

Market Commentary

- The SGD swap curve bear-steepened yesterday, with the shorter tenors traded 0-2bps higher, while the belly and longer tenors traded 2-3bps higher.
- The Bloomberg Barclays Asia USD IG Bond Index average OAS widened 1bps to 130bps while the Bloomberg Barclays Asia USD HY Bond Index average OAS widened 5bps to 535bps.
- Flows in SGD corporates were heavy, with large ticket flows in ABNANV 4.75%'26s, UOBSP 3.58%-PERPs, UBS 4.85%-PERPs and HSBC 4.7%-PERPs. We also saw flows in ARASP 5.6%-PERPs, FPLSP 4.98%-PERPs, SOCGEN 6.125%-PERPs, SPHRSP 4.1%-PERPs, and F 4.125%'24s.
- 10Y USTs yields fell 4bps to 1.69% amidst escalation in political risk, after a whistle-blower complaint on President Donald Trump was released by the congressional panel, alleging that President Trump pressured Ukraine President Volodymyr Zelenskiy to investigate former Vice President Joe Biden to advance Trump's personal interest. Spread between 3-month treasury bills and 10-year treasury notes remains inverted, with the spread tightening to -8bps.

Credit Summary:

- [ABN Amro Bank N.V.](#) | **Neutral (3)**: ABN announced that it is under investigation with regards to requirements under the Act on the prevention of money laundering and financing of terrorism. The investigation relates to possible failures to report suspicious client transactions under anti-money laundering laws. There was an immediate impact on equity which closed down almost 12%, while bond prices were affected to a smaller extent. Credit impact is muted in our view, given that ABN has ample buffer before its MDA trigger level of 12.32% will be reached (current CET1 ratio: 18.0%). ABN also has around EUR200mn set aside for any potential fines. We are keeping the Neutral (3) rating on ABN for now.
- [Mapletree Commercial Trust](#) | **Neutral (3)**: MCT announced it is acquiring Mapletree Business City (Phase 2) for a total acquisition cost of SGD1575.8mn. The property has a committed occupancy rate of 99.4% with an NPI yield of 5%, above MCT's existing portfolio yield of 4.7%. MCT has proposed to issue up to SGD500mn in new equity, and fund the balance by a drawdown of loan facilities. Assuming MCT draws down SGD697.5mn from the new loan facilities, its aggregate leverage is expected to increase slightly to 33.8%, from 33.1% as of end June 2019. We expect the credit metrics of MCT to remain largely stable and we are maintaining MCT at Neutral (3) for now.
- [Commerzbank AG](#) | **Neutral (4)**: The "Commerzbank 5.0" strategic programme were discussed and approved by the Board of Managing Directors and CMZB's Supervisory Board. Key to successful implementation of the plan is an expected reduction in costs of around EUR600mn by 2023 compared to the current year to combat the weak revenue environment with CMZB expecting underlying revenues for 2019 to be flat. This is expected to help the bank achieve its targeted CET1 ratio of 12-13% (12.9% as at 30 June 2019) and return on equity of more than 4% over the medium term.

Credit Research

Andrew Wong

+65 6530 4736

WongVKAM@ocbc.com

Ezien Hoo, CFA

+65 6722 2215

EzienHoo@ocbc.com

Wong Hong Wei, CFA

+65 6722 2533

WongHongWei@ocbc.com

Seow Zhi Qi

+65 6530 7348

zhiqiseow@ocbc.com

Asian Credit Daily

Credit Headlines

ABN Amro Bank N.V. (“ABN”) | Issuer Profile: Neutral (3)

