

Asian Credit Daily

Friday, January 10, 2020

Market Commentary

- The SGD swap curve bear-steepened yesterday, with the shorter tenors trading 1-2bps higher while the belly and longer tenors traded 3bps higher.
- The Bloomberg Barclays Asia USD IG Bond Index average OAS remained mostly unchanged at 119bps, and the Bloomberg Barclays Asia USD HY Bond Index average OAS widened 2bps to 447bps. The HY-IG Index spread widened 2bps to 328bps.
- Flows in SGD corporates were moderate, with flows in UBS 4.85%-PERPs and BACR 3.75%'30s.
- 10Y UST Yields fell by 2bps to close at 1.85%, due to strong demand at the auction for U.S. 30-year bonds.

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Credit Summary:

- [ABN AMRO Bank NV \("ABN"\)](#) | **Issuer Profile: Neutral (4)**: ABN announced that the bank's supervisory board will appoint Mr. Robert Swaak, who has previously held various senior management positions at PwC Netherlands, as the CEO of ABN for a four year term. Mr. Swaak will focus on refining and implementing ABN's strategy and priority will also be given to implement programmes relating to detecting financial crime and compliance with the growing number of rules and regulations.
- [Julius Baer Group Ltd \("JBG"\)](#) | **Issuer Profile: Neutral (3)**: JBG announced that it has been served with a renewed claim by the liquidator of a Lithuanian corporation amounting to EUR335mn (~CHF362mn) plus 5% interest since December 2011. JBG continues to contest the claim and is defending its interest on this case.
- [City Developments Ltd \("CDL"\)](#) | **Issuer Profile: Neutral (3)**: CDL is the highest bidder for the residential site at Irwell Bank Road near Great World City, amongst six other bidders. This acquisition of land will further strengthen CDL's presence within the River Valley-Grange Road area.
- [Singapore Telecommunications Ltd \("SingTel"\)](#) | **Issuer Profile: Positive (2)**: SingTel associate Bharti Airtel has proposed to raise USD2bn shares to qualified institutional investors and USD1bn foreign-currency convertible bonds. This is expected to dilute SingTel's stake in the associate from its existing 35%.
- **Market Development – Change in Quarterly Financial Reporting Requirements**: Singapore Exchange Regulation has announced that it will apply quarterly reporting requirements only for companies associated with higher risks while it is strengthening continuous disclosure requirements on all listed companies. The risk-based approach would replace the current requirement that is based on companies meeting a certain minimum market capitalisation approach. In our view, this would mean that bulk of the issuers listed on the SGX under our coverage would no longer be required to disclose quarterly financials.

Asian Credit Daily**Credit Headlines****ABN AMRO Bank NV (“ABN”) | Issuer Profile: Neutral (4)**

- ABN announced that the bank’s supervisory board will appoint Mr. Robert Swaak as the CEO of ABN for a four year term. Mr. Swaak will succeed the current CEO in April 2020 (next annual general meeting) and the appointment is subject to regulatory approval. The search of a new CEO had been flagged since June 2019. It was announced then that the current CEO Mr. Kees van Dijkhuizen will leave the bank when his term expires.
- Mr. Swaak has previously held various senior management positions at PwC Netherlands, including being Chairman of its Board of Management. Mr. Swaak will focus on refining and implementing ABN’s strategy and priority will also be given to implement improvement programmes relating to detecting financial crime and compliance with the growing number of rules and regulations.
- On the appointment, ABN’s Chairman reportedly mentioned that Mr. Swaak is experienced in advising organisations on know your customer (“KYC”) and anti-money laundering (“AML”) initiatives which factored into his appointment.
- Ongoing investigations into KYC, AML and possible implication in tax probe in Germany have added to a somewhat uncertain operating environment for ABN in 2020 though the bank [remains supported by its solid capital position](#) with its CET1 ratio at 18.2% as at 30 September 2019 (30 June 2019: 18.0%). We maintain ABN’s issuer profile at Neutral (3). (Company, OCBC)

Julius Baer Group Ltd (“JBG”) | Issuer Profile: Neutral (3)

- JBG announced that it has been served with a renewed claim by the liquidator of a Lithuanian corporation (reportedly a now bankrupted commercial bank founded in Lithuania) amounting to EUR335mn (~CHF362mn) plus 5% interest since December 2011. JBG continues to contest the claim and is defending its interest on this case.
- The administrator of the Lithuanian corporation is alleging that JBG did not prevent two of its clients from embezzling assets of the corporation. In the past, the liquidator had unsuccessfully sued JBG in Lithuania. The liquidator has since initiated court proceeding against JBG in Geneva, Switzerland.
- In 1H2019, JBG’s profit before tax was CHF418mn (FY2018: CHF894mn). (Company, Finews, OCBC)

City Developments Ltd (“CDL”) | Issuer Profile: Neutral (3)

- CDL is the highest bidder (SGD583.9mn SGD1515.10 per sq ft per plot ratio) for the residential site at Irwell Bank Road near Great World City, amongst six other bidders.
- CDL’s bid price was SGD583.9mn which translates to SGD1515.10 per sq ft per plot ratio. 4.2% higher than the bid submitted by the second highest bidder.
- This acquisition of land will further strengthen CDL’s presence within the River Valley-Grange Road area. (Company, OCBC)

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Singapore Telecommunications Ltd (“SingTel”) | Issuer Profile: Positive (2)

- SingTel associate Bharti Airtel has proposed to raise USD2bn shares to qualified institutional investors and USD1bn foreign-currency convertible bonds. Funds are likely to be used to pay its fines and capex.
- Although SingTel will not participate in the share placement as it is not a qualified institution for participation, and there is also no preferential allocation on the convertible bonds, this fund raising exercise is expected to dilute SingTel’s stake in the associate from its existing 35%. (Company, Business Times)

