

Market Commentary

- The SGD swap curve bear-steepened last Friday, with the shorter tenors traded 0-3bps higher (with the exception of the 1-year tenor which traded 2bps lower), and the belly and longer tenors traded 3-5bps higher.
- The Bloomberg Barclays Asia USD IG Bond Index average OAS tightened 3bps to 132bps while the Bloomberg Barclays Asia USD HY Bond Index average OAS tightened 14bps to 530bps.
- Flows in SGD corporates were heavy, with large ticket flows in CAPLSP 3.65%-PERPs. We also saw flows in UOBSP 3.58%-PERPs, CAPLSP 3.15%'29s, STTGDC 3.59%'24s, UBS 4.85%-PERPs and F 4.125%'24s.
- 10Y USTs yields rose 6bps to 1.73% after a partial trade deal was reached by the US and China. The spread between 3-month treasury bills and 10-year treasury notes ceased to be inverted, with the spread at +7bps.

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Credit Summary:

- **Industry Outlook – Financial Institutions**: The Australian government has asked the Australian Competition and Consumer Commission (“ACCC”) to explore why Australia’s big banks did not pass on in full the RBA’s latest cuts to official rates. Key aspects of the probe will be on how mortgages are priced for new and existing customers, and barriers to switching mortgage providers with the final report to be provided to the Treasurer by no later than 30 September 2020. Pricing power and entrenched market positions are a large reason why profitability for Australian banks continues to be robust. We rate all Australian banks under our coverage at Positive (2) recognizing these strengths. However, profitability looks challenged at the same time that minimum capital ratio requirements are increasing. We do not see immediate threats to the credit profiles of the banks we rate but will continue to monitor the longer term profitability trends.

Asian Credit Daily

Credit Headlines

Industry Outlook – Financial Institutions:

- The Australian government has [asked the Australian Competition and Consumer Commission](#) (“ACCC”) to explore why Australia’s big banks did not pass on in full the RBA’s latest cuts to official rates. This is part of a wider probe by the ACCC into mortgage pricing in Australia as the banks not passing on rate cuts in full is a routine practice. Prior bank decisions to not pass on the full rate cut have been explained by the need to offset rising wholesale funding costs (which has a higher impact on Australian banks given their reliance on external funding rather than deposits) however given global interest rates are on a downward trend and in the shadow of the Royal Commission on misconduct in the Banking industry which have and will continue to result in additional remediation charges, the decision by the government to request this investigation is not unreasonable.
- Key aspects of the probe will be on how mortgages are priced for new and existing customers, and barriers to switching mortgage providers with the final report to be provided to the Treasurer by no later than 30 September 2020. There was a previous ACCC inquiry into mortgages that [concluded in December 2018](#) that competition in Australia’s mortgage industry was secondary to the banks seeking to maintain profitability through their home-loan pricing strategies.
- Pricing power and entrenched market positions are a large reason why profitability for Australian banks continues to be robust. We rate all Australian banks under our coverage (Australia & New Zealand Banking Group Ltd, National Australia Bank Ltd, Westpac Banking Corporation) at Positive (2) recognizing these strengths. However, profitability looks challenged at the same time that minimum capital ratio requirements are increasing. We do not see immediate threats to the credit profiles of the banks we rate but will continue to monitor the longer term profitability trends.(OCBC, ACCC, Bloomberg)

