

### Market Commentary

- The SGD swap curve bull-flattened yesterday, with the shorter tenors around 2bps lower, and the belly and longer tenors around 3-4bps lower.
- The Bloomberg Barclays Asia USD IG Bond Index average OAS tightened 1bps to 126bps, and the Bloomberg Barclays Asia USD HY Bond Index average OAS tightened 4bps to 528bps. The HY-IG Index spread tightened 3bps to 402bps.
- Flows in SGD corporates were somewhat light, with ticket flows in UBS 4.85%-PERPs and FPLSP 4.98%-PERPs.
- 10Y UST Yields rose 6bps to close at 1.77%, after the US-China trade rhetoric flipped again, with US President Donald Trump saying that trade talks with China were going “very well”, boosting risk appetite.

### Credit Research

**Andrew Wong**

+65 6530 4736

[WongVKAM@ocbc.com](mailto:WongVKAM@ocbc.com)

**Ezien Hoo, CFA**

+65 6722 2215

[EzienHoo@ocbc.com](mailto:EzienHoo@ocbc.com)

**Wong Hong Wei, CFA**

+65 6722 2533

[WongHongWei@ocbc.com](mailto:WongHongWei@ocbc.com)

**Seow Zhi Qi**

+65 6530 7348

[zhiqiseow@ocbc.com](mailto:zhiqiseow@ocbc.com)

### Credit Summary:

- [Mapletree North Asia Commercial Trust \(“MNACT”\)](#) | **Issuer Profile: Neutral (4):** MNACT has released an update on Festival Walk which has been closed since 13 Nov 2019 due to extensive damage incurred. As such, there are major recovery and repair works to be carried out on multiple levels and locations within the mall and the REIT is looking to re-open, either partially or fully in 1Q2020. MNACT has also announced that is acquiring an effective interest of 98.47% in two freehold, multi-tenanted office properties located in Japan from its Sponsor, Mapletree Investments Pte Ltd. The total acquisition cost is ~ SGD482.5mn (JPY37.9bn), and intends to fund it via 30% new equity to its Sponsor and 70% debt or cash. Post transaction, aggregate Leverage is expected to increase from 37.1% as at 30 Sep 2019 to 39.0% based on the abovementioned funding structure.
- [Sembcorp Industries Ltd \(“SCI”\)](#) | **Issuer Profile: Neutral (5):** SCI announced that its wholly-owned subsidiary has entered into a non-binding term sheet with its local Indian partner, Gayatri Energy Ventures Pte Ltd to buy the remaining 5.95%-stake in Sembcorp Energy India Limited (“SEIL”) for SGD77mn. Post-acquisition, SCI will hold 100%-stake in SEIL.
- **Industry Outlook – Financial Institutions:** The Reserve Bank of New Zealand has released its final decision on the proposal to raise minimum regulatory capital requirements for New Zealand banks, of which Australia’s big 4 bank’s own New Zealand’s largest four banks. Under the Reserve Bank of New Zealand’s “Capital Review” proposal, minimum CET1/Tier1/CAR requirements for New Zealand’s largest four banks will increase materially from 7.0%/8.5%/10.5% to 13.5%/16.0%/18.0% for larger banks. Smaller banks will see their CET1/Tier1/CAR capital requirements rise to 11.5%/14.0%/16.0%. The impact on the Level 2 (or group level) capital position of Australia’s big 4 bank’s from the decision is unlikely to be material, at least in the context of other expected impacts on capital from regulatory actions and customer remediation in Australia. As we previously mentioned, this pressure on capital ratios is expected to be alleviated internally rather than via more capital issuance.

