

Market Commentary

- The SGD swap curve steepened yesterday, with the 1-year and 2-year trading slightly lower while the belly and longer tenors traded 0-2bps higher.
- The Bloomberg Barclays Asia USD IG Bond Index average OAS widened 1bps to 169bps, and the Bloomberg Barclays Asia USD HY Bond Index average OAS widened 5bps to 674bps. The HY-IG Index Spread widened 4bps to 504bps.
- Flows in SGD corporates were heavy, with flows in OLAMSP 4%'26s, ARASP 5.6%-PERPs, HSBC 5%-PERPs, SOCGEN 6.125%-PERPs, STANLN 5.375%-PERPs, OLAMSP 6%'22s and STTGDC 3.13%'28s.
- 10Y UST Yields fell 3bps to 0.65% on the back of higher-than-expected weekly unemployment claims data while the auction of 30-year Treasury-Inflation Protected Securities draw tepid demand.

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, CFA

+65 6530 7348

zhiqiseow@ocbc.com

Credit Summary:

- [Keppel Corporation Ltd \("KEP"\)](#) | **Issuer Profile: Neutral (4):** KEP announced that it has received confirmation from the Office of the Comptroller General of Brazil that the administrative enforcement procedure against Keppel Offshore & Marine Ltd, Prismatic Services Ltd, Keppel Fels Ltd, Keppel FELS Brasil S.A., and BrasFELS S.A. has been suspended.
- [Wesfarmers Limited \("WESAU"\)](#) | **Issuer Profile: Neutral (3):** WESAU announced its full year results for the financial year ended 30 June 2020 ("FY2020"). Revenue was up 10.5% y/y to AUD30.8bn, driven by strong sales growth at Bunnings, Kmart, Officeworks and Catch. The company reported profit before tax (from continuing operations) of AUD2.4bn (FY2019: AUD2.8bn), down 15.2% y/y. EBITDA (based on our calculation) was AUD4.3bn in FY2020 while finance cost (which now includes interest on lease liabilities) was AUD370mn, resulting in EBITDA/Interest of 11.7x. As at 30 June 2020, WESAU's net gearing (including lease liability) was 0.75x though its gross debt-to-EBITDA was low at only 2.3x.

Asian Credit Daily

Credit Headlines

Keppel Corporation Ltd (“KEP”) | Issuer Profile: Neutral (4)

- KEP announced that it has received confirmation from the Office of the Comptroller General of Brazil (“CGU”) that the [administrative enforcement procedure \(“AEP”\)](#) against Keppel Offshore & Marine Ltd, Prismatic Services Ltd, Keppel Fels Ltd, Keppel FELS Brasil S.A., and BrasFELS S.A. has been suspended. (Company, OCBC)

Wesfarmers Limited (“WESAU”) | Issuer Profile: Neutral (3)

- WESAU announced its full year results for the financial year ended 30 June 2020 (“FY2020”). Revenue was up 10.5% y/y to AUD30.8bn, driven by strong sales growth at Bunnings, Kmart, Officeworks and Catch.
 - **Bunnings:** Overall revenue growth of 13.9% y/y to AUD15.0bn. FY2020 store-on-store growth was 14.7% y/y with sales growth driven by customers spending on home improvement projects. Company expects sales performance to moderate in FY2021 with sales pulled forward in 2HFY2020 (2HFY2020 store-on-store sales growth of 25.8% y/y).
 - **Kmart:** Excluding Catch contribution, Kmart and Target collectively saw revenue up by 3.0% y/y to AUD8.9bn. Kmart’s sales growth was 5.4% y/y though offset by a 2.6% y/y sales decline at Target. Target was loss-making for FY2020. Catch, an online retailer acquired on 12 August 2019, contributed AUD364mn in revenue for FY2020.
 - **Officeworks:** Revenue was up by 20.4% y/y to AUD2.8bn for FY2020, with strong second half sales driven by increased demand due to customers working and learning at home and a strong back-to-school trading period.
 - **Chemicals, Energy and Fertilisers (“WesCEF”):** Revenue only rose 0.3% y/y to AUD2.1bn, with volume growth in Chemicals and Fertilisers, offset by lower prices in LPG and Energy.
 - **Industrial and Safety (“WIS”):** Revenue was down 0.4% y/y to AUD1.7bn, with sales declining at the Workwear Group due to lower corporate uniform sales in Australia and the UK.
- The company reported profit before tax (from continuing operations) of AUD2.4bn (FY2019: AUD2.8bn), down 15.2% y/y.
- EBITDA (based on our calculation) was AUD4.3bn in FY2020 while finance cost (which now includes interest on lease liabilities) was AUD370mn, resulting in EBITDA/Interest of 11.7x.
- As at 30 June 2020, WESAU’s net gearing (including lease liability) was 0.75x though its gross debt-to-EBITDA was low at only 2.3x. We maintain WESAU’s issuer profile at Neutral (3). (Company, OCBC)

