OCBC TREASURY RESEARCH

Asian Credit Daily

Friday, August 2, 2019

Market Commentary

- The SGD swap curve bear-flattened yesterday, with the shorter tenors and belly traded 3-6bps higher, and the longer tenors trading 0-1bps higher.
- The Bloomberg Barclays Asia USD IG Bond Index average OAS widened 5bps to 131bps while the Bloomberg Barclays Asia USD HY Bond Index average OAS widened 22bps to 492bps.
- Flows in SGD corporates were heavy, with flows in UOBSP 3.58%-PERPs, FPLSP 4.98%-PERPs, GUOLSP 4.6%-PERPs, STANLN 5.375%-PERPs, TMGSP 4.8%'22s, CS 5.625%-PERPs, OUESP 3.55%'23s, SOCGEN 6.125%-PERPs, F 4.125%'24s and HRINTH 3.8%'25s.
- 10Y USTs fell 12bps to 1.89%, after US President Donald Trump announced a new wave of tariffs on Chinese goods, sparking a stampede into safe-haven Treasuries. Spread between 3-month treasury bills and 10-year treasury notes remains inverted, with the spread widening to -18bps.

Credit Summary:

- BreadTalk Group Ltd **| Neutral (5)**
- CapitaLand Retail China Trust **| Neutral (4)**
- Société Générale **| Neutral (4)**
- Singapore Post Limited **| Positive (2)**
- United Overseas Bank Limited **| Positive (2)**
- Barclays PLC **| Neutral (4)**
- Group BPCE **| Neutral (3)**
- Hong Kong Land Ltd **| Positive (2)**
- Lippo Malls Indonesia Retail Trust **| Negative (6)**
- Standard Chartered PLC **| Neutral (4)**

Credit Research

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Credit Headlines

BreadTalk Group Ltd ("BGL") | Issuer Profile: Neutral (5)

- BGL announced 2Q2019 results. Revenue grew 9.8% q/q to SGD163.3mn, due to growth in all segments including Bakery (+3.3% y/y to SGD70.8mn), Food Atrium (+2.0% y/y to SGD39.6mn), Restaurant (+18.2% y/y to SGD44.0mn) and 4orth (+157.8% y/y to SGD7.8mn).
- Bakery: Growth is mainly due to the acquisition of the remaining 50% interest in BTM (Thailand) Ltd from Minor Food Group in Feb 2019.
- Food Atrium: Growth was due to opening of another two direct operated restaurant in Hong Kong and Bangkok in 2Q2019 (1Q2019 opened one in Hong Kong), with strong same store growth across North China, East China and Hong Kong while stall vacancy remains low.
- Restaurant: Growth was due to addition of two more outlets in Singapore in 2Q2019, following addition of two outlets in 1Q2019 (one in Thailand, one in Singapore).
- We no longer compare reported EBITDA on a y/y basis as the numbers are not apples to apples due to effects of the SFRS (I) 16 – Leases which has been adopted since 1 Jan 2019. BGL's profit before tax ("PBT") fell 28.7% y/y to SGD5.0mn. This was mainly due to the underperformance of the Bakery division.
- Bakery: Delivered -SGD1.9mn in PBT (from +SGD1.5mn in 2Q2018), which we think is most likely due to lower performance from the Bakery segments in China and Thailand. Reported EBITDA fell 11.8% q/q which is unlikely to be seasonal given reported EBITDA rose 7.9% q/q in 2Q2018 (2Q2017: +17.0% q/q).
- Food Atrium: PBT rose 12.6% y/y to SGD4.2mn while reported EBITDA rose 13.4% q/q, which we think is due to the growth in revenue and low stall vacancy (which boosts margins).
- Restaurant: PBT rose 37.2% y/y to SGD7.8mn likely due to outperformance of restaurants in Singapore. Reported EBITDA rose 41.9% q/q, likely due to narrowing losses at the UK operations (due to high initial set up costs).
- Net gearing rose to 65% (1Q2019: 41%) with SGD4.8mn fall in equity to SGD145.8mn, partly due to total comprehensive loss of SGD0.2mn weighed by SGD1.2mn foreign currency translation loss and SGD5.6mn dividends paid to shareholders. Meanwhile, net debt rose SGD32.6mn to SGD94.2mn with SGD13.6mn purchase of fixed assets, which is likely due to capex to set up the new stores and SGD18.3mn purchase of investment securities, which we think is due to the first-tranche purchase of NPPG for THB427.5mn.
- Meanwhile, reported EBITDA to interest expense rose q/q to 8.5x (1Q2019: 8.0x). Operating cashflows before working capital changes remains healthy at SGD50.5mn. We continue to maintain BGL at a Neutral (5) Issuer Profile. (Company, OCBC)