## Asian Credit Daily

### Credit Headlines

#### Mapletree North Asia Commercial Trust (“MNACT”) | Issuer Profile: Neutral (4)

- MNACT has released an update on [Festival Walk which has been closed since 13 Nov 2019](#) due to extensive damage incurred. As such, there are major recovery and repair works to be carried out on multiple levels and locations within the mall and the REIT is looking to re-open, either partially or fully in 1Q2020. Rental from the retail tenants at Festival Walk will not be collected over the duration that the mall remains closed.
- For the office tower, it was closed from 13 Nov for 12 days due to damage sustained at the office lobby. Rental was not collected from the office tenants during the closure period. Since 26 Nov 2019, the office tower has re-opened and rental collection from the office tenants has also resumed.
- The insurance coverage for Festival Walk includes property damage and loss of revenue due to business interruptions. While the loss of retail and office revenue as well as property damage are covered under the insurance policies, the assessment of the quantum of revenue loss and property damage recoverable by insurance claims is currently underway and the timing of receiving the claims has yet to be determined. The REIT will be smooth out distributions to unitholders via borrowings which will be repaid once the insurance claims proceeds are received.
- To reduce income and asset concentration of Festival Walk and accelerate the income diversification, MNACT is acquiring an effective interest of 98.47% in two freehold, multi-tenanted office properties located in Greater Tokyo, Japan from its Sponsor, Mapletree Investments Pte Ltd.
  - mBay Point Makuhari Building (“MBP”) is a 26-storey office building located at the fringe of the Tokyo Metropolitan Prefecture. MBP has an occupancy rate of 84.8%, with a WALE of 3.6 years by gross rental income as at 30 Sep 2019.
  - Omori Prime Building (“OPB”) is a 13-storey office building located at the fringe of the central five wards in Tokyo. OPB is fully occupied, with a WALE of 1.7 years by gross rental income as at 30 Sep 2019.
- The total acquisition cost is ~ SGD482.5mn (JPY37.9bn), and intends to fund it via 30% new equity to its Sponsor and 70% debt or cash. Post transaction, aggregate Leverage is expected to increase from 37.1% as at 30 Sep 2019 to 39.0% based on the abovementioned funding structure. Should the proposed acquisitions be fully funded by debt, the aggregate Leverage would have been higher at 40.8%. We continue to hold MNACT at a Neutral (4) Issuer Profile. (Company, OCBC)

#### Sembcorp Industries Ltd (“SCI”) | Issuer Profile: Neutral (5)

- SCI announced that its wholly-owned subsidiary has entered into a non-binding term sheet with its local Indian partner, Gayatri Energy Ventures Pte Ltd to buy the remaining 5.95%-stake in Sembcorp Energy India Limited (“SEIL”) for SGD77mn. SEIL holds the India energy portfolio of SCI across both thermal and renewal energy.
- Post-acquisition, SCI will hold 100%-stake in SEIL. Given the small scale of the transaction, we do not expect this acquisition itself to move the needle in terms of credit profile although further expansion into India power may increase SCI’s net gearing. Earlier SCI was preparing for an IPO of SEIL (intended to raise up to ~INR40.95bn/SGD780mn then), though had withdrew the IPO filing in June 2019 until a later stage following SCI’s injection of new equity into SEIL. We maintain SCI’s issuer profile at Neutral (5). (Company, OCBC)

