

Market Commentary

- The SGD swap curve traded slightly higher yesterday, with all tenors across the curve trading unchanged to 1bps higher.
- The Bloomberg Barclays Asia USD IG Bond Index average OAS tightened 3bps to 123bps, and the Bloomberg Barclays Asia USD HY Bond Index average OAS tightened 23bps to 527bps. The HY-IG Index spread tightened 20bps to 405bps.
- Flows in SGD corporates were moderate, with flows in CS 5.625%-PERPs and UBS 4.85%-PERPs.
- 10Y UST Yields rose decisively by 10bps to close at 1.89%, after reports emerged that the US has offered to cut existing tariffs by as much as 50%, and suspend tariffs scheduled to take effect 15 Dec on Chinese goods, signalling good progress for a phase one trade deal and boosting risk sentiment.

Credit Research

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Credit Summary:

- [Standard Chartered Plc \("StanChart"\)](#) | **Issuer Profile: Neutral (4)**: StanChart announced that its wholly-owned subsidiary Standard Chartered Bank ("SCB") and PT Astra International Tbk has entered into an agreement to sell their respective stakes in PT Bank Permata Tbk ("Bank Permata") to Thailand's Bangkok Bank. Bangkok Bank will pay a purchase price of ~USD2.6bn for the combined 89.12%-stake, while the estimated aggregate consideration attributable to SCB is ~USD1.3bn. Based on its financial results as at 30 September 2019, StanChart could record upon completion a gain of ~USD0.5bn, an increased in CET1 ratio by ~USD0.1bn, a reduction in risk-weighted assets by ~USD9.5bn and CET1 ratio increasing by ~50bps. Given the complexities surrounding cross-border bank M&A, transaction completion is likely protracted. The actual impact to StanChart's ratios would only be determined at time of completion.
- [Singapore Post Limited \("SPOST"\)](#) | **Issuer Profile: Positive (2)**: The bankruptcy court had approve the sale of substantially all of the assets of its Jagged Peak and TradeGlobal on 2 Dec and yesterday SPOST have closed both sales. Given SPOST deconsolidates its US subsidiaries, the transactions is not expected to have any impact on SPOST's financial statements.
- [Metro Holdings Ltd \("METRO"\)](#) | **Issuer Profile: Neutral (4)**: METRO's wholly-owned subsidiary has sold its 50% equity stake in PT Metropolitan Retailmart ("PT MRM") to its joint venture partner, PT Trans Corpora for a sale consideration of SGD25mn. This divestment is expected to result in a gain on disposal of ~SGD9.3mn. Overall, we view this transaction as broadly credit positive given that it unlocks cash (~10% increase in cash on hand which was SGD236.9mn as at 30 Sep 2019) for METRO to redeploy. We continue to maintain METRO at Neutral (4).

Asian Credit Daily

Credit Headlines

Standard Chartered Plc (“StanChart”) | Issuer Profile: Neutral (4)

- StanChart announced that its wholly-owned subsidiary Standard Chartered Bank (“SCB”) and PT Astra International Tbk (“Astra”) has entered into an agreement to sell their respective stakes in PT Bank Permata Tbk (“Bank Permata”) to Thailand’s Bangkok Bank. SCB and Astra holds a respective 44.56%-stake in Bank Permata, with StanChart recording its stake in Bank Permata as an associate.
- Bangkok Bank will pay a purchase price of ~USD2.6bn for the combined 89.12%-stake (representing a 1.77x of Bank Permata’s book value as at 30 September 2019), while the estimated aggregate consideration attributable to SCB is ~USD1.3bn.
- Completion of the transaction is conditional on various matters including approval by Bangkok Bank’s shareholders and regulatory approvals in both Indonesia and Thailand.
- StanChart’s stake in Bank Permata was deemed as non-core and a divestment is part of StanChart’s plan to optimise its capital where proceeds may be used for reinvestment and/or being returned to shareholders.
- Based on its financial results as at 30 September 2019, StanChart could record upon completion a gain of ~USD0.5bn, an increased in CET1 ratio by ~USD0.1bn, a reduction in risk-weighted assets by ~USD9.5bn and CET1 ratio increasing by ~50bps. Given the complexities surrounding cross-border bank M&A, transaction completion is likely protracted. The actual impact to StanChart’s ratios would only be determined at time of completion. As at 30 September 2019, StanChart’s CET1 ratio was 13.5%. We maintain StanChart’s issuer profile at Neutral (4). (Company, Business Times, OCBC)

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

- The bankruptcy court had approve the sale of substantially all of the assets of its Jagged Peak and TradeGlobal on 2 Dec and yesterday SPOST have closed both sales. Given SPOST deconsolidates its US subsidiaries, the transactions is not expected to have any impact on SPOST’s financial statements (Company, OCBC)

Metro Holdings Ltd (“METRO”) | Issuer Profile: Neutral (4)

