

Market Commentary

- The SGD swap curve bull-flattened yesterday, with the shorter tenors and belly traded 1-4bps lower, while the longer tenors traded 7-13bps lower.
- The Bloomberg Barclays Asia USD IG Bond Index average OAS widened 1bps to 138bps while the Bloomberg Barclays Asia USD HY Bond Index average OAS widened 21bps to 571bps.
- Flows in SGD corporates were heavy, with large ticket flows in CS 5.625%-PERPs, STANLN 5.375%-PERPs, SOCGEN 6.125%-PERPs and UOBSP 3.58%-PERPs. We also saw flows in KITSP 4.75%-PERPs, KEPSP 3.66%'29s, WINGTA 4.48%-PERPs, TMGSP 4.8%'22s, CMZB 4.2%'28s and ESRCAY 6.75%'22s.
- 10Y USTs fell 5bps to close at 1.53%, as the risk-off sentiment continued amid persistent concerns about global trade tensions and slowdown in economic growth around the world. Spread between 3-month treasury bills and 10-year treasury notes remains inverted, with the spread narrowing to -35bps.

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Credit Summary:

- [Australia & New Zealand Banking Group Ltd](#) | **Positive (2)**: ANZ released its Pillar 3 update for the quarter ended 30 June 2019. Level 2 (or group level) APRA compliant CET1 ratio as at 30 June 2019 was 11.8%, up 30bps from 11.5% as at 31 March 2019. 3QFY2019 loan provision charge of AUD290mn was flat against the 1HFY2019 quarterly average, although 90+days past due loan balances rose 11.5% q/q. Exposure to Australia home loans continued to reduce down 0.7% q/q. These announcements are consistent with our Positive (2) issuer profile on ANZ.

Asian Credit Daily**Credit Headlines****Australia & New Zealand Banking Group Ltd (“ANZ”) | Issuer Profile: Positive (2)**

- ANZ has released its Pillar 3 update for the quarter ended 30 June 2019, which includes information on capital, credit quality and performance of its housing exposures.
- The Level 2 (or group level) APRA compliant CET1 ratio as at 30 June 2019 was 11.8%, up 30bps from 11.5% as at 31 March 2019 due to earnings and asset sales which offset dividends. Including a 20bps positive impact from announced divestments (OnePath P&I, Cambodia JV and PNG Retail, Commercial and SME business) and negative impacts from APRA capital changes (Risk Weighted Asset floor on New Zealand mortgage and farm lending portfolio, Counterparty Credit Risk changes, operational risk capital changes), the proforma CET1 ratio was stable q/q at 11.5%.
- Loan quality appears under some pressure although the total 3QFY2019 provision charge of AUD209mn was flat against the 1HFY2019 quarterly average as individual provisions rose 35.8%, increasing q/q for the fourth straight quarter. Impaired loans balances under the Advanced Internal Rating Based remained broadly stable to slightly improved q/q although 90+ days past due loan balances rose 11.5%, mostly in residential mortgages. According to ANZ, changes in the classification of certain home loans and collateral valuation methodology for the Australian home loan portfolio will result in some of the 90+ days past due loans being classified as impaired from July 2019 onwards.
- Finally for Australia home loans exposures, the portfolio continued to reduce down 0.7% q/q due to a 1.8% drop in investor loans and a 0.2% drop in owner occupied loans. Following changes in processes, management has indicated that performance of this segment has improved at the start of 4QFY2019.
- As per APRA’s [recently announced proposal to improve the loss absorbing capacity for banks](#) in early July, ANZ expects to issue around AUD12bn in Tier 2 capital to meet the proposed 3% increase in total capital by January 2024 using risk weighted assets as at 31 March 2019. So far, ANZ has raised AUD1.75bn of this amount.
- These announcements are consistent with our Positive (2) issuer profile on ANZ. (Company, OCBC)