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### Credit Headlines

#### Industry Outlook – Financial Institutions:

- The Reserve Bank of New Zealand has released its final decision on the proposal to raise minimum regulatory capital requirements for New Zealand banks, of which Australia's big 4 bank's own New Zealand's largest four banks. Under the Reserve Bank of New Zealand's "Capital Review" proposal, minimum CET1/Tier1/CAR requirements for New Zealand's largest four banks will increase materially from 7.0%/8.5%/10.5% to 13.5%/16.0%/18.0% for larger banks. Smaller banks will see their CET1/Tier1/CAR capital requirements rise to 11.5%/14.0%/16.0%.
- While Australia's big 4 banks have previously indicated such an increase in capital requirements may limit additional balance sheet growth and cause a rise in borrowing costs in New Zealand, it appears the Reserve Bank of New Zealand is more in favour of ensuring a higher loss absorbing capacity for its banking system and security for the economy rather than any potential impact to economic growth through a reduction in credit availability or rise in the cost of credit. As per the cost benefit analysis from its [Capital Review Guide](#), the Reserve Bank of New Zealand believes that the benefits from increased financial stability exceeds the costs to the financial system.
- To soften the transition, the Reserve Bank of New Zealand has extended the implementation date from 5 years to 7 years while also allowing more instruments (redeemable preference shares) to qualify as Tier1 capital.
- The impact on the Level 2 (or group level) capital position of Australia's big 4 bank's from the decision is unlikely to be material, at least in the context of other expected impacts on capital from regulatory actions and customer remediation in Australia. A likely consequence will be that capital will need to be retained in New Zealand to meet the higher minimum requirements rather than be distributed to the Australian parents and their shareholders. The Reserve Bank of New Zealand has indicated that the return on shareholder's equity is among the highest in the world and shareholders will need to adapt to the impact of these new requirements. As we previously mentioned, this pressure on capital ratios is expected to be alleviated internally rather than via more capital issuance. (RBNZ, Bloomberg, OCBC)

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### Key Market Movements

	05-Dec	1W chg (bps)	1M chg (bps)		05-Dec	1W chg	1M chg
iTraxx Asiax IG	65	0	2	<b>Brent Crude Spot (\$/bbl)</b>	63.00	-1.65%	1.40%
iTraxx SovX APAC	31	0	1	<b>Gold Spot (\$/oz)</b>	1,475.49	1.32%	-0.55%
iTraxx Japan	54	1	-3	<b>CRB</b>	179.40	-0.94%	-1.48%
iTraxx Australia	57	0	1	<b>GSCI</b>	418.75	-0.79%	-0.75%
CDX NA IG	50	1	-1	<b>VIX</b>	14.8	28.25%	12.98%
CDX NA HY	108	0	0	<b>CT10 (%)</b>	1.765%	0.00	-9.30
iTraxx Eur Main	48	0	-1				
iTraxx Eur XO	223	1	-6	<b>AUD/USD</b>	0.684	0.97%	-0.83%
iTraxx Eur Snr Fin	56	-1	0	<b>EUR/USD</b>	1.108	0.65%	0.05%
iTraxx Eur Sub Fin	117	-2	2	<b>USD/SGD</b>	1.363	0.20%	-0.36%
iTraxx Sovx WE	13	0	1	<b>AUD/SGD</b>	0.932	-0.76%	0.48%
<b>USD Swap Spread 10Y</b>	-8	1	1	<b>ASX 200</b>	6,665	-2.90%	-0.48%
<b>USD Swap Spread 30Y</b>	-34	0	4	<b>DJIA</b>	27,650	-1.68%	0.57%
<b>US Libor-OIS Spread</b>	35	-1	1	<b>SPX</b>	3,113	-0.88%	1.24%
<b>Euro Libor-OIS Spread</b>	5	0	0	<b>MSCI Asiax</b>	642	-2.16%	-3.48%
				<b>HSI</b>	26,063	-3.31%	-5.85%
<b>China 5Y CDS</b>	40	1	3	<b>STI</b>	3,160	-1.73%	-2.73%
<b>Malaysia 5Y CDS</b>	41	0	2	<b>KLCI</b>	1,561	-1.65%	-2.85%
<b>Indonesia 5Y CDS</b>	74	0	1	<b>JCI</b>	6,113	1.49%	-2.41%
<b>Thailand 5Y CDS</b>	27	0	0	<b>EU Stoxx 50</b>	3,660	-1.42%	-0.45%
<b>Australia 5Y CDS</b>	18	0	1				

Source: Bloomberg

## Asian Credit Daily

### New Issues

- Huafa 2019 I Company Limited (Guarantor: Zhuhai Huafa Group Co., Ltd) priced a USD200mn 364-day bond at 3.7%, tightening from IPT of 4.1% area.
- China Everbright Bank Co., Ltd., Hong Kong Branch priced a USD500mn 3-year FRN at 3m-US LIBOR+70bps, tightening from IPT of 3m-US LIBOR+100bps area.
- JD.com, Inc., scheduled investor calls commencing 4 Dec for its potential USD bond issuance.

