

Market Commentary

- The SGD swap curve bull-flattened last Friday, with the shorter tenors traded 4-7bps lower, and the belly and longer tenors traded 6-8bps lower.
- The Bloomberg Barclays Asia USD IG Bond Index average OAS widened 2bps to 133bps while the Bloomberg Barclays Asia USD HY Bond Index average OAS widened 7bps to 499bps.
- Flows in SGD corporates were heavy, with flows in UOBSP 3.58%-PERPs, ESRCAY 6.75%'22s, CELSP 3.9%-PERPs, STANLN 5.375%-PERPs, FPLSP 4.98%-PERPs, CS 5.625%-PERPs, OUESP 3.55'23s, HSBC 4.7%-PERPs and OLAMSP 6.0%'22s.
- 10Y USTs fell 5bps to 1.85%, as renewed trade tensions between China and the US boosted demand for Treasuries. Spread between 3-month treasury bills and 10-year treasury notes remains inverted, with the spread widening to -20bps.

Credit Research

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Credit Summary:

- [Credit Agricole Group SA](#) | **Neutral (3)**: CAG's 2Q2019 and 1H2019 reported net income were down 12.7% and 9.8% y/y to EUR1.81bn and EUR3.16bn respectively, driven by weaker performance at Credit Agricole SA. Capital ratios remain solid with its CET1 ratio of 15.4% as at 30 June 2019 up 10bps q/q from earnings generation and favourable market conditions that offset risk weighted assets growth and other movements (-10bps). The results are within its Neutral (3) issuer profile
- [HSBC Holdings PLC](#) | **Positive (2)**: HSBC announced 1H2019 results with reported profit before tax up 15.8% y/y and 35.2% h/h, driven by a 7.6% y/y and 10.9% h/h rise in reported revenue from Retail Banking and Wealth Management and Commercial Banking while Global Banking and Markets performance was impacted by weaker market activity. Results are in line with HSBC's Positive (2) issuer profile for now. HSBC's size and operating diversity will be important in maintaining its credit profile given the challenging operating environment ahead.

Asian Credit Daily**Credit Headlines****Credit Agricole Group SA (“CAG”) | Issuer Profile: Neutral (3)**

- CAG's 2Q2019 and 1H2019 reported net income were down 12.7% and 9.8% y/y to EUR1.81bn and EUR3.16bn respectively. This was driven by weaker performance at main subsidiary Credit Agricole SA. On an underlying basis (excludes integration costs, fines, changes in goodwill value amongst others), the y/y fall was lower with 2Q2019 underlying net income down 10.2% y/y to EUR1.85bn. For 1H2019, EUR3.28bn in underlying net income was down 3.7% y/y.
- For Credit Agricole SA (comprises asset management and insurance, French retail banking International retail banking, specialized financial services and Large Customers), reported net income for 2Q2019 and 1H2019 was down 14.9% and 13.4% respectively to EUR1.22bn and EUR1.98bn. This was driven by one-off higher cost of risk in Large Customers, reportedly due to exposure to a single name. Elsewhere, 2Q2019 y/y performance was broadly stable (slightly better in asset gathering and retail banking and slightly weaker in specialized financial services. For 1H2019, all segments aside from Large Customers saw y/y growth. A 10% y/y rise in contributions to the Single Resolution Fund also impacted results. Otherwise, revenue performance was broadly stable from growth in activity that also impacted operating expenses which rose slightly. Underlying results fared better with underlying net income down 12.4% y/y and 7.6% y/y to EUR1.24bn and 2.04bn
- CAG's Regional Banks generated EUR563mn in net income for 2Q2019, down 7.5% y/y as operating expenses rose faster than revenues on solid volume growth (loans up 6.6% y/y) as well as investments in technology and cost of risk rose 35.6% y/y due to a one-off allocation. For 1H2019, net income was up 2.8% y/y to EUR1.23bn on strong y/y revenue growth which outpaced growth in operating expenses and higher cost of risk.
- CAG's capital ratios remain solid with its CET1 ratio of 15.4% as at 30 June 2019, up 10bps q/q. Earnings generation (+26bps q/q) and favourable market conditions that impacted reserves on securities portfolios (+6bps q/q) offset growth in risk weighted assets (-8bps q/q) and other movements (-10bps). This remains well above CAG's 9.5% Supervisory Review and Evaluation Process threshold which includes a global systemically important bank buffer of 1.0%.
- We continue to review the numbers but see the results as within the current Neutral (3) issuer profile. (Company, OCBC)

Asian Credit Daily**Credit Headlines (cont'd)****HSBC Holdings PLC ("HSBC") | Issuer Profile: Positive (2)**

