** The SGD swap curve flattened yesterday, with swap rates trading 1-2bps higher for the shorter tenors while the longer tenors traded 1 bps lower. Flows in SGD corporates were moderate, with better buying seen in CELSP 3.9%-PERPs. In the broader dollar space last Friday, both the Bloomberg Barclays Asia USD IG Bond Index average OAS and the Bloomberg Barclays Asia USD HY Bond Index average OAS traded little changed at 112bps and 349bps respectively. 10Y UST yield remained unchanged as it was not traded yesterday.

**Rating Changes:** Moody's has affirmed the 'Baa1' issuer rating of Woodside Petroleum Ltd and 'Baa1' backed senior unsecured ratings of Woodside Finance Ltd. The outlook has been revised to stable from negative. The rating action reflects Moody's expectation that Woodside's solid operating performance and low production costs of its assets will support strong margins and generate solid earnings and cash flow through the cycle.

**Table 1: Key Financial Indicators**

	20-Feb	1W chg (bps)	1M chg (bps)		20-Feb	1W chg	1M chg
iTraxx Asiax IG	65	-9	2	Brent Crude Spot (\$/bbl)	65.67	4.92%	-4.29%
iTraxx SovX APAC	12	-1	2	Gold Spot (\$/oz)	1,343.48	1.05%	0.72%
iTraxx Japan	46	-6	3	CRB	193.58	2.69%	-0.98%
iTraxx Australia	58	-8	3	GSCI	443.59	3.52%	-1.51%
CDX NA IG	51	-6	4	VIX	19.46	-33.04%	72.67%
CDX NA HY	108	1	-1	CT10 (bp)	2.901%	7.11	24.13
iTraxx Eur Main	52	-2	7	USD Swap Spread 10Y (bp)	2	1	-3
iTraxx Eur XO	264	-6	31	USD Swap Spread 30Y (bp)	-15	3	-4
iTraxx Eur Snr Fin	52	-2	9	TED Spread (bp)	29	3	-2
iTraxx Sovx WE	19	0	-1	US Libor-OIS Spread (bp)	30	2	5
iTraxx Sovx CEEMEA	33	-4	0	Euro Libor-OIS Spread (bp)	3	0	0
					20-Feb	1W chg	1M chg
				AUD/USD	0.791	0.70%	-1.28%
				USD/CHF	0.929	0.60%	3.50%
				EUR/USD	1.240	0.41%	1.15%
				USD/SGD	1.314	0.66%	0.37%
Korea 5Y CDS	52	-4	7	DJIA	25,219	4.25%	-3.27%
China 5Y CDS	55	-10	5	SPX	2,732	4.30%	-2.78%
Malaysia 5Y CDS	59	-8	3	MSCI Asiax	728	2.71%	-3.65%
Philippines 5Y CDS	60	-8	4	HSI	31,115	2.18%	-2.47%
Indonesia 5Y CDS	85	-9	4	STI	3,488	3.04%	-1.76%
Thailand 5Y CDS	41	-3	-1	KLCI	1,857	1.48%	1.56%
				JCI	6,689	2.82%	3.06%

Source: OCBC, Bloomberg

**Table 2: Recent Asian New Issues**

Date	Issuer	Ratings	Size	Tenor	Pricing
13-Feb-18	Ronshine China Holdings Ltd	'NR/NR/B+'	USD100mn	RONXIN 8.25% 21s	98.688 + accrued interest
09-Feb-18	Golden Energy and Resources Ltd	'NR/B1/B+'	USD150mn	5NC3	9.375%
09-Feb-18	Fantasia Holdings Group Co Ltd	'B+/B2/NR'	USD300mn	1-year	7.25%
07-Feb-18	Full Dragon (Hong Kong) International Development Ltd	'NR/NR/BB+'	USD300mn	3-year	5.85%
07-Feb-18	Shangrao Investment Holdings International Co Ltd	Not rated	USD200mn	3-year	6.4%
07-Feb-18	Daegu Bank Ltd	'A-/A2/NR'	USD300mn	5.5-year	CT5+135bps
06-Feb-18	Sunshine 100 China Holdings	Not rated	USD165mn	SUNCH 8.5% 20s	100+ accrued interest
2-Feb-18	Greenland Global Investment Ltd	'NR/Ba2/NR'	USD400mn	3-year	5.25%

Source: OCBC, Bloomberg

## Credit Headlines:

**Australia and New Zealand Banking Group Ltd (“ANZ”):** ANZ announced some positive trends for its underlying credit profile in its Basel III Pillar 3 disclosure as at 31 December 2017. Its APRA compliant capital ratios continue to improve with the bank’s 1QFY2018 CET1/CAR ratios of 10.8%/15.10% against FY2017 (Sep 2017) CET1/CAR ratios of 10.6%/14.8%. Total risk weighted assets rose by 0.6% due to growth in Institutional assets and Australian residential mortgages and regulatory weight adjustments in New Zealand, which offset the impact of the sale of ANZ’s Asian Retail and Wealth businesses. It should be noted that credit risk weighted assets grew in 1QFY2018 which is against recent trends with ongoing asset repositioning translating to lower credit risk weighted assets. The improvement in the CET1 ratio implies a ~2.8% improvement in Common Equity Tier 1 capital with ratios remaining above regulatory minimum requirements and also above APRA’s minimum CET1 requirement of 10.5% by Jan 1, 2020 for banks to have ‘unquestionably strong’ capital ratios as recommended by the 2014 Financial System Inquiry. ANZ’s leverage ratio (currently only for disclosure purposes with requirement implementation in July 2019) also improved to 5.5% as at 31 December 2017 (1QFY2018) compared to 5.4% as at 30 September 2017 (FY2017). The leverage ratio requirement is yet to be set by APRA with the Basel Committee on Banking Supervision currently setting a 3.0% minimum requirement. Reported impaired asset levels also continue to improve falling 9.6% in the 3 months to 1QFY2018 with the individual provision balance similarly falling by 9.0% in the same period. Across the Tier 2 space, we see better value in certain European names against the ANZ 3.75% ‘27c22s such as the BNP 4.3% ‘25c20s. We currently have ANZ on a Positive (2) issuer profile. (Company, OCBC)

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