

Market Commentary

- The SGD swap curve bull-flattened yesterday, with the shorter tenors traded 2-3bps lower, while the longer tenors (>5yr) traded 4-5bps lower.
- The Bloomberg Barclays Asia USD IG Bond Index average OAS was unchanged at 136bps while the Bloomberg Barclays Asia USD HY Bond Index average OAS widened 2bps to 565bps.
- Flows in SGD corporates were heavy, with large ticket flows in UOBSP 3.58%-PERPs, CAPLSP 3.15%'29s, UBS 5.875%-PERPs and STANLN 5.375%-PERPs. We also saw flows in SOCGEN 6.125%-PERPs, ARTSP 3.88%-PERPs, SPHRSP 4.1%-PERPs, CS 5.625%-PERPs, SIASP 3.13%'27s, FPLSP 4.98%-PERPs, KITSP 4.75%-PERPs, MAPLSP 3.15%'31s, F 4.125%'24s and HSBC 4.7%-PERPs.
- 10Y USTs rose 1bps to 1.48%, as major stock indices turned positive, dampening demand for safe-haven treasuries. Spread between the 2-year treasury notes and 10-year treasury notes remains inverted, with the spread at -3bps, while the spread between 3-month treasury bills and 10-year treasury notes has widened to -51bps.

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

Credit Summary:

- [Landesbank Baden-Württemberg](#) | **Neutral (4)**: LBBW announced decent 1H2019 results with profit before tax up 12.9% to EUR319mn. Net fee and commission income was up 6.5% y/y while net gains on remeasurement and disposal rose 6.8% y/y. Together with other operating income performance, total operating income was up 2.9% y/y to EUR1.29bn. Allowances for losses on loans and securities rose 89.9% y/y and non-performing loan ratio continues to be solid at 0.6% as at 30 June 2019. LBBW's CET1 ratio fell h/h to 14.6% as at 30 June 2019. LBBW's management believe that its current CET1 ratio will be above anticipated future requirements. The results are consistent with LBBW's Neutral (4) issuer profile.
- [CITIC Envirotech Ltd](#) | **Neutral (5)**: CEL announced that it has secured two build-own-transfer projects with a total investment value of RMB1.685bn (~SGD372mn) in Xichang City, Sichuan Province in China. This continues on CEL's trend of contract wins though on the flipside would necessitate CEL to continue tapping financial markets and we continue to expect an increasing leverage trend at CEL.

Asian Credit Daily

Credit Headlines

Landesbank Baden-Württemberg ("LBBW") | Issuer Profile: Neutral (4)

- LBBW announced decent 1H2019 results with profit before tax up 12.9% to EUR319mn. This was driven by better business volumes, particularly in corporate and real estate customers and impacted net interest income which was up 1.9% y/y. Net fee and commission income was up 6.5% y/y due to higher financing commission and an increase in income from bond and Schuldschein (German debt instrument) issues while net gains on remeasurement and disposal rose 6.8% y/y from higher sales of securities as part of Liquidity Coverage Ratio portfolio management. Together with other operating income performance, total operating income was up 2.9% y/y to EUR1.29bn.
- At the same time, costs were managed and stable y/y with a 1.6% y/y fall in administrative expenses offset by a 14.8% y/y rise in expenses for the bank levy and deposit guarantee system. Given the solid operating income performance, the cost/income ratio improved to 71.7% in 1H2019 against 75.4% in 1H2018.
- Allowances for losses on loans and securities rose 89.9% y/y due to weaker operating conditions in Germany and is somewhat pre-emptive given the non-performing loan ratio continues to be solid at 0.6% as at 30 June 2019.
- As mentioned above, business volumes rose in corporate and real estate customers as well as in retail banking with total assets up 9.9% h/h. This along with a 1% h/h fall in common equity tier 1 capital from a rise in actuarial losses and a slight rise in the value adjustment deficit that offset retained earnings and the improvement in the revaluation reserve drove a 2.4% h/h rise in risk weighted assets and h/h fall in LBBW's CET1 ratio to 14.6% as at 30 June 2019 (15.1% as at 31 December 2018). This remains above regulatory minimum capital requirements, which have increased in line with the EU's Capital Requirements Regulations, and are set annually by the European Central Bank (ECB) on the basis of the Supervisory Review and Evaluation Process (SREP) with LBBW's CET1 capital requirement of 9.75% as at 1 March 2019. This requirement includes Pillar 2 requirements, capital conservation buffer and capital buffer for other systemically important institutions as per the German Banking Act. According to management, LBBW's current CET1 ratio would also be above anticipated future requirements.
- The results are consistent with LBBW's Neutral (4) issuer profile. (OCBC, Company)

CITIC Envirotech Ltd ("CEL") | Issuer Profile: Neutral (5)