Credit Headlines (cont'd)

CapitaLand Retail China Trust ("CRCT") | Issuer Profile: Neutral (4)

- CRCT has raised SGD279.4mn from equity. SGD154.3mn was from the private placement (5.2% discount from the closing price of SGD1.55 per unit) while SGD125.1mn was from the preferential offering (7.1% discount).
- SGD274.4mn will go towards financing its acquisition of three malls, CapitaMall Xuefu and CapitaMall Aidemengdun in Harbin and CapitaMall Yuhuating in Changsha. We note that the total acquisition cost for the malls is SGD505.4mn and CRCT is seeking a 50/50 debt and equity split in funding. We think CRCT will borrow ~SGD231mn debt and we expect aggregate leverage to inch higher to ~35% from 33.8% as at 30 June 2019. (Company, OCBC)

Société Générale ("SocGen") | Issuer Profile: Neutral (4)

- SocGen reported 2Q2019 with similar trends to peer BNP Paribas SA with encouraging signs in underlying gross operating income (excluding exceptional items and smoothing out of charges per linearization of IFRIC21) which was up 2.3% y/y to EUR2.1bn.
- SocGen's topline continues to be weak with underlying net banking income down 2.6% y/y to EUR6.3bn. This was due to low interest rates and still difficult market conditions although business momentum in International Retail Banking & Financial Services continues to be supportive. However this was more than offset by a 5.0% y/y fall in underlying operating expenses due to cost containment in French Retail Banking and absence of restructuring provisions and integration costs ffrom the acquisition of the Equity Markets & Commodities business (EMC) from Commerzbank AG. Including these and other exceptional costs, reported operating expenses still reduced 3.0% y/y for 2Q2019.
- Underlying cost of risk was 74.1% higher y/y due to a rise in risk costs in all business segments but mostly in International Retail Banking & Financial Services. According to management, this reflects the normalisation of risk costs from a low base. As a percentage of outstanding loans, the ratio has jumped to 25bps in 2Q2019 from 14bps in 2Q2018 and 21bps in 1Q2019 although is within management guidance of 25-30bps. Following the higher cost of risk, 2Q2019 underlying operating income fell 4.1% y/y to EUR1.8bn.
- On a reported basis, operating income was down 9.6% y/y to EUR1.7bn on weakness in net banking income, a lower reduction in operating expenses and higher cost of risk.
- 1H2019 performance was relatively weaker due to the soft 1Q2019 performance with underlying gross operating income down 4.3% y/y on a larger fall in net banking income (-2.1% y/y) than reduction in operating expenses (-1.1% y/y), hence 2Q2019 results were a solid turn in performance.
- Balance sheet quality appears sound with the gross doubtful debts outstanding ratio improving to 3.4% as at 30 June 2019 (3.5% as at 31 March 2019 and 3.9% as at 30 June 2018). This was due to broadly stable loan outstandings and a 4.0% q/q fall in doubtful loans. The doubtful outstandings coverage ratio was stable at 55% q/q.
- SocGen's capital ratios continued to improve with the CET1 ratio at 12.0% as at 30 June 2019 (12.2% on a proforma basis including announced disposals and other impacts). This was driven by lower risk weighted assets due to SocGen's restructuring activities (Global Markets and asset refocusing) along with earnings and 2018 scrip dividends. The CET1 ratio is now in line with its target CET1 ratio of 12% by 2020. It's TLAC ratio of 25.8% continues to exceed the Financial Stability Board's 2019 and 2022 minimum requirements of 19.5% and 21.5% respectively. Results are supportive of our Neutral (4) issuer profile. (Company, OCBC)

Credit Headlines (cont'd)

