

Market Commentary

- The SGD swap curve slightly rose yesterday, with the shorter and belly tenors trading slightly higher while the longer tenors traded 1bps higher.
- The Bloomberg Barclays Asia USD IG Bond Index average OAS remained mostly unchanged at 171bps, and the Bloomberg Barclays Asia USD HY Bond Index average OAS remained mostly unchanged at 679bps. The HY-IG Index Spread tightened 1bps to 508bps.
- Flows in SGD corporates were heavy, with flows in HSBC 4.7%-PERPs, HSBC 5%-PERPs, UBS 5.875%-PERPs, CS 5.625%-PERPs, UBS 4.85%-PERPs, DBSSP 3.98%-PERPs, CAPLSP 2.9%'32s, SINTEC 4.05%'25s, SIASP 3.035%'25s, SIASP 3.13%'27s and STANLN 5.375%-PERPs.
- 10Y UST Yields remained mostly unchanged at 0.67% despite a solid 5-year treasury auction. Additionally, Fed officials reaffirmed the Fed's stand of adopting an accommodative monetary policy until inflation hits 2%.

Credit Summary:

- [Westpac Banking Corporation \(“Westpac”\)](#) | **Issuer Profile: Positive (2):** Westpac has announced it will pay a AUD1.3bn fine, the biggest in Australian corporate history, to settle breaches of anti-money laundering laws and for failing to stop child exploitation payments. Westpac also announced that it will increase the AUD900mn provision in its accounts for the year ending 30 September 2020 by a further AUD404mn to account for the higher estimated penalty as well as additional costs, including AUSTRAC’s legal costs of AUD3.75mn.
- [GuocoLand Ltd \(“GUOL”\)](#) | **Issuer Profile: Neutral (5):** GUOL announced that it has entered into an agreement to sell a cultural building in Shanghai, which was formerly known as Guoson Mall, for RMB610mn (SGD120.8mn). Although the net book value of the property is about RMB576mn (SGD114.1mn), GUOL is expected to book a net loss of SGD13.5mn due to taxes arising from the transaction.
- [CMA CGM \(acquired Neptune Orient Lines, “NOL”\)](#) | **Issuer Profile: Negative (6):** CMA CGM has agreed to buy a 30% stake in a private French airline company Groupe Dubreuil Aero (“Dubreuil Aero”) for EUR70mn and will obtain two seats on the board. CMA CGM will provide logistics expertise to develop Dubreuil Aero cargo activity through Hi Line Cargo, a subsidiary tasked with commercial distribution of freight on both Air Caraïbes and French Bee’s aircrafts.

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

Asian Credit Daily**Credit Headlines****Westpac Banking Corporation (“Westpac”) | Issuer Profile: Positive (2)**

- Westpac has announced it will pay a AUD1.3bn fine to settle breaches of anti-money laundering laws and for failing to stop child exploitation payments. This is somewhat in the middle of the range of previously discussed outcomes with Westpac previously setting aside AUD900mn in its 1H2020 results while Australia’s financial crimes regulator, the Australian Transaction Reports and Analysis Centre (AUSTRAC) was seeking a fine of around AUD1.5bn.
- The settlement amount, the largest in Australian corporate history, looks to have adequately reflected the larger scale and severity of the breaches compared to the previous penalty for breaching anti-money laundering laws by Commonwealth Bank of Australia (“CBA”) which paid a AUD700mn settlement.
- Working against Westpac in settlement negotiations was the uncovering of an additional 76,000 breaches in addition to the initial 23 million breaches announced by AUSTRAC in November 2019 as well as failing to report around AUD11bn in international transfers, however the size of the fine was likely to be noticeably higher than CBA’s given the quantum involved.
- Westpac announced that it will increase the AUD900mn provision in its accounts for the year ending 30 September 2020 by a further AUD404mn to account for the higher estimated penalty as well as additional costs, including AUSTRAC’s legal costs of AUD3.75mn. Westpac did not pay an interim dividend in June 2020, deferring the decision in early May on paying any dividends until the COVID-19 situation and impact becomes clearer. The impact of the AUSTRAC investigation no doubt played a part in the decision at this time and could help cover the additional provision.
- We will evaluate Westpac’s issuer profile considering the additional fine together with its FY2020 results that are scheduled to be announced 2nd November 2020. While settlement of this case reduces one layer of uncertainty facing Westpac, which can now move forward to tackle the current industry challenges with recently appointed Chairman John Mcfarlane and CEO Peter King, ongoing higher expenses on compliance are expected to ensure its promised improvements for addressing financial crime are effectively implemented. According to the Australian Financial Review, CBA has invested around AUD1bn annually since its settlement with AUSTRAC on its risk and compliance systems and has also had to contend with an enforceable undertaking to implement certain regulatory undertakings as well as higher capital requirements. The Australian Prudential Regulation Authority previously levied a AUD1bn additional capital requirement on CBA following a [Prudential Inquiry in May 2018](#) that resulted in a request for other Australian banks to review their own management of non-financial risks. (Company, Bloomberg, Australian Financial Review, OCBC)