- METRO’s wholly-owned subsidiary has sold its 50% equity stake in PT Metropolitan Retailmart (“PT MRM”) to its joint venture partner, PT Trans Corpora for a sale consideration of SGD25mn. This divestment is expected to result in a gain on disposal of ~SGD9.3mn.
- PT MRM currently operates 11 Metro stores across Indonesia. With this transaction which came on the back of the recent closure of Centrepoin store in Singapore upon lease expiry, METRO exits the Indonesia retail space and only has two retail stores remaining in Singapore. As such, we view this transaction as is a significant shift away from the retail business. In the second quarter of financial year ending 30 June 2020 (“2QFY2020”), this retail business arm in Indonesia recorded an overall loss of SGD0.2mn
- Overall, we view this transaction as broadly credit positive given that it unlocks cash (~10% increase in cash on hand which was SGD236.9mn as at 30 Sep 2019) for METRO to redeploy. METRO had in recent months acquired more property assets including a [20% stake in a portfolio of 14 freehold office and retail properties in Australia](#) on top of two other property acquisitions earlier this year. We continue to maintain METRO at Neutral (4) (Company, OCBC)

Key Market Movements

	13-Dec	1W chg (bps)	1M chg (bps)		13-Dec	1W chg	1M chg
iTraxx Asiax IG	62	-1	-3	Brent Crude Spot (\$/bbl)	64.20	1.28%	3.45%
iTraxx SovX APAC	30	0	0	Gold Spot (\$/oz)	1,466.40	0.43%	0.19%
iTraxx Japan	50	-3	-5	CRB	182.92	1.58%	1.44%
iTraxx Australia	54	-1	-4	GSCI	423.64	0.95%	1.34%
CDX NA IG	48	-1	-5	VIX	13.94	-3.99%	7.23%
CDX NA HY	109	1	2	CT10 (%)	1.920%	8.39	3.42
iTraxx Eur Main	47	0	-2				
iTraxx Eur XO	220	0	-15	AUD/USD	0.692	1.10%	1.14%
iTraxx Eur Snr Fin	55	-1	-4	EUR/USD	1.117	1.01%	1.50%
iTraxx Eur Sub Fin	115	-1	-8	USD/SGD	1.352	0.63%	0.79%
iTraxx Sovx WE	12	-1	0	AUD/SGD	0.935	-0.46%	-0.35%
USD Swap Spread 10Y	-6	1	4	ASX 200	6,739	0.48%	0.61%
USD Swap Spread 30Y	-30	3	9	DJIA	28,132	1.64%	1.25%
US Libor-OIS Spread	33	-1	-4	SPX	3,169	1.64%	2.41%
Euro Libor-OIS Spread	6	0	1	MSCI Asiax	663	1.90%	2.24%
				HSI	26,994	2.96%	1.59%
China 5Y CDS	36	-1	-3	STI	3,195	0.65%	-1.38%
Malaysia 5Y CDS	41	0	-2	KLCI	1,567	0.24%	-1.87%
Indonesia 5Y CDS	71	-1	-4	JCI	6,139	-0.21%	-0.05%
Thailand 5Y CDS	27	0	0	EU Stoxx 50	3,706	1.60%	0.19%
Australia 5Y CDS	17	0	1				

Source: Bloomberg

Asian Credit Daily

New Issues

- Hydoo International Holding Limited (Subsidiary Guarantors: Certain offshore Restricted Subsidiaries) priced a USD193.5mn 2-year bond at 14.0%, USD111.673mn of which is issued in partial exchange of HYDOO 12.0%'20s and USD81.827mn of new money issued concurrently.
- Zensun Enterprises Limited (Parent Guarantor: Zensun Group Limited; Subsidiary Guarantors: Certain of the Parent Guarantor's Restricted Subsidiaries incorporated outside the PRC) priced a USD120mn re-tap of its existing ZENENT 12.8%'21s at 13.0%, tightening from IPT of 13.25% area.

Date	Issuer	Size	Tenor	Pricing
12-Dec-19	Hydoo International Holding Limited	USD193.5mn	2-year	14.0%
12-Dec-19	Zensun Enterprises Limited	USD120mn	ZENENT 12.8%'21s	ZENENT 12.8%'21s
11-Dec-19	HBIS Group Hong Kong Co., Limited	USD300mn	3-year	4.0%
10-Dec-19	Wynn Macau Ltd	USD1.0bn	10NC5	5.125%
10-Dec-19	Shangrao Investment Holdings International Co., Ltd	USD200mn	3-year	3.98%
06-Dec-19	Xingang International Holding Limited	USD100mn	3-year	7.0%
05-Dec-19	SD International Sukuk II Ltd	USD200mn	5.25NC3	7.0%
05-Dec-19	New Metro Global Limited	USD350mn	2-year	7.9%
05-Dec-19	REC Limited	USD500mn	5-year	T+192.5bps
05-Dec-19	Kunming Rail Transit Group Co., Ltd	USD300mn USD200mn	3-year 5-year	3.5% 3.9%
05-Dec-19	China South City Holdings Limited	USD150mn	2-year and 2-month	11.8%
05-Dec-19	Guofa Overseas Investment Company Limited	USD100mn	3-year	7.0%
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

Source: OCBC, Bloomberg

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