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

- SPOST announced its first quarter results for the financial year ending March 2020 ("1QFY2020"). Revenue was up by 1.0% y/y to SGD376.4mn, driven by higher international Post and Parcel revenue which came about from cross-border eCommerce deliveries. Overall profit on operating activities declined 9.9% y/y to SGD35.3mn.
- From 1 April 2019, SPOST has reclassified the reporting of business units under four key business segments – (1) Post and Parcel, (2) Logistics, (3) Property and (4) U.S. Business. With U.S. Business being TradeGlobal and Jagged Peak, which it intends to exit.
- Post and Parcel segment saw profit on operating activities fall by 8.9% y/y (from SGD41.2mn to SGD37.6mn), due to higher expenses to improve service quality. Specifically, costs were incurred to hire additional postmen and enhancement of their remuneration.
- Logistics segment's loss on operating activities was SGD1.8mn due to absence of compensation payments from customer.
- The U.S. Business segment (which has replace what was previously known as eCommerce) saw operating losses narrow to SGD6.9mn from SGD8.8mn a year ago, though it remains the largest loss making segment.
- Under the Property segment, profit on operating activities fell by 2.3% y/y (from SGD13.1mn to SGD12.9mn), due to higher depreciation from improvement works carried out for the self-storage business.
- SPOST ended the quarter with a net profit before tax of SGD33.4mn, higher by 17.1% y/y, due to a much smaller share of losses of associated companies and joint ventures and a small gain in exceptional items versus a loss of SGD6.0mn a year ago.
- As at 30 June 2019, gross debt-to-equity was stable 0.173x. SPOST is in a strong net cash position of SGD121.4mn. Adjusting net debt upwards for the perpetuals (which rank pari passu as unsecured debt at the SPOST holding company level), we find adjusted net gearing at 0.137x as there is slightly more available cash balance than the amount of perpetuals. We maintain SPOST at an issuer profile of Positive (2). (Company, OCBC)

Credit Headlines (cont'd)

United Overseas Bank Ltd ("UOB") | Issuer Profile: Positive (2)

- UOB announced robust 2Q2019 and 1H2019 results net profit before tax up 9% and 7% respectively to SGD1.4bn and SGD2.7bn. This was driven by solid total income growth of 10% and 9% y/y respectively while allowances for credit and other losses fell 44% and 15% over the same periods. Of note is that the movements in allowances for credit and other losses contrast with those of DBS Group Holdings Ltd. On a q/q basis, net profit before tax rose 12% from 1Q2019 due to similar trends.
- Total income performance came from net interest income improvement from volume growth which offset y/y net interest margin compression (1.80% in 1H2019 against 1.83% in 1H2018; 1.81% in 2Q2019 against 1.83% in 2Q2018) although the net interest margin rose 2bps q/q. 1H2019 net fee and commission income was broadly stable as higher loans related and credit card income were offset by lower fund management fees. Other non-interest income for 1H2019 showed solid growth (+36% y/y) on trading and investment gains. 2Q2019 income performance was driven by a mix of loans growth and loan repricing on a y/y and q/q basis as well as a recovery in wealth management performance.
- In line with income growth, operating expenses also grew (+10% y/y for 1H2019; +11% y/y and +5% q/q for 2Q2019) due to higher personnel and IT related expenditure given the bank's ongoing investment in staff and technology. As such, UOB's cost to income ratio was broadly stable at 44.1% for 1H2019 and 43.7% for 2Q2019.
- With regards to allowances for credit and other losses, management indicated a lower allowance for non-impaired assets (or general provisions) y/y and a writeback in allowances on a stable credit environment while there were recoveries in 2Q2019. Otherwise, allowances for impaired loans was up 17% and 16% y/y for 1H2019 and 2Q2019 indicating some stress still in existing impaired loan exposures, particularly in Singapore and Malaysia. Otherwise, management's view on overall loan quality trends is somewhat reflected in the non-performing loan ratio as at 30 June 2019 which improved by 20bps y/y at 1.5% with non-performing loans stable q/q and falling 4.2% y/y. The non-performing asset coverage ratio was stable at 84% or 191% including collateral as at 30 June 2019.
- As for other balance sheet trends, total assets rose 6% y/y and 1% q/q. This was driven entirely by growth in net customer loans (mainly growth in building and construction and financial institutions, investment and holding companies loans). Customer deposit growth was lower at 6% y/y and -1% q/q translating to the loan to deposit ratio rising to 88.5% as at 30 June 2019 against 85.7% as at 30 June 2018 and 86.6% as at 31 March 2019. The net stable funding ratio dipped slightly to 108% (110% as at 30 June 2018, 109% as at 31 March 2019) but still remains above the 100% minimum requirement.
- Capital ratios remain solid although stable or reduced against prior periods with CET1/CAR ratios of 13.9%%/17.2% as at 30 June 2019 against 13.9%%/17.0% as at 31 March 2019 and 31 December 2018 and 14.5%/18.4% as at 30 June 2018. Y/y trends are due to risk weighted assets growth above the growth in capital from earnings and call of SGD850mn in AT1 which was balanced somewhat by the issue of USD600 in Tier 2 capital in April 2019. UOB has another SGD500mn in AT1 due to call later in 2019 although this should be compensated for the recent SGD750mn AT1 issue in July 2019. Ratios remain above minimum CET1/CAR capital requirements of 9.0%/12.5%.
- We continue to review the numbers but see these results as consistent with our Positive (2) issuer profile. (Company, OCBC)

