

Market Commentary

- The SGD swap curve remained mostly unchanged yesterday, with only the 1-year tenor trading 1bps lower and 12-year tenor up 1.5bps while the other tenors were little changed.
- The Bloomberg Barclays Asia USD IG Bond Index average OAS tightened 1bps to 121bps, and the Bloomberg Barclays Asia USD HY Bond Index average OAS tightened 4bps to 509bps. The HY-IG Index spread tightened 4bps to 388bps.
- Flows in SGD corporates were moderate, with flows in ARASP 5.6%-PERPs and CS 5.625%-PERPs.
- 10Y UST Yields rose by 1bps to close at 1.88%, due to stronger-than-expected housing and industrial data.

Credit Research

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Credit Summary:

- [Hyflux Ltd \(“HYF”\)](#) | **Issuer Profile: Unrated:** HYF has received a letter from Aqua Munda Pte Ltd (“AM”) enclosing an invitation notice in connection with the purchase of debts of HYF and its subsidiaries. Per AM’s announcement, the Invitation will open on 30 December 2019 and expire on 10 January 2020. There is no pricing details though presumably further details will be set out in the Invitation Memorandum to be issued by AM.
- [Wharf \(Holdings\) Limited \(“Wharf”\)](#) | **Issuer Profile: Neutral (3) and [Wheelock and Company Limited \(“Wheelock”\)](#)** | **Issuer Profile: Positive (2):** Wharf (69.3% owned by Wheelock) announced that its indirect wholly-owned subsidiary has entered into a sale and purchase agreement with an indirect wholly-owned subsidiary of Wheelock (as “Vendor”) to acquire an investment holding company which owns Fuyang Project, a residential development in Hangzhou, China. This transaction constitutes a connected transaction for Wharf under the Hong Kong listing rules requiring disclosure though does not need to go through independent shareholder’s approval.
- [National Australia Bank Ltd \(“NAB”\)](#) | **Issuer Profile: Positive (2):** The Australian Securities & Investments Commission (“ASIC”) announced yesterday it is taking court action against NAB for fees for no service and fee disclosure statement failures. It has been reported that the maximum fine NAB is exposed to is AUD10bn. NAB is also exposed to a potential AUD500-550mn fine for breaches of the National Credit Act. As seen in NAB’s FY2019 financial results, NAB’s APRA compliant CET1/CAR ratio of 10.38%/14.68% as at 30 September 2019 is now below APRA’s minimum 10.5% CET1 benchmark for ‘unquestionably strong’ capital ratios in Australia’s banking sector. After factoring in a positive impact from a discounted and partially underwritten FY2019 final dividend reinvestment plan, NAB’s proforma CET1 ratio is expected to be 10.75%.

Asian Credit Daily**Credit Headlines****Hyflux Ltd (“HYF”) | Issuer Profile: Unrated**

- HYF announced that it has received a letter from Aqua Munda Pte Ltd (“AM”) enclosing an invitation notice in connection with the purchase of debts of HYF and its subsidiaries including Hydrochem (S) Pte Ltd, Hyflux Membrane Manufacturing (S) Pte Ltd and Hyflux Engineering Pte Ltd.
- Per AM’s announcement, the Invitation will open on 30 December 2019 and will expire on 10 January 2020. There is no pricing details though presumably this detail (along with other pertinent ones) will be set out in the Invitation Memorandum to be issued by AM as soon as practicable but no later than 27 December 2019. Eligible debt includes the HYFSP 4.25% ‘18s, HYFSP 4.6% ‘19s and HYFSP 4.2% ‘19s, other senior unsecured debts, contingent debts and/or trade and other debt. AM believes that as of date of announcement, the total principal amount constituting eligible debts is ~SGD1.8bn (including contingent liabilities of ~SGD750mn), which in our view does not include perpetuals and preference shares.
- We think there is little credence to the offer to creditors at this stage and raises more questions than answers given the (1) investor can shorten/amend and/or withdraw the Invitation at its sole and absolute discretion; (2) investor at its sole and absolute discretion determines which of the tendered offers to accept in contrast to a more equitable approach of pro-rata acceptance (3) investor is not bound to give any grounds for the acceptance or rejection of any tendered offer, this implies that all offers can be rejected (4) relatively tight deadline, as pricing (and presumably other pertinent details) are only contained in the invitation memorandum (available latest by 27 December 2019) while expiration deadline is on 10 January 2020. (Company, OCBC)

Wharf (Holdings) Limited (“Wharf”) | Issuer Profile: Neutral (3) and Wheelock and Company Limited (“Wheelock”) | Issuer Profile: Positive (2)

- Wharf (69.3% owned by Wheelock) announced that its indirect wholly-owned subsidiary has entered into a sale and purchase agreement with an indirect wholly-owned subsidiary of Wheelock (as “Vendor”) to acquire an investment holding company which owns 100% legal and beneficial interest in Fuyang Project, a residential development in Hangzhou, China for a consideration of HKD1.36bn (~RMB1.22bn). The consideration will be payable in cash at completion and will be paid by Wharf with its internal resources and cash. As at 30 June 2019, Wharf’s cash balance was HKD18.96bn.
- The residential development comprises villas, townhouses, duplex and apartments with uncompleted and completed property stock of a total gross floor area of ~328,436 sqm.
- This transaction constitutes a connected transaction for Wharf under the Hong Kong listing rules requiring disclosure though does not need to go through independent shareholder’s approval. We maintain Wharf’s issuer profile at Neutral (3). (Company, OCBC)

Asian Credit Daily**Credit Headlines****National Australia Bank Ltd (“NAB”) | Issuer Profile: Positive (2)**

