

### Market Commentary

- The SGD swap curve bull-flattened yesterday, with the shorter tenors traded 1-4bps lower, while the belly and longer tenors traded 4-6bps lower.
- The Bloomberg Barclays Asia USD IG Bond Index average OAS was unchanged at 130.5bps and the Bloomberg Barclays Asia USD HY Bond Index average OAS tightened 1bps to 506bps. The HY-IG Index spread tightened by 1bps to 375bps.
- Flows in SGD corporates were heavy, with large ticket flows in UBS 4.85%-PERPs and CAPLSP 3.65%-PERP. We also saw flows in KITSP 4.75%-PERPs, ARASP 5.2%-PERPs, ARASP 5.6%-PERPs, ESRCAY 6.7%'22s and HSBC 4.7%-PERPs.
- 10Y USTs erased earlier declines in yields stemming from persistent uncertainty surrounding Brexit, to close mostly unchanged at 1.765%.

### Credit Summary:

- [Westpac Banking Corporation](#) | **Positive (2)**: WSTP has announced additional costs for customer-related remediation programs that will be included in 2H2019 cash earnings. According to WSTP's statement, the impact will be AUD341mn for customer remediation in 2H2019. Together with other impacts and items, total notable items for FY2019 is estimated to be at AUD1.13bn with AUD753mn recorded in 1HFY2019. WSTP is expected to announce its FY2019 results on November 7th and we will update our views following a review of the results as well as additional information on ongoing legal related matters.
- [Wing Tai Holdings Ltd](#) | **Neutral (4)**: WINGTA announced 1QFY2020 results for the quarter ended 30 Sep. Revenue rose 2% y/y to SGD79.3mn, while net profit rose 197% y/y to SGD6.8mn. Despite significant sales that resulted in SGD52.7mn net cash generated from operating activities, net gearing remained largely unchanged q/q at 11.6% (4QFY2019: 11.4%). We continue to hold WINGTA at an Issuer Profile of Neutral (4).
- [Qantas Airways Ltd](#) | **Neutral (4)**: Qantas shared its trading update for the first quarter of financial year ended 30 June 2020 ("1QFY2020"). Revenue was up 1.8% y/y to AUD4.56bn driven by stronger growth in Qantas International, with Qantas benefiting from competitors cutting capacity. In October 2019, Qantas completed the first of its three Project Sunrise research flights, with the first ultra-long haul flight from New York to Sydney (19 hours non-stop).
- [Perennial Real Estate Holdings Ltd](#) | **Neutral (5)**: PREH, Yanlord Land Group Ltd ("Yanlord") and United Engineers Ltd ("UE") has been on trading halt since the afternoon 22 Oct 2019. As of now, the trading halt has stretched into the 3rd day. According to the SGX rulebook Chapter 13 (Part II), trading halt cannot exceed 3 market days and trading halt may be changed to a suspension by the exchange. If the shares of PREH were to be suspended for more than 10 market days, this will trigger a Suspension Put, in which Noteholders have the option to redeem the note at par plus accrued interest. With just SGD60.5mn cash as of June 2019, this pales in comparison with the total outstanding amount of SGD680mn across all PREH bonds.

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**Asian Credit Daily****Credit Headlines****Westpac Banking Corporation (“WSTP”) | Issuer Profile: Positive (2)**

- Following on from [National Australia Bank Ltd](#) and [Australia & New Zealand Banking Group Ltd](#), WSTP has announced additional costs for customer-related remediation programs that will be included in 2H2019 cash earnings. According to [WSTP’s statement](#), the impact will be AUD341mn for customer remediation in 2H2019. Together with a AUD36mn impact for the reset of its wealth business from 1 April 2019 (exiting personal financial advice by salaried financial advisers and authorised representatives and cessation of BT Financial Group as a separate division), total notable (or extraordinary) items for 2H2019 will be AUD377mn. This will bring total notable items for FY2019 to AUD1.13bn with the AUD753mn recorded in 1HFY2019.
- WSTP has further broken down the customer remediation charges into (1) customer payments (including interest) (~72%) mostly for financial advice; and (2) costs associated with running these remediation programs (~28%) which spans across the Group Businesses (advice related), Business, Consumer and New Zealand divisions.
- WSTP’s additional costs are not as high as National Australia Bank Ltd’s but more than Australia & New Zealand Banking Group Ltd’s reflecting the scale of the wealth business as well as the outcomes from the Royal Commission on misconduct in the Banking industry. Additional costs could reduce WSTP’s full year earnings by around 12-14% based on our calculations and while this impact is noticeable, it’s capital position is expected to remain solid with its current APRA compliant CET1 ratio as at 30 June 2019 of 10.5% in its most recent 3Q2019 trading update. That said, with loan credit quality under some pressure as well as recent regulatory initiatives to (1) [improve the loss absorbing capacity for banks](#); (2) a probe by [the Australian Competition and Consumer Commission](#) to explore why Australia’s big banks did not pass on in full the Reserve Bank of Australia’s latest cuts to official rates; and (3) an additional proposal by the Australian Prudential Regulation Authority (“APRA”) to [update its minimum capital requirements](#), we think WSTP as well as its domestic peers will need to be more active in managing capital positions going forward.
- WSTP is expected to announce its FY2019 results on November 7th and we will update our views following a review of the results as well as additional information on ongoing legal related matters. (Company, OCBC)