- ABN announced in a brief statement that it is under investigation with regards to requirements under the Act on the prevention of money laundering and financing of terrorism. The investigation relates to possible failures to report suspicious client transactions under anti-money laundering laws.
- This is in line with prior actions by ABN earlier in the year to review all retail client files in the Netherlands as required by the Dutch Central Bank and also expedite improvements in its customer due diligence program.
- There was an immediate noticeable negative impact on ABN’s equity which closed down almost 12% and a smaller impact on its bonds on the expectation that the investigation would result in large fines although the amount is currently unknown.
- While the equity impact is not unexpected given earnings pressure on European banks from negative interest rates, weaker economic performance, Brexit and now likely increased compliance costs, the credit impact is muted in our view given a look at a few numbers:
 - ABN’s annual net income averages around EUR2.2bn and in its 2Q2019 and 1H2019 results, its current CET1 ratio of 18.0% was above its 2019 Maximum Distributable Amount (MDA) trigger level of 12.32%. As such, ABN has the capacity for any expected fine in our view.
 - ING Groep NV, the largest Dutch bank, recently paid a record EUR775mn fine to settle an investigation into similar shortcomings.
 - Due to the earlier mentioned review of retail client files as required by the Dutch Central Bank, ABN already provided EUR114mn in the second quarter, in addition to EUR85mn provided in FY2018 for financial crime prevention. As such, there is already around EUR200mn set aside for any fine.
- While the Dutch finance minister has called the investigation worrying, we think the minister is likely speaking more as a shareholder (the government currently owns 56% in ABN). The government were previously looking at selling down their stake but with the share price down, this now looks unlikely. We are keeping the Neutral (3) rating on ABN for now. (Company, OCBC, Bloomberg)

Mapletree Commercial Trust (“MCT”) | Issuer Profile: Neutral (3)

- MCT is acquiring Mapletree Business City (Phase 2) (“MBC II”) for a total acquisition cost of SGD1,575.8mn (agreed property value: SGD1,550mn).
- This property has a committed occupancy rate of 99.4% with an NPI yield of 5%, above MCT’s existing portfolio yield of 4.7%. The average passing rent is SGD6.15 psf pm.
- MCT had previously acquired Mapletree Business City (Phase 1) in 2016. This acquisition will complete MCT’s control over the entire Alexandra Precinct, and increase MCT’s asset base by 21% to SGD8.90bn from SGD7.35bn and NPI by 22% to SGD424.6mn from SGD347.6mn.
- MCT has proposed to issue up to 500mn new equity units to partially fund the total acquisition cost and fund the balance by a drawdown of loan facilities. MCT has been granted new loan facilities of up to SGD800mn, though we do not expect MCT to fully utilise these new loan facilities. Assuming MCT draws down SGD697.5mn from the new loan facilities, its aggregate leverage is expected to increase slightly to 33.8%, from 33.1% as of end June 2019.
- The pipeline of Right of First Refusal properties for MCT includes HarbourFront Centre, HarbourFront Tower 1 and 2, SPI Development Site (otherwise known as Mapletree Lighthouse), St James Power Station and PSA Vista.
- We expect the credit metrics of MCT to remain largely stable and we are maintaining MCT at Neutral (3) for now. (Company, OCBC)

Asian Credit Daily

Credit Headlines

Commerzbank AG (“CMZB”) | Issuer Profile: Neutral (4)

- [As previously announced](#), CMZB’s ‘cornerstones’ of its draft “Commerzbank 5.0” strategic programme were discussed and approved by the Board of Managing Directors and CMZB’s Supervisory Board.
- Key aspects of the new strategic plan to improve returns on tangible equity and combat the current challenging operating environment include:
 - Focus on mobile banking franchise and rationalisation of the branch network (closure of around 20% of the current domestic network) in the Private and Small Business Customers segment;
 - Increase distribution capacity and digitisation in the Corporate Clients segment to increase market presence with Mittelstand-clients, or SMEs.
 - Total investments of EUR1.6bn comprising EUR750mn is related to investments in digitalisation, IT infrastructure and growth with the rest allocated to restructuring costs associated with the planned closure of 200 branches and net head count reduction of 2,300 comprised a 4,300 reduction and the creation of 2,000 positions in strategic area.
 - Sale of CMZB’s stake in Polish mbank S.A. which would provide resources to implement the draft strategy and also reduce risk weighted assets.
- Acquisition of the remaining 18% stake in online bank Aktiengesellschaft (“Comdirect”) it does not already own to facilitate the integration of Comdirect into its existing digital expertise at a 25% premium on the closing share price on 19 September
- Other key changes include changes in the Board of Managing Directors including the appointment of a new CFO (Bettina Orlopp) who is currently heading Compliance, Human Resources, Legal and Group Customer Process & Data Management. She succeeds Stephan Engels who previously announced his decision to leave the bank by April 2020.
- Key to successful implementation of the plan is an expected reduction in costs of around EUR600mn by 2023 compared to the current year to combat the weak revenue environment with CMZB expecting underlying revenues for 2019 to be flat. This is expected to help the bank achieve its targeted CET1 ratio of 12-13% (12.9% as at 30 June 2019) and return on equity of more than 4% over the medium term.
- We currently rate CMZB at Neutral (4) issuer profile. (Company, OCBC)