Asian Credit Daily

Key Market Movements

	21-Aug	1W chg (bps)	1M chg (bps)		21-Aug	1W chg	1M chg
iTraxx Asiax IG	65	0	-11	Brent Crude Spot (\$/bbl)	45.01	0.47%	1.56%
iTraxx SovX APAC	36	0	-6	Gold Spot (\$/oz)	1,952.48	0.38%	6.00%
iTraxx Japan	61	2	2	CRB	150.82	1.08%	5.84%
iTraxx Australia	68	-1	-10	GSCI	356.31	1.21%	3.82%
CDX NA IG	67	-1	-3	VIX	22.72	2.67%	-8.53%
CDX NA HY	105	1	3	CT10 (%)	0.654%	-5.53	5.37
iTraxx Eur Main	56	1	-1				
iTraxx Eur XO	338	-7	-5	AUD/USD	0.721	0.53%	1.14%
iTraxx Eur Snr Fin	66	1	0	EUR/USD	1.187	0.26%	3.00%
iTraxx Eur Sub Fin	136	2	-3	USD/SGD	1.366	0.34%	1.22%
iTraxx Sovx WE	14	--	-3	AUD/SGD	0.985	-0.20%	0.08%
USD Swap Spread 10Y	-1	0	1	ASX 200	6,152	0.43%	-0.06%
USD Swap Spread 30Y	-40	0	7	DJIA	27,740	-0.56%	3.35%
US Libor-OIS Spread	17	-2	-1	SPX	3,386	0.36%	3.94%
Euro Libor-OIS Spread	-2	-1	-4	MSCI Asiax	706	-1.02%	0.08%
China 5Y CDS	39	-1	-3	HSI	24,791	-1.74%	-3.29%
Malaysia 5Y CDS	51	0	-10	STI	2,528	-2.62%	-3.86%
Indonesia 5Y CDS	104	-2	-16	KLCI	1,575	1.20%	-0.89%
Thailand 5Y CDS	40	0	-2	JCI	5,273	1.59%	4.39%
Australia 5Y CDS	15	0	-2	EU Stoxx 50	3,274	-2.06%	-3.86%

Source: Bloomberg

Asian Credit Daily

New Issues

- Rizal Commercial Banking Corp. priced a USD300mn Additional Tier 1 PerpNC5 at 6.75%.
- Industrial Investment Overseas Limited (Guarantor: New & High (HK) Limited) priced a USD200mn 364-day bond at 3.7%, tightening from IPT of 4.15% area.
- Hongkong Electric Finance Limited (Guarantor: The Hongkong Electric Company, Limited) priced a USD500mn 10-year bond at T+130bps, tightening from IPT of T+160bps area.
- JIC Zhixin Limited (Guarantor: China Jianyin Investment Limited) priced a USD400mn 5-year note at T+125bps, tightening from IPT of T+180bps area and another USD500mn 10-year bond at T+160bps, tightening from IPT of T+210bps area.
- Nan Fung Treasury Limited (Guarantor: Nan Fung International Holdings Limited) priced a USD500mn 10-year bond at T+305bps, tightening from IPT of T+345bps area.
- Overseas Chinese Town Asia Holdings Limited (Guarantor: Overseas Chinese Town Enterprises Co Ltd) priced a USD300mn PerpNC3 at 4.5%.

Date	Issuer	Size	Tenor	Pricing
20-Aug-20	Rizal Commercial Banking Corp.	USD300mn	PerpNC5	6.75%
20-Aug-20	Industrial Investment Overseas Limited (Guarantor: New & High (HK) Limited)	USD200mn	364-day	3.7%
20-Aug-20	Hongkong Electric Finance Limited (Guarantor: The Hongkong Electric Company, Limited)	USD500mn	10-year	T+130bps
20-Aug-20	JIC Zhixin Limited (Guarantor: China Jianyin Investment Limited)	USD400mn USD500mn	5-year 10-year	T+125bps T+160bps
20-Aug-20	Nan Fung Treasury Limited (Guarantor: Nan Fung International Holdings Limited)	USD500m	10-year	T+305bps
20-Aug-20	Overseas Chinese Town Asia Holdings Limited (Guarantor: Overseas Chinese Town Enterprises Co Ltd)	USD300mn	PerpNC3	4.5%
19-Aug-20	Wynn Macau Ltd	USD250mn USD600mn	WYNMAC 5.5%'26s 8NC3	5.443% 5.625%
18-Aug-20	Yibin Grace Group Co (Guarantor: Yibin State-owned Assets Management Co Ltd)	USD140mn	3-year	3.9%
18-Aug-20	ICBCIL Finance Co. (Guarantor: ICBC Financial Leasing Co.)	USD900mn	5-year	T+147.5bps
18-Aug-20	Elect Global Investments Ltd. (Guarantor: Hysan Development Co.)	USD300mn	PerpNC3	4.85%
18-Aug-20	Yangzhou Urban Construction State-owned Asset Holding Group Co Ltd	USD300mn	3-year	3.02%

Source: OCBC, Bloomberg

Treasury Research & Strategy

Macro Research

Selena Ling

Head of Research & Strategy

LingSSSelena@ocbc.com

Howie Lee

Thailand, Korea &

Commodities

HowieLee@ocbc.com

Tommy Xie Dongming

Head of Greater China

Research

XieD@ocbc.com

Carie Li

Hong Kong & Macau

carierli@ocbcwh.com

Wellian Wiranto

Malaysia & Indonesia

WellianWiranto@ocbc.com

Dick Yu

Hong Kong & Macau

dicksnyu@ocbcwh.com

Terence Wu

FX Strategist

TerenceWu@ocbc.com

Credit Research

Andrew Wong

Credit Research Analyst

WongVKAM@ocbc.com

Ezien Hoo

Credit Research Analyst

EzienHoo@ocbc.com

Wong Hong Wei

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).