

Market Commentary

- The SGD swap curve steepened last Friday, with the shorter tenors around 1-2bps lower, while the belly and longer tenors around 0-2bps higher.
- The Bloomberg Barclays Asia USD IG Bond Index average OAS was unchanged at 128bps, and the Bloomberg Barclays Asia USD HY Bond Index average OAS widened 1bps to 510bps. The HY-IG Index spread widened 1bps to 381bps.
- Flows in SGD corporates were heavy, with flows in CAPLSP 3.65%-PERPs, UBS 4.85%-PERPs, SPHSP 4.0%-PERPs, ARASP 5.6%-PERPs, SOCGEN 6.125%-PERPs and HPLSP 4.4%-PERPs.
- 10Y UST Yields were little changed at 1.77%, with yields initially rising after stronger than expected manufacturing and services data, but offset by uncertainty regarding trade negotiations with China.

Credit Research

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Credit Summary:

- [Westpac Banking Corporation](#) | **Positive (2)**: Pressure on Westpac, its management and board continues to mount following last week's news of proceedings by Australia's financial crimes intelligence agency ('AUSTRAC') for alleged systemic breaches under the Anti-Money Laundering and Counter-Terrorism Financing Act. It has also emerged that the Australian Prudential Regulation Authority ("APRA") is also investigating Westpac for governance issues and if there are any breaches under the Banking Executive Accountability Regime ("BEAR") or there are other alternative prudential concerns. Finally, the Australian Securities and Investments Commission is also apparently considering a probe for any breaches of company law. All up, Westpac is expected to go through a destabilizing period which adds onto already known profitability pressures from lower interest rates and other customer remediation and compliance costs. We continue to watch developments of these proceedings with a view to a possible downgrade in our Issuer Profile on WSTP.

Asian Credit Daily

Credit Headlines

Westpac Banking Corporation (“WSTP”) | Issuer Profile: Positive (2):

- Pressure on Westpac, its management and board continues to mount following [last week’s news](#) of proceedings by Australia’s financial crimes intelligence agency ('AUSTRAC') for alleged systemic breaches under the Anti-Money Laundering and Counter-Terrorism Financing Act. As we mentioned, we see the impact as both financial and reputational with recent developments as follows:
 - The board has endorsed the current CEO (Brian Hartzler) to see through these proceedings although external dissatisfaction continues to build which may make his position increasingly untenable. The chairman (Lindsay Maxsted) did somewhat qualify that support however adding that his (as well as the chairman’s) position is dependent on the ongoing evaluation of what is better for the bank from a stability standpoint;
 - Westpac has closed LitePay, the product implicated in the more serious charges of payments used for child exploitation;
 - Announced it will improve payment screening through hiring an additional 200 staff focused on financial crime while also appointing a yet to be determined team of independent experts to conduct an independent accountability review;
 - Establishment of a new financial crime board sub-committee with the financial crime function reporting directly to the Chief Risk Officer;
 - Invest AUD25mn for improving data sharing to fight financial crime.
 - Withholding of all or part of bonuses from all senior executives as an interim measure while accountability is determined.
- The Chairman is having meetings with key investors this week but we think this all could be perceived as too little too late with the damage already done. While the contention is that the CEO and senior executives were not directly involved in these breaches so their accountability is unknown, the issue then is how the governance and corporate culture is within the bank and whether the seriousness of these breaches should have been reported quicker to senior management under the bank’s own risk and compliance reporting framework .
- To this end, it has also emerged that the Australian Prudential Regulation Authority (“APRA”) is also investigating Westpac for governance issues and if there are any breaches under the Banking Executive Accountability Regime (“BEAR”) or there are other alternative prudential concerns. As a reminder, [APRA previously in July](#) announced the application of additional temporary capital requirements to Australia & New Zealand Banking Group Ltd, National Australia Bank Ltd, and Westpac to address higher operational risk in each bank’s risk governance self-assessments. APRA also has the power to disqualify board and executives for breaches of BEAR.
- Finally, the Australian Securities and Investments Commission is also apparently considering a probe for any breaches of company law.
- While developments are ongoing, the next key event is the bank’s Annual General Meeting on Dec 12 where investors may vote against the board’s pay report and trigger a second strike which would allow investors to vote on a spill of the board.
- All up, Westpac is expected to go through a destabilizing period which adds onto already known profitability pressures from lower interest rates and other customer remediation and compliance costs. There may also be mounting focus on other banks, both in Australia and abroad with Citibank also indirectly mentioned as a transactional counterparty to the breaches. Citibank however is not named and not under investigation by AUSTRAC for these proceedings.
- We continue to watch developments of these proceedings with a view to a possible downgrade in our Issuer Profile on WSTP. (Company, Bloomberg, OCBC)

