

### Market Commentary

- The SGD swap curve was lower yesterday, with the shorter and belly tenors trading 0-1bps lower while the longer tenors traded 0-2bps lower.
- The Bloomberg Barclays Asia USD IG Bond Index average OAS widened 1bps to 170bps, and the Bloomberg Barclays Asia USD HY Bond Index average OAS remained mostly unchanged at 672bps. The HY-IG Index Spread tightened 1bps to 501bps.
- Flows in SGD corporates were heavy, with flows in HSBC 5%-PERPs, STANLN 5.375%-PERPs, SIASP 3.13%'26s, CS 5.625%-PERPs, HSBC 4.7%-PERPs, LBBW 3.75%'27s, SINTEC 4.05%'25s, SPHSP 3.2%'30s and UBS 4.85%-PERPs.
- 10Y UST Yields fell 3bps to 0.67%, as investors were concerned about the probability of new pandemic lockdowns, election uncertainty and the weak performance of stock market over the past few days.

### Credit Research

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### Credit Summary:

- **Industry Outlook – Financial Institutions, [HSBC Holdings PLC \(“HSBC”\)](#) | Issuer Profile: Neutral (3), [Julius Baer Group Ltd \(“JBG”\)](#) | Issuer Profile: Neutral (3):** Risk off sentiments have hit financial institutions following an investigation by the International Consortium of Investigative Journalists that around 90 banks globally had processed more than USD2 trillion in transactions between 1999 and 2017 after they had been flagged by internal compliance officers as being suspicious and possibly connected to money laundering or other criminal activities. One of the banks identified was HSBC, which adds to the financial institution’s conundrum as it remains caught in the middle of political tensions between China and the US as well as industry and fundamental challenges amidst COVID-19. The announcement, as well as rising COVID-19 cases, has also resulted in JBG cancelling its proposed USD350mn PerpNC7 Additional Tier 1 issue.
- **[Keppel Corp Ltd \(“KEP”\)](#) | Issuer Profile: Neutral (4):** KEP’s offshore arm, Keppel Offshore & Marine Ltd (“KOM”) has through its wholly-owned subsidiaries, Keppel AmFELS and Keppel Shipyard, won contracts worth ~SGD200mn combined. Furthermore, the Keppel Shipyard is undertaking the conversion of a liquefied natural gas carrier into a floating storage and regasification unit (“FSRU”).
- **[Westpac Banking Corporation \(“Westpac”\)](#) | Issuer Profile: Positive (2):** Westpac announced the appointment of Chris de Bruin as Chief Executive of its Consumer division. Mr de Bruin, who has more than 24 years’ experience in the financial services industry globally, will commence in the role in early 2021.

**Asian Credit Daily****Credit Headlines****Industry Outlook – Financial Institutions, HSBC Holdings PLC (“HSBC”) | Issuer Profile: Neutral (3), Julius Baer Group Ltd (“JBG”) | Issuer Profile: Neutral (3)**

