OCBC TREASURY RESEARCH

Asian Credit Daily

Monday, August 03, 2020

Market Commentary

- The SGD swap curve was range bound last Friday, with most tenors trading almost flat.
- The Bloomberg Barclays Asia USD IG Bond Index average OAS remained mostly unchanged at 180bps, and the Bloomberg Barclays Asia USD HY Bond Index average OAS widened 1bps to 706bps. The HY-IG Index Spread widened 1bps to 526bps.
- There were no flows in SGD corporates last Friday.
- 10Y UST Yields fell 2bps to 0.53%, beating the previous record lows on March 9, despite stocks continued to rally.

Credit Research

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Credit Summary:

- **Heeton Holdings Ltd ("HHL") | Issuer Profile: Negative (6):** HHL announced a negative profit warning and expects to report a net loss for 1H2020. HHL's businesses have been impacted by movement and travel restrictions, with its malls and hotels seeing decrease in rentals, room occupancies and revenue.
- **Standard Chartered PLC ("StanChart") | Issuer Profile: Neutral (4):** StanChart's 1H2020 results were somewhat constructive in the current environment. Including credit impairments however, underlying profit before tax fell 25% y/y to USD2.0bn while statutory profit before tax was down 33% y/y to USD1.6bn.
- **BNP Paribas SA ("BNPP") | Issuer Profile: Neutral (3):** BNPP reported its 2Q2020 and 1H2020 results with pre-tax income down 7.4% and 18.8% respectively y/y to EUR3.1bn and EUR4.9bn.
- **Aspial Corp Ltd ("Aspial") | Issuer Profile: Negative (6):** Aspial reported 1H2020 results. Revenue declined 25% y/y to SGD234.2mn, mainly due to decrease in contribution from real estate business and jewellery business though financial service business saw an increase in revenue.
- **Keppel Corporation Ltd ("KEP") | Issuer Profile: Neutral (4):** KEP announced its 2Q2020 and 1H2020 financial results. 2Q2020 revenue was down 25.7% y/y to SGD1.3bn. KEP ended the quarter with a net loss of SGD697.6mn in 2Q2020, which means that the material adverse clause which is one of the pre-conditions of the Offeror's conditional partial takeover offer for KEP has not been met.
- **Credit Suisse Group AG ("CS") | Issuer Profile: Neutral (4):** CS announced solid 2Q2020 numbers with pre-tax income of CHF1.6bn up 19% y/y on an 11% y/y rise in net revenues. 1H2020 results were similarly solid with pre-tax income up 16% y/y on a 9% y/y rise in net revenues.
- **HSBC Holdings PLC ("HSBC") | Issuer Profile: Neutral (3):** HSBC announced 1H2020 results with reported profit before tax down 65% y/y to USD4.3bn. HSBC's credit provisions were USD6.9bn in 1H2020, up from USD1.2bn in 1H2019.
- **Société Générale ("SocGen") | Issuer Profile: Neutral (4):** SocGen reported another quarterly loss with reported group net losses of EUR1.26bn for 2Q2020. For 1H2020, reported group net loss was EUR1.59bn driven by EUR2.1bn in net cost of risk as well as impairment losses on goodwill.

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Credit Headlines

Heeton Holdings Ltd ("HHL") | Issuer Profile: Negative (6)

- HHL announced a negative profit warning and expects to report a net loss for 1H2020. HHL's businesses have been impacted by movement and travel restrictions, with its malls and hotels seeing decrease in rentals, room occupancies and revenue. We continue to maintain HHL at a Negative (6) Issuer Profile. (Company, OCBC)

Standard Chartered PLC ("StanChart") | Issuer Profile: Neutral (4)