## Asian Credit Daily

### Credit Headlines

#### Wing Tai Holdings Ltd (“WINGTA”) | Issuer Profile: Neutral (4)

- WINGTA announced 1QFY2020 results for the quarter ended 30 Sep. Revenue rose 2% y/y to SGD79.3mn due to more development properties sold, noting 2 units sold at Le Nouvel Ardmore for SGD32.7mn according to the URA caveats.
- WINGTA’s associates also did well, with share of profits of associated and joint ventures up 13% y/y to SGD10.5mn due to higher contributions from Wing Tai Properties Ltd in Hong Kong and Malaren Gardens in Shanghai. Meanwhile, Garden Residences (40%-owned by WINGTA) in Singapore moved 33 units worth SGD33.9mn.
- Overall, net profit rose 197% y/y to SGD6.8mn.
- Despite significant sales that resulted in SGD52.7mn net cash generated from operating activities, net gearing remained largely unchanged q/q at 11.6% (4QFY2019: 11.4%) due to the addition of an investment property of SGD50.9mn, which should be mainly related to the acquisition of a data centre in Australia. While EBITDA is not comparable on a y/y basis due to accounting changes with the adoption of SFRS(I) 16 Leases, we note that operating profit of SGD7.6mn covers SGD7.2mn of finance costs. We continue to hold WINGTA at an Issuer Profile of Neutral (4). (Company, OCBC)

#### Qantas Airways Ltd (“Qantas”) | Issuer Profile: Neutral (4)

- Qantas shared its trading update for the first quarter of financial year ended 30 June 2020 (“1QFY2020”). Revenue was up 1.8% y/y to AUD4.56bn driven by stronger growth in Qantas International, with Qantas benefiting from competitors cutting capacity.
- Revenues from Qantas domestic business fell, with Group Domestic Unit Revenue falling 0.9% y/y. Overall corporate travel demand was flat while growth in small business travel demand was slower. By industry sector, corporate demand from the Resources industry continued to be strong though the Financial Services and Telecommunications sector was weak. While premium leisure demand was steady, the price sensitive leisure demand (affects Jetstar) was slower.
- In October 2019, Qantas completed the first of its three Project Sunrise research flights, with the first ultra-long haul flight from New York to Sydney (19 hours non-stop). (Company, OCBC)

#### Perennial Real Estate Holdings Ltd (“PREH”) | Issuer Profile: Neutral (5)

- PREH, Yanlord Land Group Ltd (“Yanlord”) and United Engineers Ltd (“UE”) has been on trading halt since the afternoon 22 Oct 2019. We note that PREH and Yanlord collectively, via a consortium, owns 35.3%-stake in UE. The [Yanlord/Perennial consortium acquired most of the stake in UE in Jul 2017](#). We note the Yanlord/Perennial consortium had [previously failed to privatise UE](#) despite undertaking a general offer.
- As of now, the trading halt has stretched into the 3rd day. According to the [SGX rulebook Chapter 13 \(Part II\)](#), trading halt cannot exceed 3 market days and trading halt may be changed to a suspension by the exchange.
- If the shares of PREH were to be suspended for more than 10 market days, this will trigger a Suspension Put, in which Noteholders have the option to redeem the note at par plus accrued interest. This includes Noteholders of PREHSP 4.55% ‘20s, PREHSP 3.85% ‘20s, PREHSP 5.95% ‘20s and PREHSP 3.9% ‘21s.
- With just SGD60.5mn cash as of June 2019, this pales in comparison with the total outstanding amount of SGD680mn across all PREH bonds. As such, this will be a significant credit negative event if the Suspension Put were to be triggered. For now, we still hold PREH at a Neutral (5) Issuer Profile and we continue to monitor for updates. (Company, OCBC)