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Key Market Movements

| | 14-Oct | 1W chg (bps) | 1M chg (bps) | | 14-Oct | 1W chg | 1M chg |
|-----------------------|--------|-----------------|-----------------|---------------------------|----------|--------|--------|
| iTraxx Asiax IG | 74 | -5 | 18 | Brent Crude Spot (\$/bbl) | 60.18 | 3.14% | -0.07% |
| iTraxx SovX APAC | 34 | -2 | 0 | Gold Spot (\$/oz) | 1,487.59 | -0.40% | -0.72% |
| iTraxx Japan | 61 | -1 | 7 | CRB | 176.04 | 1.46% | 0.71% |
| iTraxx Australia | 66 | -2 | 8 | GSCI | 409.42 | 2.49% | 1.38% |
| CDX NA IG | 57 | -4 | 6 | VIX | 15.58 | -8.57% | 13.39% |
| CDX NA HY | 107 | 1 | -1 | CT10 (%) | 1.729% | 17.10 | -16.68 |
| iTraxx Eur Main | 54 | -4 | 7 | | | | |
| | | | | | | | |
| iTraxx Eur XO | 240 | -13 | -4 | AUD/USD | 0.678 | 0.62% | -1.31% |
| iTraxx Eur Snr Fin | 61 | -7 | 4 | EUR/USD | 1.103 | 0.50% | 0.23% |
| iTraxx Eur Sub Fin | 128 | -16 | 8 | USD/SGD | 1.371 | 0.74% | 0.34% |
| iTraxx Sovx WE | 13 | 0 | -1 | AUD/SGD | 0.929 | 0.11% | 1.68% |
| | | | | | | | |
| USD Swap Spread 10Y | -8 | 0 | 4 | ASX 200 | 6,649 | 1.30% | -0.31% |
| USD Swap Spread 30Y | -38 | 2 | 4 | DJIA | 26,817 | 0.91% | -1.48% |
| US Libor-OIS Spread | 35 | 1 | 6 | SPX | 2,970 | 0.62% | -1.23% |
| Euro Libor-OIS Spread | 4 | 0 | -1 | MSCI Asiax | 624 | 1.64% | -1.92% |
| | | | | HSI | 26,521 | 2.71% | -3.04% |
| China 5Y CDS | 44 | -6 | 6 | STI | 3,126 | 0.85% | -2.67% |
| Malaysia 5Y CDS | 49 | -5 | 7 | KLCI | 1,567 | 0.53% | -2.12% |
| Indonesia 5Y CDS | 87 | -7 | 10 | JCI | 6,106 | 0.73% | -3.62% |
| Thailand 5Y CDS | 28 | -2 | 1 | EU Stoxx 50 | 3,570 | 3.57% | 0.56% |
| Australia 5Y CDS | 20 | 1 | 3 | | | | |

Source: Bloomberg

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New Issues

- Jiayuan International Group Ltd priced a USD200mn 3-year 4-month NP2 bond at 13.763%.
- Health & Happiness (H&H) International Holdings Ltd scheduled investor meetings commencing 14 Oct for its potential USD300mn bond issuance.
- CLP Power Hong Kong Ltd scheduled investor meetings commencing 14 Oct for its potential USD bond issuance.
- AVIC International Leasing Co., Ltd scheduled investor meetings commencing 14 Oct for its potential USD perp issuance.

| Date | Issuer | Size | Tenor | Pricing |
|-----------|--|----------------------|--------------------|-------------------|
| 11-Oct-19 | Jiayuan International Group Ltd | USD200mn | 3-year 4-month NP2 | 13.763% |
| 10-Oct-19 | Industrial & Commercial Bank of China Ltd, Dubai (DIFC) Branch | USD500mn | 3-year FRN | 3m-US LIBOR+66bps |
| 10-Oct-19 | E-House (China) Enterprise Holdings Ltd | USD200m | 2.5-year | 8.375% |
| 10-Oct-19 | SDSC International Development Ltd | USD200mn | 3-year | 6.0% |
| 10-Oct-19 | Oriental Capital Co., Ltd | USD360mn | 3-year | 7.0% |
| 10-Oct-19 | CapitalLand Treasury Ltd | SGD500mn | NC5-Perpetual | 3.65% |
| 09-Oct-19 | Bank of China Ltd., Macau Branch | USD350mn | 3-year | SOFR+95bps |
| 09-Oct-19 | Three Gorges Finance I | USD500mn USD350mn | 5-year 30-year | T+95bps 3.2% |
| 09-Oct-19 | Ronshine China Holdings Ltd | USD265mn | RONXIN 8.75% '22s | 8.75% |
| 09-Oct-19 | Central Japan Railway Co | USD750mn | 5-year | 2.2% |
| 09-Oct-19 | PT Sri Rejeki Isman Tbk | USD225mn | 5.25YNC3 | 7.25% |
| 09-Oct-19 | Thaioil Treasury Centre Co Ltd | USD565mn | 30-year | T+145bps |
| 08-Oct-19 | Network i2i Ltd | USD750mn | NC5.5-Perpetual | 5.65% |
| 08-Oct-19 | The Export-Import Bank of China, Paris Branch | USD300mn | 3-year FRN | 3m-US LIBOR+48bps |
| 08-Oct-19 | Macquarie Bank Ltd | USD1.25bn | 3-year | T+75bps |

Source: OCBC, Bloomberg

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