- StanChart's 1H2020 results were somewhat constructive in the current environment with pre-provision operating profit up 22% y/y to USD3.3bn. Including credit impairments however, underlying profit before tax fell 25% y/y to USD2.0bn while statutory profit before tax was down 33% y/y to USD1.6bn due to goodwill impairments in India in 1Q2020.
- Of note was positive JAWS with income up 5% y/y (7% in constant currency terms) on solid performance in financial markets that offset a 9% y/y fall in net interest income despite higher volumes and other debit valuation adjustment movements. At the same time expenses were 7% lower (2% in constant currency terms) on ongoing cost control measures. As expected, net interest margins fell noticeably by 26bps to 1.40% for 1H2020 (-24bps in 2Q2020 to 1.28%).
- Credit impairments continue to drive overall results up by USD1.31bn to USD1.57bn in 1H2020. Of this, around 43% relate to Stage 1 and Stage 2 impairments and the rest to Stage 3 although management have indicated that there were no new significant Stage 3 exposures in 2Q2020. Around half of the Stage 1 and Stage 2 impairments is due to management overlay. Stage 3 loans and advances to customers rose 19% h/h to USD8.8bn from Corporate & Institutional Banking with the non-performing loan ratio rising 40bps to 3.1% as at 30 June 2020 as loans growth was lower at 3% h/h. Coverage ratios weakened due to write-offs of fully provided exposures and new downgrades that attracted lower levels of provisions with the stage 3 cover ratio at 60% as at 30 June 2020 (68% as at 31 December 2019. Including collateral, the coverage ratio fell to 80% from 85% over the same period.
- Despite the fall in earnings, StanChart's CET1 rose 90bps q/q and 50bps compared to 31 December 2019 to 14.3% as at 30 June 2020. This was due to a 1% h/h reduction in risk weighted assets as a result of the sale of PT Bank Permata Tbk (+50bps impact) that offset COVID-19 related asset growth and credit migration while CET1 capital rose 3% q/q and h/h. The CET1 ratio remains above the regulatory minimum requirement of 10.0% and above its 13-14% medium-term target range. Ratios reflect the recent decision to cancel the final dividend for 2019 and suspend its share buy-back program while the minimum 10.0% requirement reflects reduced minimum requirements including a reduction in counter-cyclical buffers in the UK and Hong Kong.
- StanChart appears cautiously optimistic about its outlook given its geographic focus could place them in a better position for a recovery compared to other regions, particularly in developed markets where the virus continues to spread. While Europe and Americas 1H2020 profit before tax performance showed a strong y/y improvement, this was driven by the financial markets business which may not be sustainable. On the other hand, its largest market of Greater China & North Asia saw a relatively smaller y/y fall in 1H2020 profit before tax (-15%) as positive income performance was offset by a rise in impairments.
- For now, we see no reason to alter our Neutral (4) issuer profile. (Company, OCBC)

Credit Headlines

BNP Paribas SA ("BNPP") | Issuer Profile: Neutral (3)

- BNPP reported its 2Q2020 and 1H2020 results with pre-tax income down 7.4% and 18.8% respectively y/y to EUR3.1bn and EUR4.9bn respectively. The key positive in the results are the positive JAWs in its operating divisions while the key negative remains the substantial rise in risk costs.
- Gross operating income rose 14.5% y/y and 9.0% y/y for 2Q2020 and 1H2020. Revenue performance was somewhat resilient due to strong performance in Corporate and Institutional Banking in all businesses. Revenues in Corporate Banking (+15.0% on higher origination activity), Global Markets (+63.5% on Fixed Income, Currencies and Commodities performance), and Securities Services (+3.6% on higher transaction volumes) together grew solidly in Corporate and Institutional Banking to offset a 11.2% y/y rise in 2Q2020 expenses given the higher activity levels. This offset the impact of low interest rates and reduced fees in other operating divisions. At the same time, consolidated operating expenses fell y/y by 1.3% and 2.4% for 2Q2020 and 1H2020 respectively despite increased expenditure related to restructuring, IT reinforcement costs, staff security measures and higher contributions to the Single Resolution Fund from lower branch network costs and other cost saving measures.
- The cost of risk continues to be materially higher y/y with 2Q2020 and 1H2020 provisions at EUR1.45bn and EUR2.87bn respectively, up 133.0% and 106.7% y/y. Contributing to the growth is updated macro-economic scenarios by geography and sector that resulted in a EUR329mn increase in risk costs. That said the q/q movement is more muted at a 1.5% q/q rise while BNPP's non-performing loan ratio remains stable h/h at 2.2% as at 30 June 2020. According to BNP, 7.1% of total gross commitments are from 'at-risk' sectors including aircraft, hotels, tourism and leisure, non-food retail, transport and storage and oil and gas although the majority of these exposures are viewed currently as investment grade. The stage 3 coverage ratio was 72.3% as at 30 June 2020, down slightly from 74.0% as at 31 December 2019.
- From a segment perspective, Corporate and Institutional Banking continues to perform better y/y (operating income up 47.0% y/y for 2Q2020) while both Domestic Markets and International Financial Services dropped 22.2% and 35.4% y/y respectively. Similar trends are seen in 1H2020 results however the respective contributions of all the operating divisions are more balanced due to 1Q2020 with Corporate and Institutional Banking (+11.9% y/y for 1H2020), Domestic Markets (-17.5% y/y) and International Financial Services (-43.7% y/y) contributing 38.4%, 31.5% and 30.1% respectively to 1H2020 consolidated operating income.
- Capital ratios improved 40bps q/q to 12.4% as at 30 June 2020 on earnings contribution (+20bps) and positive impacts from regulatory changes (+20bps) while risk weighted assets were stable and remains above the 12.0% CET1 ratio target announced in 2017 as part of its 2020 plan and well above its 2020 CET1 requirement of 9.22% (previously 9.31%) that was recently lowered due to the removal of Countercyclical Buffers. The liquidity coverage ratio was 133% as at 30 June 2020, up 3bps against 31 March 2020. BNPP also remains far above its Maximum Distributable Amount Restrictions level of 9.3% which represents a buffer of EUR21.8bn according to management.