- HSBC announced 1H2019 results with reported profit before tax up 15.8% y/y and 35.2% h/h. This was driven by a 7.6% y/y and 10.9% h/h rise in reported revenue from Retail Banking and Wealth Management and Commercial Banking while Global Banking and Markets performance was impacted by weaker market activity. At the same time, reported operating expenses were down 2.3% y/y while a noticeable 180% y/y rise in risk costs weakened the reported profit before tax growth. Excluding significant items (includes mostly disposals, acquisitions and investments as well as customer redress programmes and restructuring and other related costs), 1H2019 revenue growth was higher (+8.0% y/y) while operating expenses rose 3.5% y/y.
- Segment trends show some divergence compared to prior periods with contribution from Retail Banking and Wealth Management rising to 35.5% of total adjusted profit before tax (30.6% in 1H2018) while Global Banking and Markets contribution fell to 22.6% in 1H2019 from 29.3% in 1H2018. From a geographic perspective, Europe performance on a reported profit before tax basis was notably weaker (loss of USD520mn in 1H2019 against profit of USD110mn in 1H2018) in 1H2019 and although Asia performance partially mitigated this (+4.3% y/y), the consolidated reported profit before tax growth y/y was mostly driven by better performance in Middle East and North Africa and a recovery in performance from North America. This drove a higher contribution from Middle East and North Africa and North America to 1H2019 consolidated reported profit before tax (14% and 6% respectively) while Asia's contribution (while still dominant) fell to 78.8% in 1H2019 from 87.6% in 1H2018. Performance of HSBC's other geographic segments will be important given potential challenges to Asia performance given recent geopolitical developments in China and Hong Kong.
- HSBC's capital position improved due to strong capital generation which offset dividends and risk weighted asset growth with its CET1 ratio of 14.3% as at 30 June 2019 stable q/q and up 30bps from 14.0% as at 31 December 2018. This remains well above disclosed CET1 minimum capital requirements of 11.4% and is above HSBC's assumed range of above 14.0% through 2020. Its total loss absorbing capacity ratio of 29.3% as at 30 June 2019 is also above 2019 indicative requirements.
- Results are in line with HSBC's Positive (2) issuer profile for now. HSBC's size and operating diversity will be important in maintaining its credit profile given the challenging operating environment ahead. (OCBC, Company)

Key Market Movements

	5-Aug	1W chg (bps)	1M chg (bps)
iTraxx Asiax IG	62	4	-1
iTraxx SovX APAC	41	4	2
iTraxx Japan	59	4	1
iTraxx Australia	63	5	1
CDX NA IG	57	4	4
CDX NA HY	107	-1	-1
iTraxx Eur Main	54	4	3
iTraxx Eur XO	270	22	25
iTraxx Eur Snr Fin	66	4	5
iTraxx Sovx WE	16	1	1
USD Swap Spread 10Y	-9	-1	-4
USD Swap Spread 30Y	-39	-1	-7
US Libor-OIS Spread	24	2	9
Euro Libor-OIS Spread	6	0	1
China 5Y CDS	46	6	4
Malaysia 5Y CDS	55	7	4
Indonesia 5Y CDS	89	11	3
Thailand 5Y CDS	31	0	-1

	5-Aug	1W chg	1M chg
Brent Crude Spot (\$/bbl)	61.18	-3.97%	-4.75%
Gold Spot (\$/oz)	1,453.97	1.90%	3.90%
CRB	173.35	-2.15%	-4.11%
GSCI	407.67	-2.59%	-3.47%
VIX	17.61	44.82%	32.61%
CT10 (bp)	1.769%	-29.65	-26.53
AUD/USD	0.678	-1.75%	-2.85%
EUR/USD	1.113	-0.16%	-0.87%
USD/SGD	1.383	-0.90%	-1.68%
DJIA	26,485	-2.60%	-1.62%
SPX	2,932	-3.10%	-1.95%
MSCI Asiax	619	-3.97%	-5.68%
HSI	26,138	-7.00%	-9.16%
STI	3,199	-4.40%	-4.98%
KLCI	1,614	-2.09%	-4.10%
JCI	6,248	-0.81%	-1.97%

Source: Bloomberg

New Issues

- There were no new issues or mandates.

Date	Issuer	Size	Tenor	Pricing
1-Aug-19	Central China Real Estate Ltd	USD300mn	3NC2	7.25%,
1-Aug-19	Sinopec Group Overseas Development (2018) Ltd	USD800mn USD700mn USD500mn	5-year 10-year 30-year	T+88bps T+110bps 3.68%
31-Jul-19	Fantasia Holdings Group Company Ltd	USD100mn	FTHDGR 11.75%'22s	12.4%
30-Jul-19	China Aoyuan Group Ltd	USD250mn	CAPG 7.95%'23s	6.5%
30-Jul-19	Dexin China Holdings Company Ltd	USD200mn	2-year	14.0%
30-Jul-19	Lotte Property & Development Co., Ltd	USD300mn	3-year FRN	3M-US LIBOR+77.5bps
30-Jul-19	Korea Land & Housing Corporation	USD100mn USD100mn	3-year FRN 2-year FRN	3M-US LIBOR+66bps 3M-US LIBOR+47bps
30-Jul-19	Emirates NBD PJSC	SGD20mn	7-year	3.06%.
29-Jul-19	Shinhan Financial Group Co Ltd	USD500mn	10.5NC5	T+150bps
29-Jul-19	Sino-Ocean Land Treasure IV Ltd	USD600mn	10-year	T+287.5bps
29-Jul-19	Malayan Banking Berhad	USD850mn	5-year FRN	3M-US LIBOR+80bps
29-Jul-19	National Australia Bank Ltd	USD1.5bn	15NC10	T+188bps
29-Jul-19	Hong Yang Group Co., Ltd	USD100mn	2-year	11.5%

Source: OCBC, Bloomberg

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