Asian Credit Daily

Key Market Movements

	27-Sep	1W chg (bps)	1M chg (bps)		27-Sep	1W chg	1M chg
iTraxx Asiax IG	76	4	10	Brent Crude Spot (\$/bbl)	62.40	-2.92%	4.86%
iTraxx SovX APAC	36	1	-6	Gold Spot (\$/oz)	1,505.81	-0.73%	-2.40%
iTraxx Japan	62	0	0	CRB	176.23	-0.86%	3.85%
iTraxx Australia	67	2	1	GSCI	411.39	-1.70%	3.88%
CDX NA IG	61	1	4	VIX	16.07	14.38%	-20.88%
CDX NA HY	107	0	1	CT10 (%)	1.692%	-2.94	22.10
iTraxx Eur Main	56	1	6				
iTraxx Eur XO	232	17	-33	AUD/USD	0.675	-0.19%	0.01%
iTraxx Eur Snr Fin	67	4	7	EUR/USD	1.092	-0.93%	-1.58%
iTraxx Eur Sub Fin	144	7	12	USD/SGD	1.382	-0.40%	0.52%
iTraxx Sovx WE	14	0	-3	AUD/SGD	0.933	-0.21%	0.46%
USD Swap Spread 10Y	-12	-1	-4	ASX 200	6,716	-0.23%	3.77%
USD Swap Spread 30Y	-43	-1	-3	DJIA	26,891	-0.75%	4.32%
US Libor-OIS Spread	33	-1	8	SPX	2,978	-0.97%	3.78%
Euro Libor-OIS Spread	5	-1	-1	MSCI Asiax	622	-1.39%	3.55%
				HSI	26,042	-1.49%	1.47%
China 5Y CDS	48	4	0	STI	3,129	-0.96%	2.01%
Malaysia 5Y CDS	52	4	-1	KLCI	1,590	-0.47%	-0.06%
Indonesia 5Y CDS	90	3	-3	JCI	6,230	-0.23%	-0.76%
Thailand 5Y CDS	30	0	-2	EU Stoxx 50	3,532	-0.58%	4.80%
Australia 5Y CDS	20	2	1				

Source: Bloomberg

Asian Credit Daily

New Issues

- BOC Aviation Ltd priced a USD150mn re-tap of its existing BOCAVI 3.0%'29s bond at T+150bps, tightening from IPG of T+170bps area.
- Li & Fung Ltd priced a USD400mn 5-year bond at T+290bps, tightening from IPT of T+300bps area.
- PCPD Capital Ltd (Guarantor: Pacific Century Premium Developments Ltd) priced a USD130mn re-tap of its existing PCPDC 4.75%'22s bond at 4.529%, tightening from IPG of 4.53% area.
- ReNew Power Ltd priced a USD90mn re-tap of its existing RPVIN 6.67%'24s bond at 6.3% plus accrued interest, in line with final guidance.
- Central China Real Estate Ltd (Subsidiary Guarantors: Certain of the Company's Restricted Subsidiaries outside the PRC) priced a USD200mn re-tap of its existing CENCHI 6.75%'21s bond at 7.375%, tightening from IPT of 7.625% area.
- Jinan Hi-tech Holding Group Co., Ltd priced a USD300mn 3-year bond at 4.5%, tightening from IPT of 4.8% area.
- Beijing Hongkun Weiye Real Estate Development Co. Ltd has mandated banks for a potential USD bond issuance.