- CEL announced that it has secure two build-own-transfer projects with a total investment value of RMB1.685bn (~SGD327mn) in Xichang City, Sichuan Province in China.
- The projects are (1) Water supply development project where CEL will design, construct and operate water supply pipelines with an investment amount of RMB1.34bn (CEL to hold 78.9%-stake) (2) Design, construction and operation of a 30,000 cbm/day wastewater treatment plant and related piping works with an investment value of RMB345mn (CEL to hold 89%-stake).
- This continues on CEL's trend of contract wins though on the flipside would necessitate CEL to continue tapping financing markets and we continue to expect an increasing leverage trend at CEL (30 June 2019: net gearing of 0.9x, inching up from 0.8x as at 30 March 2019 and 0.7x in end-2018). (Company, OCBC)

Key Market Movements

	29-Aug	1W chg (bps)	1M chg (bps)
iTraxx Asiax IG	67	2	9
iTraxx SovX APAC	42	1	4
iTraxx Japan	63	3	8
iTraxx Australia	66	2	8
CDX NA IG	55	0	2
CDX NA HY	106	0	-2
iTraxx Eur Main	50	-1	0
iTraxx Eur XO	262	-3	14
iTraxx Eur Snr Fin	61	-2	-1
iTraxx Sovx WE	17	-1	1
USD Swap Spread 10Y	-10	-2	-2
USD Swap Spread 30Y	-40	-1	-3
US Libor-OIS Spread	27	4	5
Euro Libor-OIS Spread	7	2	1
China 5Y CDS	48	2	8
Malaysia 5Y CDS	54	1	6
Indonesia 5Y CDS	94	2	16
Thailand 5Y CDS	31	0	0

	29-Aug	1W chg	1M chg
Brent Crude Spot (\$/bbl)	60.29	0.62%	-5.37%
Gold Spot (\$/oz)	1,539.35	2.76%	7.89%
CRB	171.20	0.17%	-3.71%
GSCI	400.37	0.09%	-4.34%
VIX	19.35	22.47%	50.82%
CT10 (%)	1.454%	-15.89	-61.08
AUD/USD	0.673	-0.36%	-2.45%
EUR/USD	1.109	0.05%	-0.53%
USD/SGD	1.388	-0.21%	-1.30%
DJIA	26,036	-0.64%	-4.35%
SPX	2,888	-1.25%	-4.40%
MSCI Asiax	600	-0.85%	-6.86%
HSI	25,615	-1.66%	-8.86%
STI	3,057	-2.26%	-8.65%
KLCI	1,593	-0.58%	-3.02%
JCI	6,282	0.46%	-0.28%

Source: Bloomberg

New Issues

- Hysan (MTN) Ltd (Guarantor: Hysan Development Company Ltd) has priced a USD500mn 10-year bond at T+140bps, tightening from IPT of T+160bps area.
- Korean Air Lines Co. (Guarantor: The Korea Development Bank) has priced a USD300mn 3-year bond at T+70bps, tightening from IPT of T+95bps area.
- Times China Holdings Ltd has priced a USD100mn re-tap of its existing TPHL 6.75%'23s at 6.75%.
- PSA Treasury Pte. Ltd (Guarantor: PSA International Pte. Ltd) has priced a USD500mn 10-year bond at T+77.5bps, tightening from IPT of T+100bps area.
- UBS Group AG has priced a SGD750mn NC5-Perpetual bond at 4.85%, tightening from IPT of 5% area.

Date	Issuer	Size	Tenor	Pricing
28-Aug-19	Hysan (MTN) Ltd	USD500mn	10-year	T+140bps
28-Aug-19	Korean Air Lines Co.	USD300mn	3-year	T+70bps
28-Aug-19	Times China Holdings Ltd	USD100mn	TPHL 6.75%'23s	6.75%
28-Aug-19	PSA Treasury Pte. Ltd	USD500mn	10-year	T+77.5bps
28-Aug-19	UBS Group AG	SGD750mn	NC5-Perpetual	4.85%
27-Aug-19	Chengdu Economic & Technological Development Zone Construction Development Co. Ltd	USD200mn	3-year	6.4%
26-Aug-19	Mapletree Treasury Services Ltd	SGD300mn	12-year	3.15%
26-Aug-19	Ascott Residence Trust	SGD150mn	NC5-Perpetual	3.88%
23-Aug-19	SPH REIT Management Pte. Ltd	SGD300mn	NC5-Perpetual	4.1%
22-Aug-19	CapitaLand Treasury Limited	SGD800mn	10-year	3.15%
21-Aug-19	Yanlord Land (HK) Co., Ltd	USD400mn	4.5NC2.5	6.8%
20-Aug-19	Singtel Group Treasury Pte. Ltd	USD750mn	10-year	T+90bps

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

Alan Lau

Malaysia & Indonesia

AlanLau@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).