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Key Market Movements

	25-Nov	1W chg (bps)	1M chg (bps)		25-Nov	1W chg	1M chg
iTraxx Asiax IG	66	2	-2	Brent Crude Spot (\$/bbl)	63.34	1.44%	2.13%
iTraxx SovX APAC	31	1	0	Gold Spot (\$/oz)	1,460.45	-0.75%	-2.94%
iTraxx Japan	54	1	-6	CRB	180.37	-0.35%	1.12%
iTraxx Australia	58	2	-3	GSCI	418.93	-0.37%	0.65%
CDX NA IG	52	0	-2	VIX	12.34	2.41%	-2.45%
CDX NA HY	107	0	0	CT10 (%)	1.779%	-3.61	-1.51
iTraxx Eur Main	50	1	-1				
iTraxx Eur XO	234	2	6	AUD/USD	0.680	-0.19%	-0.37%
iTraxx Eur Snr Fin	60	1	2	EUR/USD	1.102	-0.44%	-0.51%
iTraxx Eur Sub Fin	126	4	8	USD/SGD	1.364	-0.26%	-0.07%
iTraxx Sovx WE	12	0	1	AUD/SGD	0.927	-0.14%	0.30%
USD Swap Spread 10Y	-10	0	-2	ASX 200	6,752	-0.22%	0.19%
USD Swap Spread 30Y	-37	3	1	DJIA	27,876	-0.46%	3.40%
US Libor-OIS Spread	37	1	2	SPX	3,110	-0.33%	2.90%
Euro Libor-OIS Spread	5	0	2	MSCI Asiax	648	-0.78%	1.69%
				HSI	26,595	-0.32%	-0.27%
China 5Y CDS	40	3	2	STI	3,237	-0.67%	1.61%
Malaysia 5Y CDS	43	1	-1	KLCI	1,595	-0.56%	1.62%
Indonesia 5Y CDS	75	2	-2	JCI	6,100	-0.46%	-2.43%
Thailand 5Y CDS	27	0	-1	EU Stoxx 50	3,687	-0.65%	1.73%
Australia 5Y CDS	18	1	0				

Source: Bloomberg

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New Issues

- Zhenjiang Transportation Industry Group Co. Ltd priced a USD220mn 3-year bond at 7.0%, tightening from IPT of 7.15% area.
- Yichun Development Investment Group Co., Ltd. scheduled investor conference calls on 25 Nov for its proposed USD bond issuance.
- Shaoxing Shangyu State-owned Capital Investment and Operation Co., Ltd scheduled investor conference calls on 25 Nov for its proposed USD bond issuance.
- Dalian Wanda Commercial Management Group Co., Ltd scheduled investor meetings commencing 25 Nov for its proposed USD bond issuance, to be guaranteed by Wanda Commercial Properties (Hong Kong) Co. Limited, Wanda Real Estate Investments Limited and Wanda Commercial Properties Overseas Limited.
- China State Construction International Holdings Limited scheduled investor conference calls on 22 Nov for its proposed USD bond issuance.

Date	Issuer	Size	Tenor	Pricing
22-Nov-19	Zhenjiang Transportation Industry Group Co. Ltd	USD220mn	3-year	7.0%
21-Nov-19	Zhongyuan Asset Management Co., Ltd	USD400mn	3-year	4.2%
21-Nov-19	Anton Oilfield Services Group	USD300mn	3NC2	7.875%
21-Nov-19	Yuzhou Properties Company Limited	USD500mn	5.5NC3	8.3%
21-Nov-19	Franshion Brilliant Limited	USD400mn	NC4.5 Perpetual	7.125%
21-Nov-19	China Development Bank Corporation of Hong Kong	USD300mn	2-year FRN	3m-US LIBOR+40bps
21-Nov-19	The Hongkong Land Treasury Services (Singapore) Pte. Ltd.	SGD150mn	19.25-year	3.45%
20-Nov-19	China Overseas Finance (Cayman) VIII Limited	USD294mn	10-year	T+140bps
20-Nov-19	Zhuhai Da Heng Qin Investment Co., Ltd	USD450mn	3-year	3.8%
20-Nov-19	AAC Technologies Holdings Inc	USD388mn	5NC3	T+150bps
19-Nov-19	PCGI Intermediate Holdings (II) Limited	USD250mn	5-year	5.5%
19-Nov-19	China Development Bank Corporation of Hong Kong	USD250mn	SDBC Float '24s	3m-US LIBOR+64bps
19-Nov-19	Housing & Development Board	SGD700mn	5-year	1.75%

Source: OCBC, Bloomberg

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