GuocoLand Ltd (“GUOL”) | Issuer Profile: Neutral (5)

- GUOL announced that it has entered into an agreement to sell a cultural building in Shanghai, which was formerly known as Guoson Mall, for RMB610mn (SGD120.8mn).
- Although the net book value of the property is about RMB576mn (SGD114.1mn), GUOL is expected to book a net loss of SGD13.5mn due to taxes arising from the transaction.
- The divestment is slightly credit positive as we expect ~SGD100mn in net proceeds. We continue to hold GUOL at a Neutral (5) Issuer Profile. (Company, OCBC)

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Credit Headlines

CMA CGM (acquired Neptune Orient Lines, “NOL”) | Issuer Profile: Negative (6)

- CMA CGM has agreed to buy a 30% stake in a private French airline company Groupe Dubreuil Aero (“Dubreuil Aero”) for EUR70mn. CMA CGM will also obtain two seats on the board of Dubreuil Aero.
- Dubreuil Aero, the aviation division of Dubreuil Group, is a shareholder of Air Caraibes and French Bee lines.
 - Air Caraibes is a French airline founded through the merger of various local airlines. As at Sep 2020, Air Caraibes has a fleet of 13 aircrafts.
 - French Bee, the sister company of Air Caraibes, is a low-cost, long-haul airline. As at Aug 2020, French Bee has a fleet of four Airbus A350.
- CMA CGM will provide logistics expertise to develop Dubreuil Aero cargo activity through Hi Line Cargo, a subsidiary tasked with commercial distribution of freight on both Air Caraibes and French Bee’s aircrafts.
- The transaction is subject to the approval of the competition authorities and is expected to be finalised before the end of the year.
- Briefly, Dubreuil Group is a diversified family group that was founded almost 95 years ago. It has business interests in the distribution of automobile, petroleum products and energy, public construction equipment and agricultural equipment, on top of its involved in the hotel and air transport industry. (Company, OCBC).