- The Australian Securities & Investments Commission (“ASIC”) [announced yesterday](#) it is taking court action against NAB for fees for no service and fee disclosure statement failures. Key details of the action are:
 - Failures occurred from December 2013 to February 2019;
 - During this time, NAB charged fees for services it did not provide and failed to issue appropriate fee disclosure statements as required by law; and
 - NAB had inadequate compliance systems and processes to identify and prevent these failures.
- While the above indicate that NAB failed to act efficiently, honestly and fairly per the Corporations Act, an additional layer of contention is that NAB knew of the above shortcomings yet continued to charge fees for no service from May 2018. As such, NAB has also been charged with engaging in unconscionable conduct under the ASIC act.
- Per ASIC’s announcement, the maximum civil penalty for the above failures are AUD250,000 per contravention for breaches of sections 912 and section 962 of the Corporations Act (related to the fee services and disclosure statements) and AUD1.7-2.1mn for each contravention of s12CB (unconscionable conduct) and s12DB (false or misleading representations) of the ASIC act.
- It has been reported that the maximum fine NAB is exposed to is AUD10bn based on around 12,000 contraventions including 3,400 charges under the ASIC act for misleading and deceptive conduct and unconscionable conduct. However the end fine is likely to be substantially lower than that. As we previously mentioned with regards financial repercussions from [AUSTRAC’s proceedings against Westpac Banking Corporation](#), we think regulators may seek to make the financial impacts of transgressions by the banks manageable to ensure banking system stability while at the same time sending a stern message about the responsibilities of Australia’s banks to consumers.
- NAB has indicated a AUD2bn provision has been set aside for customer related remediation. That said, NAB is also exposed to a [potential AUD500-550mn fine for breaches of the National Credit Act](#) and has flagged that it is in discussions of its own with AUSTRAC for potential breaches of the Anti-Money Laundering and Counter-Terrorism Financing Act.
- As seen in [NAB’s FY2019 financial results](#), NAB’s APRA compliant CET1/CAR ratio of 10.38%/14.68% as at 30 September 2019 is now below APRA’s minimum 10.5% CET1 benchmark for ‘unquestionably strong’ capital ratios in Australia’s banking sector (comes into force January 2020) due to adverse regulatory impacts and customer remediation charges. That said, NAB’s proforma CET1 ratio is expected to be 10.75% after factoring in a positive impact from a discounted and partially underwritten FY2019 final dividend reinvestment plan. With pressure on earnings, potential continued remediation costs and APRA’s desire to strengthen the minimum loss-absorbing and recapitalisation capacity of Australian Banks, we expect capital management for NAB and its peers to be more active in the coming years with senior management and shareholders also bearing the burden.
- ASIC’s announcement comes on the same day as NAB’s annual general meeting in which NAB’s new Group CEO and Managing Director Ross McEwan pledged a recognition of the seriousness of the charges against NAB and commitment to a new way forward to improve the bank’s standing with regulators and the public.
- Until more concrete details on impacts are known, we are maintaining NAB’s issuer profile at Positive (2) although similar to Westpac Banking Corporation, the issuer profile remains under review for a downgrade. (APRA, Company, Bloomberg, OCBC)

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Key Market Movements

	18-Dec	1W chg (bps)	1M chg (bps)		18-Dec	1W chg	1M chg
iTraxx Asiax IG	56	-7	-7	Brent Crude Spot (\$/bbl)	66.10	2.74%	4.42%
iTraxx SovX APAC	27	-3	-3	Gold Spot (\$/oz)	1,475.20	0.02%	0.25%
iTraxx Japan	44	-6	-10	CRB	185.28	1.71%	3.41%
iTraxx Australia	50	-5	-6	GSCI	433.80	2.50%	4.37%
CDX NA IG	46	-3	-5	VIX	12.29	-21.62%	-1.36%
CDX NA HY	109	1	2	CT10 (%)	1.885%	9.39	7.00
iTraxx Eur Main	45	-2	-3				
iTraxx Eur XO	211	-10	-21	AUD/USD	0.685	-0.41%	0.54%
iTraxx Eur Snr Fin	52	-3	-6	EUR/USD	1.115	0.15%	0.68%
iTraxx Eur Sub Fin	109	-6	-13	USD/SGD	1.356	0.13%	0.36%
iTraxx Sovx WE	11	0	-1	AUD/SGD	0.928	0.53%	-0.26%
USD Swap Spread 10Y	-5	2	5	ASX 200	6,856	1.53%	1.31%
USD Swap Spread 30Y	-30	3	10	DJIA	28,267	1.38%	0.82%
US Libor-OIS Spread	34	1	-2	SPX	3,193	1.92%	2.26%
Euro Libor-OIS Spread	6	0	0	MSCI Asiax	683	4.33%	4.57%
				HSI	27,844	5.32%	4.36%
China 5Y CDS	33	-5	-5	STI	3,201	1.20%	-1.78%
Malaysia 5Y CDS	37	-4	-4	KLCI	1,577	0.97%	-1.71%
Indonesia 5Y CDS	65	-6	-7	JCI	6,244	0.98%	1.99%
Thailand 5Y CDS	25	-3	-1	EU Stoxx 50	3,745	2.00%	1.09%
Australia 5Y CDS	17	-1	6				

Source: Bloomberg

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New Issues

- There were no new issues or mandates.

Date	Issuer	Size	Tenor	Pricing
13-Dec-19	Excellence Commercial Management Ltd	USD100mn	3-year	6.8%
13-Dec-19	China Construction Bank Corporation of Luxembourg	USD300mn	2.5-year	3m-US LIBOR+63bps
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%
09-Dec-19	China Construction Bank (Asia) Corporation Limited	USD500mn	Perp-NC5	4.31%
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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