Date	Issuer	Size	Tenor	Pricing
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

Treasury Research & Strategy

Macro Research

Selena Ling*Head of Strategy & Research*LingSSSelena@ocbc.com**Emmanuel Ng***Senior FX Strategist*NgCYEmmanuel@ocbc.com**Tommy Xie Dongming***Head of Greater China Research*XieD@ocbc.com**Terence Wu***FX Strategist*TerenceWu@ocbc.com**Howie Lee***Thailand, Korea &**Commodities*HowieLee@ocbc.com**Carie Li***Hong Kong & Macau*carierli@ocbcwh.com**Dick Yu***Hong Kong & Macau*dicksnyu@ocbcwh.com

Credit Research

Andrew Wong*Credit Research Analyst*WongVKAM@ocbc.com**Ezien Hoo, CFA***Credit Research Analyst*EzienHoo@ocbc.com**Wong Hong Wei, CFA***Credit Research Analyst*WongHongWei@ocbc.com**Seow Zhi Qi***Credit Research Analyst*ZhiQiSeow@ocbc.com

This publication is solely for information purposes only and may not be published, circulated, reproduced or distributed in whole or in part to any other person without our prior written consent. This publication should not be construed as an offer or solicitation for the subscription, purchase or sale of the securities/instruments mentioned herein. Any forecast on the economy, stock market, bond market and economic trends of the markets provided is not necessarily indicative of the future or likely performance of the securities/instruments. Whilst the information contained herein has been compiled from sources believed to be reliable and we have taken all reasonable care to ensure that the information contained in this publication is not untrue or misleading at the time of publication, we cannot guarantee and we make no representation as to its accuracy or completeness, and you should not act on it without first independently verifying its contents. The securities/instruments mentioned in this publication may not be suitable for investment by all investors. Any opinion or estimate contained in this report is subject to change without notice. We have not given any consideration to and we have not made any investigation of the investment objectives, financial situation or particular needs of the recipient or any class of persons, and accordingly, no warranty whatsoever is given and no liability whatsoever is accepted for any loss arising whether directly or indirectly as a result of the recipient or any class of persons acting on such information or opinion or estimate. This publication may cover a wide range of topics and is not intended to be a comprehensive study or to provide any recommendation or advice on personal investing or financial planning. Accordingly, they should not be relied on or treated as a substitute for specific advice concerning individual situations. Please seek advice from a financial adviser regarding the suitability of any investment product taking into account your specific investment objectives, financial situation or particular needs before you make a commitment to purchase the investment product. OCBC Bank, its related companies, their respective directors and/or employees (collectively "Related Persons") may or might have in the future interests in the investment products or the issuers mentioned herein. Such interests include effecting transactions in such investment products, and providing broking, investment banking and other financial services to such issuers. OCBC Bank and its Related Persons may also be related to, and receive fees from, providers of such investment products.

This report is intended for your sole use and information. By accepting this report, you agree that you shall not share, communicate, distribute, deliver a copy of or otherwise disclose in any way all or any part of this report or any information contained herein (such report, part thereof and information, "Relevant Materials") to any person or entity (including, without limitation, any overseas office, affiliate, parent entity, subsidiary entity or related entity) (any such person or entity, a "Relevant Entity") in breach of any law, rule, regulation, guidance or similar. In particular, you agree not to share, communicate, distribute, deliver or otherwise disclose any Relevant Materials to any Relevant Entity that is subject to the Markets in Financial Instruments Directive (2014/65/EU) ("MiFID") and the EU's Markets in Financial Instruments Regulation (600/2014) ("MiFIR") (together referred to as "MiFID II"), or any part thereof, as implemented in any jurisdiction. No member of the OCBC Group shall be liable or responsible for the compliance by you or any Relevant Entity with any law, rule, regulation, guidance or similar (including, without limitation, MiFID II, as implemented in any jurisdiction).