

Feb 19, 2019

Credit Headlines: Australia & New Zealand Banking Group Ltd

Market Commentary

- The SGD swap curve flattened yesterday, with 10-year swap rates and below trading ~1bps higher while the longer tenors progressively traded lower to around 6bps lower for the 20-year and 30-year swap rates.
- The Bloomberg Barclays Asia USD IG Bond Index average OAS and the Bloomberg Barclays Asia USD HY Bond Index average OAS were unchanged yesterday at 146bps and 508bps respectively.
- We saw moderate buying in DBSSP 3.98% PERP and flows in HPLSP 4.65% PERP.
- 10Y UST yields remain unchanged at 2.66% as US markets were closed for a public holiday.

Credit Headlines

Australia & New Zealand Banking Group Ltd (“ANZ”) | Issuer Profile: Positive (2)

- ANZ released its 1QFY2019 chart pack and Pillar 3 report regarding its capital position.
- Key updates include a weakening trend in credit quality – similar to [Westpac Banking Corp's](#) 1Q2019 trading update, overall gross impaired asset levels appear broadly stable however delinquencies (as measured by 90+ arrears and past due) have increased albeit marginally. That said, the trend has been weakening since September 2016, particularly for retail exposures. Individual provision charges have marginally increased in kind to AUD186mn however overall provisions fell due to the on-going write back in collective provision charges.
- Risk weighted assets rose slightly q/q with most of the increase due to a rise in lending to corporates and foreign exchange movements. Elsewhere, management have indicated a possibly overly conservative stance towards mortgage lending with volumes in the Australian division falling q/q and ANZ's home loan portfolio contracting by 0.2% q/q, below system-wide growth of 0.9%. On a rolling twelve month basis, total ANZ mortgage lending growth remains around 5% below total system growth trends. An 8 year high in Australian Residential Mortgage 90+ day past due as a percentage of total residential mortgages likely drove the reduction.
- ANZ's CET1 Ratio fell to 11.25% as at 31 December 2018 although remains above the Australian Prudential Regulatory Authority's (“APRA”) 10.5% minimum requirement for ‘unquestionably strong’ capital ratios in Australia's banking sector (comes into force January 2020). The fall from 11.44% as at 30 September 2018 was due to dividend payments and the aforementioned risk weighted asset rise which offset the positive capital impact from asset sales and earnings. (OCBC, Company)

Table 1: Key Financial Indicators

	19-Feb	1W chg (bps)	1M chg (bps)
iTraxx Asiax IG	74	-3	-11
iTraxx SovX APAC	58	-2	-6
iTraxx Japan	60	-2	-10
iTraxx Australia	72	-4	-12
CDX NA IG	62	-3	-10
CDX NA HY	106	0	1
iTraxx Eur Main	68	-4	-8
iTraxx Eur XO	296	-13	-23
iTraxx Eur Snr Fin	84	-6	-7
iTraxx Sovx WE	24	0	-1
AUD/USD	0.7123	0.39%	-0.50%
EUR/USD	1.1304	-0.19%	-0.54%
USD/SGD	1.3575	-0.10%	0.13%
China 5Y CDS	53	-2	-5
Malaysia 5Y CDS	74	-5	-15
Indonesia 5Y CDS	111	-3	-11
Thailand 5Y CDS	48	1	5

	19-Feb	1W chg	1M chg
Brent Crude Spot (\$/bbl)	66.05	5.82%	5.34%
Gold Spot (\$/oz)	1325.07	1.09%	3.48%
CRB	181.3293	1.85%	-0.49%
GSCI	423.3971	3.80%	2.47%
VIX	14.91	-5.15%	-16.24%
CT10 (bp)	2.67%	-1.97	-11.62
USD Swap Spread 10Y (bp)	3	1	-1
USD Swap Spread 30Y (bp)	-17	1	0
US Libor-OIS Spread (bp)	28	-1	-7
Euro Libor-OIS Spread (bp)	5	0	0
DJIA	25,883	3.09%	4.76%
SPX	2,776	2.50%	3.93%
MSCI Asiax	642	-0.05%	3.20%
HSI	28,347	0.62%	4.64%
STI	3,272	2.20%	1.47%
KLCI	1,694	0.41%	0.13%
JCI	6,498	0.04%	0.77%

New issues

- Ronshine China Holdings Ltd has priced a USD207.8mn 2.5yr bond (guaranteed by certain restricted subsidiaries of Ronshine China Holdings Ltd incorporated outside of the PRC) at 11.25% (reoffer at 101.721 to yield 10.45%) to exchange for its RONXIN 11.25% '21s.
- Yuzhou Properties Co Ltd has priced a USD500mn 5NC3 bond (subsidiary guarantors: certain restricted subsidiaries outside of the PRC) at 8.5%, tighter than initial price guidance of 8.875% area.

Date	Issuer	Size	Tenor	Pricing
19-Feb-19	Ronshine China Holdings Ltd	USD208mn	2.5-year	11.25%
19-Feb-19	Yuzhou Properties Co Ltd	USD500mn	5NC3	8.5%
14-Feb-19	CIFI Holdings (Group) Co Ltd	USD300mn	4NC2	7.625%
14-Feb-19	China Cinda Finance (2017) I Ltd	USD200mn USD200mn USD600mn	3-year 5-year 10-year	CT3+135bps CT5+170bps CT10+210bps
14-Feb-19	Jiangxi Railway Investment Group Corporation	USD300mn	3-year	4.85%
13-Feb-19	Shimao Property Holdings Ltd	USD1.0bn	5NC3	6.125%
13-Feb-19	Times China Holdings Ltd	USD500mn	3NC2	7.625%
13-Feb-19	Airport Authority	USD500mn	10-year	CT10+78bps
12-Feb-19	Sunac China Holdings Ltd	USD800mn	3NC2	7.875%
12-Feb-19	Korea Development Bank	USD500mn USD500mn	3-year 5-year	CT3+65bps CT5+85bps
12-Feb-19	Bank of New Zealand	USD750mn	5-year	CT5+108bps
12-Feb-19	RHB Bank Berhad	USD300mn	5-year	CT5+128bps
12-Feb-19	Perusahaan Penerbit SBSN Indonesia III	USD750mn USD1.25bn	5.5-year 10-year	3.9% 4.45%
11-Feb-19	China Aoyuan Group Ltd	USD225mn	4NC3	7.95%
11-Feb-19	Zhenro Properties Group Ltd	USD230mn	2.5-year	10.75%

Andrew Wong

Treasury Research & Strategy
Global Treasury, OCBC Bank
(65) 6530 4736
wongVKAM@ocbc.com

Ezien Hoo, CFA

Treasury Research & Strategy
Global Treasury, OCBC Bank
(65) 6722 2215
EzienHoo@ocbc.com

Wong Hong Wei, CFA

Treasury Research & Strategy
Global Treasury, OCBC Bank
(65) 6722 2533
WongHongWei@ocbc.com

Seow Zhi Qi

Treasury Research & Strategy
Global Treasury, OCBC Bank
(65) 6530 7348
zhigiseow@ocbc.com

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