

Market Commentary

- The SGD swap curve bull-flattened yesterday, with the shorter tenors unchanged while the belly and longer tenors traded 1-2bps lower.
- The Bloomberg Barclays Asia USD IG Bond Index average OAS widened 1bps to 140bps while the Bloomberg Barclays Asia USD HY Bond Index average OAS widened 15bps to 543bps.
- Flows in SGD corporates were heavy, with large ticket flows in SOCGEN 6.125%-PERPs, UOBSP 3.58%-PERPs, CS 5.625%-PERPs and STANLN 5.375%-PERPs. We also saw flows in TMGSP 4.8%'22s, FPLSP 4.98%-PERPs, BAERVX 5.75%-PERPs, CMZB 4.2%'28s and HSBC 4.7%-PERPs.
- 10Y USTs fell 1bps to close at 1.7%, as investors continued the risk-off sentiment following the escalation of the US-China trade war. Spread between 3-month treasury bills and 10-year treasury notes remains inverted, with the spread widening to -31bps.

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Credit Summary:

- [Starhub Ltd](#) | **Neutral (3)**: StarHub reported 2Q2019 results. Revenue fell 7.4% y/y to SGD552.8mn, reported EBITDA fell 5.7% y/y to SGD146.4mn, and we see that operating expenses (-17.7% y/y to SGD495.6mn) have fallen faster than revenue. Net debt to reported TTM EBITDA has increased to 1.64x (2Q2018: 1.18x). We continue to review StarHub's results. (Company, OCBC)

Asian Credit Daily**Credit Headlines****StarHub Ltd (“StarHub”) | Issuer Profile: Neutral (3)**

- StarHub reported 2Q2019 results. Revenue fell 7.4% y/y to SGD552.8mn, due to declines in the core segments of (1) Mobile (-9.9% y/y to SGD192.3mn), (2) Pay TV (-23.6% y/y to SGD64.7mn) and Broadband (-2.2% y/y to SGD45.1mn). The only outperformer is Enterprise Business (+14.6% y/y to SGD140.3mn).
 - Mobile: The decline is due to lower IDD, voice and excess data usage, roaming, data subscription and VAS (value-added services) revenues. Overall, post-paid ARPU has declined to SGD40 per month (2Q2018: SGD45 per month), despite average smartphone data usage rising to 7.5GB (2Q2018: 5.5GB).
 - Pay TV: Service revenue fell due to a fall in subscriber base to 374,000 (2Q2018: 438,000) while ARPU has also declined significantly to SGD44 per month (2Q2018: SGD53 per month).
 - Broadband: Fell due to lower average revenue per user to SGD29 per month (2Q2018: SGD32 per month) despite number of broadband customers increasing to 509,000 (2Q2018: 471,000).
 - Enterprise Business: While network solutions revenue fell 4.2% y/y to SGD104.1mn, cyber security services rose 161.4% y/y to SGD36.2mn.
- Reported EBITDA fell 5.7% y/y to SGD146.4mn, mainly due to the fall in revenue. That said, we see that operating expenses (-17.7% y/y to SGD495.6mn) have fallen faster than revenue, due to declines in cost of sales (-29.7% y/y to SGD229.8mn) and other operating expenses (-15.4% y/y to SGD228.7mn).
 - Cost of sales: Declined due to lower cost of equipment sold (-9.7% y/y to SGD104.8mn), lower cost of services (-10.7% y/y to SGD103.3mn).
 - Other operating expenses: Declined mainly due to fall in operating leases (-63.7% y/y to SGD10.1mn) with the adoption of SFRS(I) 16 Leases, which is a driver for the increase in depreciation and amortisation (+21.4% y/y to SGD85.1mn). That said, there were operating savings in staff costs (-13.8% y/y to SGD54.9mn) and repairs and maintenance (-12.6% y/y to SGD21.4mn).
- As a result, net debt to reported TTM EBITDA has increased to 1.64x (2Q2018: 1.18x). We continue to review StarHub’s results. (Company, OCBC)

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Key Market Movements

	7-Aug	1W chg (bps)	1M chg (bps)		7-Aug	1W chg	1M chg
iTraxx Asiax IG	70	13	6	Brent Crude Spot (\$/bbl)	59.14	-9.25%	-7.92%
iTraxx SovX APAC	44	7	3	Gold Spot (\$/oz)	1,486.92	5.17%	6.55%
iTraxx Japan	63	8	5	CRB	170.54	-4.38%	-5.66%
iTraxx Australia	69	11	6	GSCI	397.52	-5.72%	-5.88%
CDX NA IG	59	5	5	VIX	20.17	44.69%	51.88%
CDX NA HY	106	-1	-1	CT10 (bp)	1.691%	-32.39	-34.33
iTraxx Eur Main	57	6	6				
				AUD/USD	0.678	-0.99%	-2.80%
iTraxx Eur XO	280	27	33	EUR/USD	1.122	1.26%	0.01%
iTraxx Eur Snr Fin	69	6	7	USD/SGD	1.381	-0.46%	-1.51%
iTraxx Sovx WE	16	1	1				
				DJIA	26,030	-4.30%	-3.32%
USD Swap Spread 10Y	-10	-3	-4	SPX	2,882	-4.36%	-3.63%
USD Swap Spread 30Y	-39	-3	-7	MSCI Asiax	598	-6.41%	-8.91%
US Libor-OIS Spread	28	9	13	HSI	25,978	-6.48%	-9.72%
Euro Libor-OIS Spread	6	0	1	STI	3,177	-3.74%	-5.62%
China 5Y CDS	52	12	9	KLCI	1,607	-1.73%	-4.52%
Malaysia 5Y CDS	60	12	7	JCI	6,119	-4.04%	-3.99%
Indonesia 5Y CDS	95	17	7				
Thailand 5Y CDS	32	2	-3				

Source: Bloomberg

New Issues

- Dongxing Securities Co., Ltd has scheduled investor meetings commencing on 7 Aug for its potential USD bond issuance.
- Korean Air Lines Co., Ltd has mandated banks for its potential USD bond (guaranteed by Korea Development Bank) issuance.

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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