Credit Headlines (cont'd)

Groupe BPCE ("GBPCE") / BPCE SA | Issuer Profile: Neutral (3)

- GBPCE announced its 1H2019 results with reported income before tax down 12.5% y/y to EUR2.6bn. This was driven by a 1.5% y/y fall in net banking income while operating expenses rose mildly by 0.3% y/y and cost of risk rose 7.7% y/y. For 2Q2019, income before tax was down 2.9% y/y to EUR1.7bn as weaker net banking income (-2.0% y/y) was offset to an extent due to a 1.3% y/y fall in operating expenses while cost of risk rose 2.9% y/y.
- Results include the impact of exceptional items, in particular transformation and re-organization costs. Excluding these, 1H2019 adjusted income before tax down is down a smaller 6.7% y/y while 2Q2019 adjusted income before tax was down a larger 5.6% y/y reflecting the quantum of transformation and re-organization costs in the respective periods.
- Key trends in the movements include better income performance in Retail Banking & Insurance, stable Asset & Wealth Management and a fall in Corporate & Investment Banking against better performance in 1H2018. In terms of operating expenses, escalation is being moderated by ongoing cost reductions in retail banking and Corporate & Investment banking. Movements in cost of risk related to a single exposure within Corporate & Investment Banking. Otherwise, overall cost of risk as a percentage of gross customer outstandings remains within historical norms due to lower cost of risk in retail exposures.
- By segment, better Retail Banking & Insurance performance was driven by a 7.1% y/y rise in loan outstandings (residential mortgages, equipment loans and consumer loans) and solid insurance performance with gross operating income in Insurance up 8.6% y/y for 2H2019. Weakness in Corporate & Investment Banking (2H2019 gross operating income down 31.3% y/y) was due to global markets performance, particularly in equities, which overshadowed cost reduction initiatives.
- Loan quality metrics appear decent with the ratio of non-performing loans to gross loan outstandings improving to 2.7% as at 30 June 2019 (2.8% as at 31 December 2018) while the impaired loans coverage ratio improved marginally to 75.6% against 74.5% over the same period.
- GBPCE's capital position remains sound with its estimated CET1 capital ratio at 15.5% as at 30 June 2019, broadly stable against 31 March 2019 and down from 15.8% as at 31 December 2018. Q/q saw stability in CET1 capital ratio despite risk weighted asset growth (-15bps) and other changes (-5bps). These were mitigated by capital generation (+22bps) and issue of co-operative shares (+4bps). This remains above GBPCE's minimum 9.77% as defined in the 2018 Supervisory Review and Evaluation Process. This includes Pillar 1 and Pillar 2 requirements as well as buffers for capital conservation and global systemic importance. GBPCE's Total Loss-Absorbing Capacity (TLAC) ratio rose marginally to 23.2% as at 30 June 2019 from 22.6% as at 31 March 2019 and remains above the target level in its TEC 2020 strategic plan of more than 21.5% by early 2019.
- We continue to view GBPCE's performance as resilient and supporting of its Neutral (3) issuer profile rating. (OCBC, Company)

Credit Headlines (cont'd)

Hongkong Land Ltd ("HKL") | Issuer Profile: Positive (2)