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Key Market Movements

	24-Sep	1W chg (bps)	1M chg (bps)		24-Sep	1W chg	1M chg
iTraxx Asiax IG	73	15	10	Brent Crude Spot (\$/bbl)	41.39	-4.41%	-8.29%
iTraxx SovX APAC	34	2	-1	Gold Spot (\$/oz)	1,859.16	-4.39%	-3.61%
iTraxx Japan	66	5	5	CRB	147.74	-2.02%	-2.33%
iTraxx Australia	75	13	8	GSCI	347.73	-1.21%	-2.37%
CDX NA IG	57	-12	-9	VIX	28.58	9.75%	27.76%
CDX NA HY	105	-2	0	CT10 (%)	0.672%	-1.63	1.82
iTraxx Eur Main	58	3	4				
iTraxx Eur XO	333	35	7	AUD/USD	0.707	-3.27%	-1.24%
iTraxx Eur Snr Fin	77	14	15	EUR/USD	1.167	-1.49%	-0.98%
iTraxx Eur Sub Fin	153	23	23	USD/SGD	1.372	-1.08%	-0.08%
iTraxx Sovx WE	12	-1	-2	AUD/SGD	0.970	2.26%	1.16%
USD Swap Spread 10Y	1	1	2	ASX 200	5,845	-0.65%	-4.65%
USD Swap Spread 30Y	-35	1	3	DJIA	26,763	-4.53%	-5.46%
US Libor-OIS Spread	14	0	-2	SPX	3,237	-4.39%	-5.66%
Euro Libor-OIS Spread	-3	-1	-1	MSCI Asiax	711	-1.85%	-2.15%
				HSI	23,743	-3.98%	-7.08%
China 5Y CDS	45	8	8	STI	2,481	-0.96%	-2.26%
Malaysia 5Y CDS	51	6	2	KLCI	1,496	-2.27%	-4.60%
Indonesia 5Y CDS	112	18	13	JCI	4,918	-2.78%	-6.80%
Thailand 5Y CDS	44	7	5	EU Stoxx 50	3,180	-4.75%	-4.55%
Australia 5Y CDS	17	2	2				

Source: Bloomberg

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New Issues

- Perenti Finance Pty Ltd (Guarantor: Perenti Global Ltd) priced a USD450mn 5NC2 bond at 6.50%, tightening from IPT of 6.75% area.
- CFLD Cayman Investment Ltd (Guarantor: China Fortune Land Development Co. Ltd) priced a USD330mn 2-year bond at 8.75%, tightening from IPT of 8.9% area.
- Kaisa Group Holdings Ltd priced a USD200mn PerpNC3 at 10.875%, tightening from IPT of 11.125% area.
- Powerlong Real Estate Holdings Ltd priced a USD150mn re-tap of its PWRLNG 6.25%'24s at 5.9%.
- Korea National Oil Corp priced a USD400mn 5-year bond at T+70bps, tightening from IPT of T+110bps area and another USD300mn 10-year bond at T+100bps, tightening from IPT of T+130bps area.
- TSMC Global Ltd. priced a USD1bn 5-year bond at T+50bps, tightening from IPT of T+80bps area, a USD750mn 7-year bond at T+60bps, tightening from IPT of T+90bps area and another USD1.25bn 10-year bond at T+80bps, tightening from IPT of T+110bps area respectively.

Date	Issuer	Size	Tenor	Pricing
23-Sep-20	Perenti Finance Pty Ltd (Guarantor: Perenti Global Ltd)	USD450mn	5NC2	6.50%
23-Sep-20	CFLD Cayman Investment Ltd (Guarantor: China Fortune Land Development Co. Ltd)	USD330mn	2-year	8.75%
23-Sep-20	Kaisa Group Holdings Ltd	USD200mn	PerpNC3	10.875%
23-Sep-20	Powerlong Real Estate Holdings Ltd	USD150mn	PWRLNG 6.25%'24s	5.9%
23-Sep-20	Korea National Oil Corp	USD400mn USD300mn	5-year 10-year	T+70bps T+100bps
23-Sep-20	TSMC Global Ltd.	USD1bn USD750mn USD1.25bn	5-year 7-year 10-year	T+50bps T+60bps T+80bps
22-Sep-20	China Merchants Bank Co Ltd/Luxembourg Branch	USD300mn	3-year	T+95bps
22-Sep-20	China Merchants Bank Singapore Branch	USD400mn	3-year	3m-US LIBOR+85bps
22-Sep-20	Zhejiang Baron BVI Co Ltd (Guarantors: Hangzhou Jianggan District Urban Construction & Comprehensive Development Co Ltd)	USD200mn	3-year	2.8%
22-Sep-20	DianJian Haiyu Ltd. (Guarantor: Power Construction Corp. of China)	USD300mn	PerpNC5	3.45%
22-Sep-20	China Development Bank Financial Leasing Co Ltd	USD700mn	10NC5	T+275bps

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

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