## Asian Credit Daily

### Key Market Movements

	24-Oct	1W chg (bps)	1M chg (bps)		24-Oct	1W chg	1M chg
iTraxx Asiax IG	69	-2	-6	Brent Crude Spot (\$/bbl)	60.77	1.44%	-3.69%
iTraxx SovX APAC	31	-2	-4	Gold Spot (\$/oz)	1,492.24	0.02%	-2.59%
iTraxx Japan	60	0	-2	CRB	177.30	1.33%	0.06%
iTraxx Australia	62	-1	-5	GSCI	412.75	1.83%	-0.50%
CDX NA IG	54	-1	-6	VIX	14.01	2.41%	-17.83%
CDX NA HY	107	0	0	CT10 (%)	1.757%	0.54	11.16
iTraxx Eur Main	51	-2	-5				
iTraxx Eur XO	227	-7	2	AUD/USD	0.685	0.34%	0.68%
iTraxx Eur Snr Fin	57	-4	-8	EUR/USD	1.114	0.10%	1.05%
iTraxx Eur Sub Fin	115	-10	-24	USD/SGD	1.362	0.19%	1.02%
iTraxx Sovx WE	12	0	-1	AUD/SGD	0.933	-0.13%	0.33%
USD Swap Spread 10Y	-8	0	6	ASX 200	6,704	0.28%	-0.67%
USD Swap Spread 30Y	-38	0	6	DJIA	26,834	-0.62%	0.10%
US Libor-OIS Spread	36	2	2	SPX	3,005	0.50%	1.28%
Euro Libor-OIS Spread	4	0	-1	MSCI Asiax	634	-0.33%	1.52%
				HSI	26,567	-1.05%	1.09%
China 5Y CDS	40	-2	-8	STI	3,157	1.00%	0.06%
Malaysia 5Y CDS	45	-2	-6	KLCI	1,571	-0.24%	-1.35%
Indonesia 5Y CDS	79	-6	-9	JCI	6,258	1.43%	1.96%
Thailand 5Y CDS	27	-1	-2	EU Stoxx 50	3,607	0.21%	2.12%
Australia 5Y CDS	18	-1	-2				

Source: Bloomberg

## Asian Credit Daily

### New Issues

- Republic of Indonesia priced a USD1.0bn 30-year bond at 3.75%, tightening from IPT of 4.1% area.
- AYC Finance Limited (Guarantor : Ayala Corporation) priced a USD400mn NC5-Perpetual bond at 4.85%, tightening from IPT of 5.125% area.
- CLP Power HK Finance Ltd (Guarantor: CLP Power Hong Kong Limited) priced a USD500mn NC5.25-Perpetual bond at 3.6%, tightening from IPT of 3.9% area.
- PCGI Intermediate Limited (Guarantor: PCGI Limited) priced a USD250mn 5-year bond at 4.75%, tightening from IPT of 5.25% area.
- Yuzhou Properties Company Limited (Subsidiary Guarantors: Certain of the issuer's restricted subsidiaries outside of the PRC) priced a USD500mn 5NC3 bond at 8.375%, tightening from IPT of 8.75% area.
- Huayi Finance I Ltd (Guarantor: Shanghai Huayi (Group) Company) priced a USD350mn 5-year bond at T+153bps, tightening from IPT of T+200bps area.
- Mianyang Investment Holding (Group) Co., Ltd priced a USD300mn 3-year bond at 5.95%, tightening from IPT of 6.25% area.
- Rugao Economic and Trade Development Company priced a USD150mn 3-year bond at 6.0%, in line with final guidance.

Date	Issuer	Size	Tenor	Pricing
23-Oct-19	Republic of Indonesia	USD1.0bn	30-year	3.75%
23-Oct-19	AYC Finance Limited	USD400mn	NC5-Perpetual	4.85%
23-Oct-19	CLP Power HK Finance Ltd	USD500mn	NC5.25-Perpetual	3.6%
23-Oct-19	PCGI Intermediate Limited	USD250mn	5-year	4.75%
23-Oct-19	Yuzhou Properties Company Limited	USD500mn	5NC3	8.375%
23-Oct-19	Huayi Finance I Ltd	USD350mn	5-year	T+153bps
23-Oct-19	Mianyang Investment Holding	USD300mn	3-year	5.95%
23-Oct-19	Rugao Economic and Trade Development Company	USD150mn	3-year	6.0%
23-Oct-19	Hotel Properties Ltd	SGD10mn	HPLSP 4.4%-PERPs	4.4%
22-Oct-19	Li & Fung Ltd	USD100mn	LIFUNG 4.375%'24s	4.375%
22-Oct-19	SEPCO Virgin Limited	USD300mn	NC5-Perpetual	3.55%
22-Oct-19	Hotel Properties Ltd	SGD15mn	HPLSP 4.4%-PERPs	4.4%

Source: OCBC, Bloomberg

# Treasury Research & Strategy

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## Macro Research

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