- In 1H2019, revenue was down by 47% h/h to USD804mn from USD1.5bn due to lower sales recognised at a point of sale from the development properties segment. Operating profit fell by 64% h/h due to the absence of a gain in fair value of investment properties. Excluding which, operating profit would have been just 4.7% lower h/h.
- We are not overly concerned about the lower revenue given the significant pipeline. As at 30 June 2019, HKL had USD1.7bn in sold but unrecognised contracted sales (+13.7% h/h) in Mainland China. Both sales completions and contracted sales are in line with expectations and are expected to strengthen in 2H2019.
- In Hong Kong, both Central office and retail portfolio did well with the average office rent higher by 4.5% y/y to HKD$116 per sq ft and the average retail rent higher by 3.5% y/y to HKD$239 per sq ft. Occupancy rate for both segments was largely unchanged q/q with vacancy at office at 1.6% while retail is fully occupied. The office portfolio in Singapore likewise saw improvements in both occupancy to 99.1% on committed basis and rents which increase by 5.5% y/y to SGD9.6 per sq ft.
- In Beijing, WF CENTRAL performed in line with expectations. In Bangkok, construction of a mixed-use retail and Grade A office development in the central business district is expected to commence in early 2020 for 5 years.
- In Singapore, pre-sales continued at the Margaret Ville and Parc Esta projects with satisfactory results. Both projects are scheduled to complete by 2021. Tulip Garden's initial sales launch is likely to happen before the end of 2019.
- HKL's financial position remains strong, with net debt higher at USD3.9bn at 30 June 2019 from USD3.6bn at end 2018. This was expected as a new residential site was acquired in Wuhan (construction to be completed in 2022) and deposits were paid for recent land auctions. Consequentially, we find the net gearing higher at 10% vs 9% at end 2018. (OCBC, Company)

Credit Headlines (cont'd)

Barclays PLC ("Barclays") | Issuer Profile: Neutral (4)

- Barclays announced its 1H2019 with profit before tax up 82% y/y to GBP3.0bn due to the absence of litigation and conduct charges that were recognised in 1H2018 of GBP 2.0bn. Ignoring this impact, normalized profit before tax of GBP2.6bn was 15.5% lower y/y.
- Total income was down 1% y/y – this was due to weaker UK performance in cards as well as margin pressure while Barclays International income was down 1% as performance in the Corporate and Investment Bank ('CIB') was affected by lower client activity and lower volatility from challenging markets. This offset better performance in Consumer, Cards and Payments.
- At the same time, operating expenses rose 1% y/y due to ongoing digitalisation in the UK that offset lower variable compensation and cost efficiencies. As such, Barclay's cost to income ratio, excluding litigation and conduct, increased to 63% in 1H2019 from 61% in 1H2018.
- Credit impairment charges and other provisions rose 63% due to the absence of a favourable US macroeconomic forecast and single name recoveries in 1H2018 as well as to accommodate uncertain future operating conditions in the UK due to BREXIT. 50% of Barclay's 1H2019 group income was derived in the UK with America's contributing 37%. Europe contributes a further 9%.
- Given the better earnings performance as well as positive capital impacts from risk weighted asset and other movements, capital ratios improved y/y with Barclay's CET1 capital ratio of 13.4% as at 30 June 2019 up 20bps from 13.2% as at 31 December 2018 and up 40bps from 13.0% as at 30 June 2018. As such, the CET1 ratio remains above its end-state target of 13.0% and above its fully loaded CET1 regulatory requirement of 11.7% which includes 4.5% for Pillar 1, 2.5% for Capital Conservation Buffer, 0.5% for Countercyclical Capital Buffer, 1.5% for Global Systemic Importance, and 2.6% for Pillar 2A.
- We continue to review the results but with accretive movement in its capital buffers and despite a muted outlook for Barclay's key markets, we expect to keep our Neutral (4) issuer profile on Barclays (Company, OCBC)

Credit Headlines (cont'd)

Lippo Mall Indonesia Retail Trust ("LMRT") | Issuer Profile: Negative (6)