- Risk off sentiments have hit financial institutions following an investigation by the International Consortium of Investigative Journalists that around 90 banks globally had processed more than USD2 trillion in transactions between 1999 and 2017 after they had been flagged by internal compliance officers as being suspicious and possibly connected to money laundering or other criminal activities. The investigation was based on over 2,000 suspicious activity reports that banks are required to file with the U.S. Department of Treasury’s Financial Crimes Enforcement Network.
- According to Bloomberg, suspicious activity report volumes increased substantially in the past 10 years following a tightening of anti-money laundering laws and the enforcement of large fines from around 60,000 in 2012 to 2,000,000 in recent years. Law enforcement agencies investigate around 4% of these reports according to the Bank Policy Institute while only 1% of illicit money in the financial system is confiscated according to United Nations estimates.
- While Deutsche Bank AG and JP Morgan were identified as the top two banks by volume, many other banks were identified globally including HSBC. This adds to the multiple issues facing HSBC as it remains caught in the middle of political tensions between China and the US as well as industry and fundamental challenges amidst COVID-19. These challenges previously necessitated the announcement of HSBC’s updated strategic plan during its FY2019 results announcement in February 2020, with COVID-19 now forcing an acceleration and amplification of these changes after initially delaying them.
- It also resulted in JBG cancelling its proposed USD350mn PerpNC7 Additional Tier 1 issue due to the news as well as rising COVID-19 cases. This was despite the coupon being apparently fixed at the lowest US dollar AT1 coupon for a European bank.
- Compliance and anti-money laundering issues are not new for financial institutions and are expected to add pressure to earnings through higher regulatory costs. As mentioned in our Monthly Credit View for September, financial institution fundamentals have a clear negative bias as government support to the economy is likely to reduce or become more targeted, economic outlooks remain weak (albeit there is some recent improvement in views) while earnings pressures for Financial Institutions remain from low interest rates and rising credit costs. We think much of the prevailing uncertainty for financial institutions will slowly disappear in 2H2020 when we may see the impact of COVID-19 on bank balance sheets as government support winds down and banks themselves become more discerning in their loan deferrals. (Bloomberg, OCBC)

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

- KEP’s offshore arm, Keppel Offshore & Marine Ltd (“KOM”) has through its wholly-owned subsidiaries, Keppel AmFELS and Keppel Shipyard, won contracts worth ~SGD200mn combined. Keppel AmFELS will be constructing a high-specification trailing suction hopper dredger (“TSHD”). The TSHD will be Jones Act Compliant and will be a highly automated vessel.
- The Keppel Shipyard is undertaking the conversion of a liquefied natural gas carrier into a floating storage and regasification unit (“FSRU”). (Company)

## Asian Credit Daily

### Credit Headlines

#### Westpac Banking Corporation (“Westpac”) | Issuer Profile: Positive (2)

- Westpac announced the appointment of Chris de Bruin as Chief Executive of its Consumer division. Mr de Bruin has more than 24 years’ experience in the financial services industry globally, most recently with Deem in Dubai, where he was Chief Executive Officer since 2018.
- Mr de Bruin also previously worked at Standard Chartered PLC for 13 years in a number of senior roles across Asia and the Middle East, with his last position as Global Head Retail Products and Digital Banking. Mr de Bruin also spent one year based in Toronto as President of Digital Platform at Zafin, a financial technology provider with involvement in engineering, product development, digital ecosystem and investment in new technologies.
- Subject to regulatory approvals, Mr de Bruin will commence in the role in early 2021. (Company, Bloomberg, OCBC)

## Asian Credit Daily

### Key Market Movements

	22-Sep	1W chg (bps)	1M chg (bps)		22-Sep	1W chg	1M chg
iTraxx Asiax IG	74	17	11	<b>Brent Crude Spot (\$/bbl)</b>	41.61	2.66%	-6.18%
iTraxx SovX APAC	34	2	0	<b>Gold Spot (\$/oz)</b>	1,910.45	-2.24%	-0.96%
iTraxx Japan	0	1	0	<b>CRB</b>	147.82	0.04%	-1.42%
iTraxx Australia	73	12	7	<b>GSCI</b>	347.36	0.64%	-1.70%
CDX NA IG	53	-15	-13	<b>VIX</b>	27.78	7.47%	23.25%
CDX NA HY	106	-1	1	<b>CT10 (%)</b>	0.666%	-0.65	3.76
iTraxx Eur Main	57	3	4				
iTraxx Eur XO	327	13	0	<b>AUD/USD</b>	0.722	-1.10%	0.82%
iTraxx Eur Snr Fin	78	15	15	<b>EUR/USD</b>	1.177	-0.68%	-0.18%
iTraxx Eur Sub Fin	152	22	22	<b>USD/SGD</b>	1.362	-0.10%	0.62%
iTraxx Sovx WE	14	0	-1	<b>AUD/SGD</b>	0.984	1.01%	-0.22%
<b>USD Swap Spread 10Y</b>	1	0	2	<b>ASX 200</b>	5,782	-1.92%	-5.39%
<b>USD Swap Spread 30Y</b>	-36	-1	1	<b>DJIA</b>	27,148	-3.02%	-2.80%
<b>US Libor-OIS Spread</b>	15	-2	-3	<b>SPX</b>	3,281	-3.03%	-3.42%
<b>Euro Libor-OIS Spread</b>	-3	-2	-1	<b>MSCI Asiax</b>	719	-1.29%	0.56%
				<b>HSI</b>	23,896	-3.38%	-4.85%
<b>China 5Y CDS</b>	44	8	7	<b>STI</b>	2,470	-0.64%	-2.31%
<b>Malaysia 5Y CDS</b>	52	7	3	<b>KLCI</b>	1,508	-0.21%	-4.37%
<b>Indonesia 5Y CDS</b>	108	17	10	<b>JCI</b>	4,967	-2.62%	-5.80%
<b>Thailand 5Y CDS</b>	43	6	4	<b>EU Stoxx 50</b>	3,161	-4.70%	-3.03%
<b>Australia 5Y CDS</b>	17	2	2				