Market Development – Change in Quarterly Financial Reporting Requirements

- Singapore Exchange Regulation (“SGX RegCo”) has announced that it will apply quarterly reporting requirements only for companies associated with higher risks while it is strengthening continuous disclosure requirements on all listed companies.
- The risk-based approach would replace the current requirement that is based on companies meeting a certain minimum market capitalisation approach (ie: a size approach).
- Per the SGX, a risk-based approach is more appropriate as it targets companies that are of greatest concern to regulators.
- All other companies would only need to report financials on a semi-annual basis though they are encouraged to consider providing voluntary business updates in between their half-yearly financial reports.
- In our view, this would mean that bulk of the issuers listed on the SGX under our coverage would no longer be required to disclose quarterly financials. (Company, OCBC)

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Key Market Movements

	10-Jan	1W chg (bps)	1M chg (bps)		10-Jan	1W chg	1M chg
iTraxx Asiax IG	54	-1	-10	Brent Crude Spot (\$/bbl)	65.20	-4.96%	1.34%
iTraxx SovX APAC	27	-1	-3	Gold Spot (\$/oz)	1,548.58	-0.23%	5.75%
iTraxx Japan	45	2	-6	CRB	183.56	-1.06%	0.77%
iTraxx Australia	47	-2	-8	GSCI	430.60	-1.42%	1.75%
CDX NA IG	44	-2	-6	VIX	12.54	0.56%	-20.03%
CDX NA HY	110	0	2	CT10 (%)	1.862%	7.34	1.99
iTraxx Eur Main	43	-2	-4				
iTraxx Eur XO	203	-6	-18	AUD/USD	0.686	-1.31%	0.73%
iTraxx Eur Snr Fin	51	-3	-5	EUR/USD	1.110	-0.51%	0.11%
iTraxx Eur Sub Fin	107	-7	-9	USD/SGD	1.351	-0.16%	0.52%
iTraxx Sovx WE	12	0	0	AUD/SGD	0.927	1.23%	-0.21%
USD Swap Spread 10Y	-6	-2	2	ASX 200	6,913	2.67%	3.07%
USD Swap Spread 30Y	-34	-2	-1	DJIA	28,957	0.31%	3.86%
US Libor-OIS Spread	27	-5	-7	SPX	3,275	0.52%	4.54%
Euro Libor-OIS Spread	6	-1	0	MSCI Asiax	700	0.86%	7.73%
				HSI	28,639	0.66%	8.33%
China 5Y CDS	31	-2	-7	STI	3,252	0.40%	2.81%
Malaysia 5Y CDS	35	-1	-6	KLCI	1,595	-1.02%	2.12%
Indonesia 5Y CDS	62	-2	-10	JCI	6,274	-0.14%	1.47%
Thailand 5Y CDS	23	0	-4	EU Stoxx 50	3,796	0.07%	3.38%
Australia 5Y CDS	17	0	-1				

Source: Bloomberg

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New Issues

- Shangrao Investment Holdings International Company Limited priced a USD500mn 3-year bond at 4.30%, tightening from IPT of 4.70% area.
- Bank of China Limited, Hong Kong Branch priced a USD1bn 2-year bond at 3m-US LIBOR+58bps and a USD600mn 5-year bond at T+78bps, tightening from IPT of 3m-US LIBOR+85bps area and T+110bps area respectively.
- AEV International Pte Ltd priced a USD400mn 10NC5 bond at 4.20%, tightening from IPT of 4.5% area.
- PTTEP Treasury Center Co. Ltd priced a USD350mn 10-year bond at T+110bps, tightening from IPT of T+155bps area.
- Zhengzhou Urban Construction Investment Group Co., Ltd priced a USD200mn 5-year bond at 3.8%, tightening from IPT of 4.3% area.
- Central China Real Estate Ltd priced a USD200mn 4.5NC2 bond at 7.5%, tightening from IPT of 8% area.
- Westpac Banking Corporation priced a USD2.25bn debt offering in three parts: (1) a USD750mn 3-year tranche at T+42bps, (2) a USD750mn 3-year tranche at 3m-US LIBOR+39bps and (3) a USD750mn 10-year tranche at T+80bps.
- Shriram Transport Finance Company Limited priced a USD500mn 3.5-year social bond at 5.10%, tightening from IPT of 5.375% area.

Date	Issuer	Size	Tenor	Pricing
10-Jan-20	Shangrao Investment Holdings International Company Limited	USD500mn	3-year	4.30%
10-Jan-20	Bank of China Limited, Hong Kong Branch	USD1bn USD600mn	2-year 5-year	3m-US LIBOR+58bps T+78bps
10-Jan-20	AEV International Pte Ltd	USD400mn	10NC5	4.20%
10-Jan-20	PTTEP Treasury Center Co. Ltd	USD350mn	10-year	T+110bps
10-Jan-20	Zhengzhou Urban Construction Investment Group Co., Ltd	USD200mn	5-year	3.8%
10-Jan-20	Central China Real Estate Ltd	USD200mn	4.5NC2	7.5%
10-Jan-20	Westpac Banking Corporation	USD750mn USD750mn USD750mn	3-year 3-year 10-year	T+42bps 3m-US LIBOR+39bps T+80bps
10-Jan-20	Shriram Transport Finance Company Limited	USD500mn	3.5-year	5.10%
09-Jan-20	CFLD (Cayman) Investment Ltd	USD500mn USD700mn	3-year 5-year	6.9% 8.05%
09-Jan-20	Kaisa Group Holdings Ltd	USD500mn	5NC3	10.50%

Source: OCBC, Bloomberg

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