- LMRT announced 2Q2019 results. Gross rental income fell 5.8% y/y to SGD39.0mn due to lower income from Lippo Plaza Batu and Palembang Icon due to expiry of master leases in Jul 2018 and lower casual leasing income in 2019. That said, gross rental income has improved 4.2% q/q from better portfolio performance.
- Despite weaker gross rental income, net property income rose 1.9% y/y to SGD44.0mn due to lower provisions for receivables in 2Q2019, with allowance of doubtful debts falling SGD1.2mn y/y. However, trade and other receivables rose q/q to SGD40.4mn (1Q2019: SGD37.3mn). This comprises trade receivables (net of allowance of doubtful debts) of SGD26.4mn and other receivables of SGD14.0mn. Trade receivables (before taking into account of allowance of doubtful debts) are SGD32.5mn (1Q2019: SGD30.6mn), of which SGD14.7mn (1Q2019: SGD12.7mn) is due to related party tenants and SGD17.8mn (SGD1Q2019: SGD17.9mn) from non-related party tenants.
- That said, LMRT continues to affirm that there is no reason to believe that the Lippo group of companies will not be able to fulfil their payment obligations. Subsequent to the financial period end, LMRT has collected SGD1.8mn from related party tenants and SGD5.1mn from non-related party tenants in receivables.
- The slow collection rate of receivables from related party tenants subsequent to 2Q2019 is somewhat unexpected as Lippo Karawaci has already successfully raised USD787.5mn in rights issue in mid-July.
- Meanwhile, portfolio occupancy recovered slightly to 92.2% (1Q2019: 91.5%). However, average rental reversion as of 1H2019 has fallen to 4.4% (1Q2019: 6.3%), which may indicate that lower rents were offered to boost up occupancy rates.
- Aggregate leverage rose q/q to 35.2% (1Q2019: SGD33.9%) mainly due to increased net borrowings (+SGD36.0mn q/q to SGD710.5mn) though the cash raised from borrowings has yet to be utilised with cash position rising to SGD113.8mn q/q (1Q2019: SGD74.7mn). We note that the cash was raised from the issuance of USD250mn LMRTSP 7.25% '24s, which is used to repay SGD120mn revolving credit facility and SGD175mn term loan due in Aug 2020. As such, current debt has fallen to SGD74.6mn (1Q2019: SGD120mn), which is due to the outstanding SGD75mn LMRTSP 4.1% '20s. We believe this can be met with the cash position on hand of SGD113.8mn. We continue to hold LMRT at a Negative (6) Issuer Profile. (Company, OCBC)

Credit Headlines (cont'd)

Standard Chartered PLC ("StanChart") | Issuer Profile: Neutral (4)

- StanChart released its 1H2019 results with underlying profit before tax up 11% y/y to USD2.6bn. This was driven by a 1% y/y rise in operating income from solid net interest income performance which rose 6% y/y on stable net interest margins and loans growth, primarily in Corporate & Institutional Banking. In addition, better transaction banking income from cash management and financial markets income from Credit and Capital Markets, Rates and FX offset weaker treasury income and muted wealth management (high base in 1H2018). Net interest income also mitigated a 6% y/y fall in other income from lower hedges on trading book assets in Financial Markets and adverse debit valuation adjustments.
- Operating expenses fell 3% y/y due to cost control and foreign currency translation impacts (stable on a constant currency basis) and this along with a 20% y/y fall in credit and other impairments helped drive the better underlying profit before tax performance. The statutory cost to income ratio in 1H2019 was 64.6% against 66.9% in 1H2018 and 73.1% in 2H2018.
- StanChart recognized an additional USD204mn in provisions for regulatory matters and as such its statutory profit before tax y/y improvement reduced to 3% or USD2.4bn.
- In line with the lower impairments, StanChart's loan quality improved y/y according to management with stage 3 loans and advances down 10% due to repayments, write-offs and reduced formation of new stage 3 loans. As such, stage 3 loans as a percentage of gross loans and advances improved to 2.3% as at 30 June 2019 against 2.6% as at 31 December 2018. The stage 3 loan coverage ratio was 60% as at 30 June 2019 (81% including collateral), broadly stable compared to 31 December 2018. With the liquidation portfolio wind-down largely complete, these loans are now reported together in gross loans and advances.
- By segment, StanChart saw solid 1H2019 performance in Corporate & Institutional Banking as well as Commercial Banking on capital-lite and network-related activities as well as cash management. Retail Banking performance was soft on weaker wealth management and a reduction in revenue in South and South East Asia as well as Africa and the Middle East. By 1H2019 underlying profit before taxation, Corporate & Institutional Banking was the main contributor at 51.9% of the total, followed by Retail Banking (23.7%), Commercial Banking (11.0%) and Private Banking (3.8%).
- StanChart's CET1 ratio fell to 13.5% as at 30 June 2019 from 13.9% as at 31 March 2019 and 14.2% as at 31 December 2018. This was due to higher credit risk weighted assets (mostly Corporate & Institutional Banking asset growth and IFRS 16 impact), reflecting USD1bn in share buy backs, dividend payments and the USD186mn regulatory provision which offset capital generation. Nevertheless the ratio remains within StanChart's 13-14% range.
- In all the results are in line with our expectations for StanChart's Neutral (4) issuer profile. (OCBC, Company)