Source: Bloomberg

## Asian Credit Daily

### New Issues

- CCBL Cayman 1 Corp Ltd (Guarantor: CCB Leasing International Corp DAC) priced USD200mn 5-year at T+152.5bps, tightening from IPT of T+195bps area and another USD100mn 10-year at T+190bps, tightening from IPT of T+220bps area respectively.
- Sdoe Development I Co. Ltd. (Guarantor: Shandong Marine Group Ltd) priced a USD200mn WNG 3-year at 4.8%, tightening from IPT of 5.25% area.
- The Government of Mongolia, Korea National Oil Corporation, Power Construction Corporation of China, Perenti Global Ltd., Taiwan Semiconductor Manufacturing Company Limited, and China Merchants Bank Co., Ltd. Singapore Branch and China Merchants Bank Co., Ltd. Luxembourg Branch have arranged investor calls commencing on 21 September for proposed bond offerings respectively.

Date	Issuer	Size	Tenor	Pricing
21-Sep-20	CCBL Cayman 1 Corp Ltd (Guarantor: CCB Leasing International Corp DAC)	USD200mn USD100mn	5-year 10-year	T+152.5bps T+190bps
21-Sep-20	Sdoe Development I Co. Ltd. (Guarantor: Shandong Marine Group Ltd)	USD200mn	3-year	4.8%
17-Sep-20	Xianjin Industry Investment Co. (Guarantor: Hefei Industry Investment Holding (Group) Co.)	USD300mn	3-year	2.95%
17-Sep-20	Jining High Tech Urban Construction Investment Co Ltd	USD82mn	JIHITE 5.5%'23s	5.5%
17-Sep-20	Tingyi Cayman Islands Holding Corp	USD500mn	5-year	T+147.5bps
17-Sep-20	China Aoyuan Group Ltd	USD350mn	5.5NC3	6.2%
17-Sep-20	Concord New Energy Group Ltd	USD90mn	3-year	10.75%
17-Sep-20	China Construction Bank Corp. Singapore Branch	SGD500mn	3-year	1.073%
17-Sep-20	GSH Corporation Limited	SGD30mn	GSHSP 5.2%'22s	5.2%
16-Sep-20	Industrial and Commercial Bank of China Ltd.	USD2.9bn	PerpNC5	3.58%
16-Sep-20	Trafigura Funding SA (Guarantors: Trafigura Group Pte. Ltd. and Trafigura Trading LLC & Trafigura Pte Ltd)	USD400mn	5-year	5.875%
16-Sep-20	Scentre Group Trust 2	USD1.5bn USD1.5bn	60NC6 60NC10	4.75% 5.125%
16-Sep-20	Taiwan Semiconductor Manufacturing Company, Ltd.	USD1bn	40NC5	2.7%

Source: OCBC, Bloomberg

# Treasury Research & Strategy

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## Macro Research

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