

Asian Credit Daily

Wednesday, October 2, 2019

Market Commentary

- The SGD swap curve bear-steepened yesterday, with the shorter tenors traded 2-3bps higher, while the belly and longer tenors traded 3-4bps higher.
- The Bloomberg Barclays Asia USD IG Bond Index average OAS widened 2bps to 134bps while the Bloomberg Barclays Asia USD HY Bond Index average OAS tightened 13bps to 524bps.
- Flows in SGD corporates were heavy, with large ticket flows in SOCGEN 6.125%-PERPs. We also saw flows in UBS 4.85%-PERPs, FPLSP 4.98%-PERPs, ARASP 5.6%-PERPs, STANLN 5.375%-PERPs and KITSP 4.75%-PERPs.
- 10Y USTs yields fell 3bps to close at 1.64% after yields rose to the 1.75% area earlier in the day. Yields plunged after the September ISM US manufacturing data was released, showing manufacturing activity fell to its lowest level since June 2009. Spread between 3-month treasury bills and 10-year treasury notes remains inverted, with the spread tightening to -12bps.

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Credit Summary:

- [National Australia Bank Ltd](#) | **Positive (2)**: NAB has announced additional costs for customer-related remediation and a change to its software capitalisation policy of AUD1.18bn after tax. This is expected to reduce 2HFY2019 cash earnings and earnings from discontinued operations. Additional customer remediation charges in 2HFY2019 will total AUD832mn after tax. With strong underlying cash earnings and no impact on group capital, we do not view this announcement as impacting NAB's credit profile.
- [Sembcorp Industries Ltd](#) | **Neutral (5)**: SCI announced that it has signed an agreement to sell its commercial construction business to a wholly-owned subsidiary of Chip Eng Seng ("CHIPEN", Issuer profile: Unrated) for gross proceeds of ~SGD49.9mn. This is a small transaction for SCI though in line with the company's strategy in divesting non-core asset.

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Credit Headlines

National Australia Bank Ltd (“NAB”) | Issuer Profile: Positive (2)

- NAB has announced additional costs for customer-related remediation and a change to its software capitalisation policy of AUD1.18bn after tax. According to [NAB's statement](#), this is expected to reduce 2HFY2019 cash earnings by around AUD1.12bn after tax and earnings from discontinued operations by around AUD57mn after tax.
- Additional customer remediation charges in 2HFY2019 will total AUD832mn after tax and relate to potential customer refunds of adviser service fees paid to self-employed advisers. Almost all of the charges are for wealth and insurance related matters.
- NAB added that it now has provisioned for all known material customer-related remediation matters however until all payments are completed, the final cost for all remediation issues is uncertain.
- With strong underlying cash earnings (NAB did not pass on to customers the full cut in official interest rates by the Reserve Bank of Australia) and no impact on group capital, we do not view this announcement as impacting NAB's credit profile. Issues with customer remediation and the impact on future earnings are already expected with this announcement possibly part of a reset at NAB in line with the announcement of its FY2019 results on November 7th and start of its new Group Chief Executive Officer and Managing Director Ross McEwan on December 2. (OCBC, Company, ASX)

Sembcorp Industries Ltd (“SCI”) | Issuer Profile: Neutral (5)

- SCI announced that it has signed an agreement to sell its commercial construction business to a wholly-owned subsidiary of Chip Eng Seng (“CHIPEN”, Issuer profile: Unrated) for gross proceeds of ~SGD49.9mn. This is a small transaction for SCI though in line with the company's strategy in divesting non-core asset. (Company, OCBC)

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Key Market Movements

	02-Oct	1W chg (bps)	1M chg (bps)		02-Oct	1W chg	1M chg
iTraxx Asiax IG	77	0	12	Brent Crude Spot (\$/bbl)	59.36	-4.86%	1.19%
iTraxx SovX APAC	36	1	-4	Gold Spot (\$/oz)	1,478.97	-1.67%	-3.29%
iTraxx Japan	61	-2	1	CRB	174.09	-1.75%	2.19%
iTraxx Australia	67	0	4	GSCI	402.31	-3.01%	1.32%
CDX NA IG	61	0	6	VIX	18.56	8.86%	-2.21%
CDX NA HY	106	-1	0	CT10 (%)	1.653%	-8.47	15.64
iTraxx Eur Main	55	-1	6				
iTraxx Eur XO	233	1	-19	AUD/USD	0.671	-0.58%	-0.06%
iTraxx Eur Snr Fin	64	-3	2	EUR/USD	1.094	-0.05%	-0.29%
iTraxx Eur Sub Fin	139	-5	0	USD/SGD	1.386	-0.49%	0.38%
iTraxx Sovx WE	13	-1	-3	AUD/SGD	0.930	0.09%	0.48%
USD Swap Spread 10Y	-10	4	2	ASX 200	6,649	-0.91%	1.06%
USD Swap Spread 30Y	-40	4	3	DJIA	26,573	-0.88%	0.64%
US Libor-OIS Spread	37	6	8	SPX	2,940	-0.89%	0.47%
Euro Libor-OIS Spread	5	0	-3	MSCI Asiax	617	-0.42%	1.48%
				HSI	26,092	-0.72%	1.43%
China 5Y CDS	49	1	3	STI	3,125	-0.02%	1.37%
Malaysia 5Y CDS	53	2	2	KLCI	1,587	-0.16%	-1.56%
Indonesia 5Y CDS	91	1	2	JCI	6,138	0.01%	-2.42%
Thailand 5Y CDS	31	1	1	EU Stoxx 50	3,518	-0.39%	2.50%
Australia 5Y CDS	20	0	1				

Source: Bloomberg

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New Issues

- Bharti Airtel Ltd has scheduled investor meetings/calls from 2 Oct for its proposed USD NC5.5-Perpetual bond issuance.

Date	Issuer	Size	Tenor	Pricing
27-Sep-19	Zhongliang Holdings Group Co. Ltd	USD100mn	ZHLGHD 11.5%'21s	11.75%
27-Sep-19	Hongkong Ideal Investment Ltd	USD100mn	3NP2	14.75%
26-Sep-19	BOC Aviation Ltd	USD150mn	BOCAVI 3.0%'29s	T+150bps
26-Sep-19	Li & Fung Ltd	USD400mn	5-year	T+290bps
26-Sep-19	PCPD Capital Ltd	USD130mn	PCPDC 4.75%'22s	4.53%
26-Sep-19	ReNew Power Ltd	USD90mn	RPVIN 6.67%'24s	6.3%
26-Sep-19	Central China Real Estate Ltd	USD200mn	CENCHI 6.75%'21s	7.375%
26-Sep-19	Jinan Hi-tech Holding Group Co., Ltd	USD300mn	3-year	4.5%
25-Sep-19	CNOOC Finance (2013) Ltd	USD1.0bn USD500mn	10-year 30-year	T+120bps 3.3%
25-Sep-19	Woori Bank	USD550mn	Perp-NC5	4.25%
25-Sep-19	Hongkong International (Qingdao) Co., Ltd	USD300mn	5-year	4.0%
25-Sep-19	Guangxi Liuzhou Dongcheng Investment Development Group Co., Ltd	USD300mn	3-year	7.0%
25-Sep-19	RKPF Overseas 2019 (A) Ltd	USD480mn	5NC3	6.7%

Source: OCBC, Bloomberg

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