Key Market Movements

	2-Aug	1W chg (bps)	1M chg (bps)
iTraxx Asiax IG	60	3	-2
iTraxx SovX APAC	38	1	-1
iTraxx Japan	57	2	-1
iTraxx Australia	60	2	0
CDX NA IG	56	5	4
CDX NA HY	107	-1	-1
iTraxx Eur Main	51	3	0
iTraxx Eur XO	255	13	9
iTraxx Eur Snr Fin	63	5	3
iTraxx Sovx WE	16	1	0
USD Swap Spread 10Y	-8	-1	-4
USD Swap Spread 30Y	-38	-2	-6
US Libor-OIS Spread	24	2	6
Euro Libor-OIS Spread	6	1	1
China 5Y CDS	42	3	0
Malaysia 5Y CDS	50	3	1
Indonesia 5Y CDS	82	4	-5
Thailand 5Y CDS	31	-1	-2

	2-Aug	1W chg	1M chg
Brent Crude Spot ($/bbl)	61.20	-3.56%	-1.92%
Gold Spot ($/oz)	1,438.35	1.37%	1.39%
CRB	172.80	-2.86%	-2.83%
GSCI	403.17	-3.42%	-2.73%
VIX	17.87	40.27%	38.21%
CT10 (bp)	1.888%	-18.20	-8.57
AUD/USD	0.681	-1.49%	-2.66%
EUR/USD	1.109	-0.32%	-1.71%
USD/SGD	1.376	-0.48%	-1.46%
DJIA	26,583	-2.05%	-0.76%
SPX	2,954	-1.67%	-0.65%
MSCI Asiax	631	-2.71%	-4.42%
HSI	27,566	-3.60%	-4.54%
STI	3,292	-2.65%	-2.35%
KLCI	1,639	-0.81%	-3.07%
JCI	6,382	-0.31%	-0.05%

Source: Bloomberg

New Issues

- Central China Real Estate Ltd has priced a USD300mn 3NC2 bond at 7.25%, tightening from IPT at 7.375% area.
- Sinopec Group Overseas Development (2018) Ltd (Guarantor: China Petrochemical Corporation) has priced a USD2.0bn deal across 3 tranches: A USD800mn 5-year bond at T+88bps (tightening from IPT at T+110bps area), a USD700mn 10-year bond at T+110bps (tightening from IPT at T+125bps area), and a USD500mn 30-year at 3.68% (tightening from IPT at 3.85% area).
- Tibet Financial Leasing Co. has scheduled investor meetings commencing on 5 Aug for its potential USD bond issuance.

Date	Issuer	Size	Tenor	Pricing
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
30-Jul-19	Korea Land & Housing Corporation	USD100mn USD100mn	3-year FRN 2-year FRN	3M-US LIBOR+66bps 3M-US LIBOR+47bps
30-Jul-19	Emirates NBD PJSC	SGD20mn	7-year	3.06%.
29-Jul-19	Shinhan Financial Group Co Ltd	USD500mn	10.5NC5	T+150bps
29-Jul-19	Sino-Ocean Land Treasure IV Ltd	USD600mn	10-year	T+287.5bps
29-Jul-19	Malayan Banking Berhad	USD850mn	5-year FRN	3M-US LIBOR+80bps
29-Jul-19	National Australia Bank Ltd	USD1.5bn	15NC10	T+188bps
29-Jul-19	Hong Yang Group Co., Ltd	USD100mn	2-year	11.5%

Source: OCBC, Bloomberg

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