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Key Market Movements

	16-Aug	1W chg (bps)	1M chg (bps)		16-Aug	1W chg	1M chg
iTraxx Asiax IG	72	6	8	Brent Crude Spot (\$/bbl)	58.42	-0.19%	-9.22%
iTraxx SovX APAC	45	2	6	Gold Spot (\$/oz)	1,526.73	1.99%	8.57%
iTraxx Japan	64	1	5	CRB	170.03	-0.17%	-5.58%
iTraxx Australia	72	3	9	GSCI	394.52	0.07%	-6.74%
CDX NA IG	62	3	8	VIX	21.18	25.25%	64.70%
CDX NA HY	105	-1	-2	CT10 (bp)	1.507%	-23.80	-59.59
iTraxx Eur Main	56	-1	6				
				AUD/USD	0.678	-0.13%	-3.35%
iTraxx Eur XO	288	6	42	EUR/USD	1.110	-0.88%	-0.97%
iTraxx Eur Snr Fin	72	-1	11	USD/SGD	1.389	-0.30%	-2.22%
iTraxx Sovx WE	20	1	5				
				DJIA	25,579	-3.03%	-6.42%
USD Swap Spread 10Y	-12	0	-5	SPX	2,848	-3.08%	-5.21%
USD Swap Spread 30Y	-41	0	-7	MSCI Asiax	597	-0.88%	-8.79%
US Libor-OIS Spread	33	8	10	HSI	25,495	-2.39%	-10.92%
Euro Libor-OIS Spread	8	2	2	STI	3,126	-1.40%	-6.96%
China 5Y CDS	55	5	13	KLCI	1,600	-0.27%	-4.11%
Malaysia 5Y CDS	61	3	10	JCI	6,258	-0.27%	-2.25%
Indonesia 5Y CDS	100	7	15				
Thailand 5Y CDS	33	0	-2				

Source: Bloomberg

New Issues

- Qingdao Jimo District Urban Development Investment Co. Ltd has priced a USD300mn 3-year bond at 4.9%, tightening from IPT of 5.5% area.
- Hanhui International Ltd (Guarantor: Shandong Guohui Investment Co., Ltd) has priced a USD300mn 3-year bond at 4.37%, tightening from IPT of 4.7% area.

Date	Issuer	Size	Tenor	Pricing
15-Aug-19	Qingdao Jimo District Urban Development Investment Co. Ltd	USD300mn	3-year	4.9%
15-Aug-19	Hanhui International Ltd	USD300mn	3-year	4.37%
14-Aug-19	Greenko Mauritius Ltd	USD350mn	3.5NC1.5	6.25%
13-Aug-19	Orient Securities Co., Ltd	USD300mn	3-year FRN	6M-US LIBOR+125bps
13-Aug-19	Zhenro Properties Group Ltd	USD110mn	ZHPRHK 9.15%'22s	8.55%
9-Aug-19	Excellence Commercial Management Ltd	USD150mn	3-year	6.8%
8-Aug-19	Dongxing Voyage Co. Ltd	USD400mn	5-year	T+180bps
8-Aug-19	Changde Economic Construction Investment Group Co., Ltd	USD200mn	3-year	6.6%
1-Aug-19	Central China Real Estate Ltd	USD300mn	3NC2	7.25%
1-Aug-19	Sinopec Group Overseas Development (2018) Ltd	USD800mn USD700mn USD500mn	5-year 10-year 30-year	T+88bps T+110bps 3.68%
31-Jul-19	Fantasia Holdings Group Company Ltd	USD100mn	FTHDGR 11.75%'22s	12.4%
30-Jul-19	China Aoyuan Group Ltd	USD250mn	CAPG 7.95%'23s	6.5%
30-Jul-19	Dexin China Holdings Company Ltd	USD200mn	2-year	14.0%
30-Jul-19	Lotte Property & Development Co., Ltd	USD300mn	3-year FRN	3M-US LIBOR+77.5bps

Source: OCBC, Bloomberg

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