Date	Issuer	Size	Tenor	Pricing
04-Dec-19	Huafa 2019 I Company Limited	USD200mn	364-day	3.7%
04-Dec-19	China Everbright Bank Co., Ltd., Hong Kong Branch	USD500mn	3-year FRN	3m-US LIBOR+70bps
03-Dec-19	Bocom Leasing Management Hong Kong Company Limited	USD600mn	5-year FRN	3m-US LIBOR+107.5bps
03-Dec-19	China Huaneng Group (Hong Kong) Treasury Management Holding Limited	USD400mn USD500mn USD600mn	3-year 5-year 10-year	T+88bps T+103bps T+125bps
03-Dec-19	China Resources Land Limited	USD1.05bn	NC5-Perpetual	3.75%
03-Dec-19	Ronshine China Holdings Limited	USD324mn	3.5NC2	8.1%
02-Dec-19	Phoenix Charm International Investment Limited	USD20mn	PHCIIL 7.0%'22s	7.0%
02-Dec-19	Taixing Zhongxing State-owned Assets Management and Investment (Hong Kong) Co., Limited	USD200mn	3-year	5.5%
29-Nov-19	Weifang Binhai Investment Development Co., Ltd	USD170mn	363-day	5.8%
28-Nov-19	Bengbu Gaoxin Investment Group Co., Ltd	USD100mn	3-year	3.60%
28-Nov-19	Tianfeng Securities Co. Ltd	USD200mn	3NC1	4.30%
27-Nov-19	Bank of China Group Investment Ltd	USD600mn	5-year	2.50%
27-Nov-19	Wanda Properties Overseas Limited	USD400mn	3-year	6.95%
27-Nov-19	Geely Automobile Holdings Limited	USD500mn	NC5-Perpetual	4.00%
27-Nov-19	Oil and Natural Gas Corp	USD300mn	10-year	T+170bps
26-Nov-19	PTTEP Treasury Center Co.	USD650mn	40-year	T+172.5bps

Source: OCBC, Bloomberg

# Treasury Research & Strategy

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## Macro Research

**Selena Ling***Head of Research & Strategy*[LingSSSelena@ocbc.com](mailto:LingSSSelena@ocbc.com)**Howie Lee***Thailand, Korea &**Commodities*[HowieLee@ocbc.com](mailto:HowieLee@ocbc.com)**Tommy Xie Dongming***Head of Greater China**Research*[XieD@ocbc.com](mailto:XieD@ocbc.com)**Carie Li***Hong Kong & Macau*[carierli@ocbcwh.com](mailto:carierli@ocbcwh.com)**Wellian Wiranto***Malaysia & Indonesia*[WellianWiranto@ocbc.com](mailto:WellianWiranto@ocbc.com)**Dick Yu***Hong Kong & Macau*[dicksnyu@ocbcwh.com](mailto:dicksnyu@ocbcwh.com)**Terence Wu***FX Strategist*[TerenceWu@ocbc.com](mailto:TerenceWu@ocbc.com)

## Credit Research

**Andrew Wong***Credit Research Analyst*[WongVKAM@ocbc.com](mailto:WongVKAM@ocbc.com)**Ezien Hoo***Credit Research Analyst*[EzienHoo@ocbc.com](mailto:EzienHoo@ocbc.com)**Wong Hong Wei***Credit Research Analyst*[WongHongWei@ocbc.com](mailto:WongHongWei@ocbc.com)**Seow Zhi Qi***Credit Research Analyst*[ZhiQiSeow@ocbc.com](mailto:ZhiQiSeow@ocbc.com)

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