(To be continued on the next page…)

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Credit Headlines

BNP Paribas SA ("BNPP") | Issuer Profile: Neutral (3)

- BNPP's prior economic recovery expectations of FY2020 net income to fall 15-20% against FY2019 appears to be holding with the bank expecting a stronger than anticipated rebound in Europe. The side-effects from the market dislocation and BNPP's solid expense performance has assisted in preserving its capital position and as such the Neutral (3) issuer profile continues to hold recognizing BNPP's existing business franchise that should help it recover as economies begin to normalize. (Company, OCBC)

Aspial Corp Ltd ("Aspial") | Issuer Profile: Negative (6)

- Aspial reported 1H2020 results. Revenue declined 25% y/y to SGD234.2mn, mainly due to decrease in contribution from real estate business (-38.6% y/y to SGD98.7mn) and jewellery business (-46.4% y/y to SGD34.0mn) though financial service business (+102.7% y/y to SGD102.8mn comprising Maxi-Cash) saw an increase in revenue.
- By reported pre-tax profit, real estate business saw a decline of 25% y/y to SGD4.2mn due to lower revenue. Meanwhile, financial service business pre-tax profit rose 76.9% y/y to SGD12.1mn due to increase in contributions from pawnbroking and trading while jewellery business turned into a small pre-tax profit of SGD0.1mn (1H2019: pre-tax loss of SGD2.1mn) due to grants and rebates related to staff and rental costs.
- For the real estate business, revenue will be dependent on Australia 108 with the project expecting to be completed in 3Q2020 (as of 30 Jul, 98% of the construction has been completed).
- Liquidity looks very tight with SGD65.0mn of cash, which is lower than SGD141.89mn outstanding from ASPSP 5.25% '20s due on 28 August 2020. There is also SGD478.7mn in bank loans (excluding Maxi-Cash: SGD252.1mn). Aside from cash, Aspial intends to repay the outstanding bonds through bank facilities, expected proceeds from settlements and handover of Australia 108, cashflow from operations and potential divestments as well as other external financing.
- With Australia 108 located in Melbourne which is facing night-time curfew and certain businesses asked to shutdown to contain the outbreak of COVID-19, this may result in delays in the settlements and handover of units. While Aspial hold certain assets (e.g. Aspial's 64.7%-stake in Maxi-Cash is worth SGD92.5mn), we think it is uncertain if asset disposals can proceed in time to generate the required cashflows to meet the debt obligations. As such, we think Aspial will be highly dependent on banks and other sources of external financing.
- We are reviewing Aspial for a downgrade in Issuer Profile. (Company, OCBC)

Credit Headlines

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

- KEP announced its 2Q2020 and 1H2020 financial results. 2Q2020 revenue was down 25.7% y/y to SGD1.3bn, with the reduction driven by the Offshore & Marine division ("KOM") from lower level of activities including reduced workforce in the Singapore yards, reduction in revenue from the Property Division (from lower contribution in Property Trading - China, partly offset by higher revenue from Property Trading – Singapore) and lower revenue from the Infrastructure Division (lower sale in power and gas businesses and slower progress from COVID-19 disruption at the Keppel Marina East Desalination Plant project and the Hong Kong Integrated Waste Management Facility project) and lower contribution from the logistics business from divestments of some China logistics assets. The Investment Division also saw lower revenue from M1 Limited and the asset management business.
- Per company's calculated number, KEP reported a loss before interest, tax, depreciation and amortisation of SGD322mn in 2Q2020 (2Q2019: SGD262mn). This was driven by impairments, particularly at KOM. Excluding impairments, 2Q2020 EBITDA (based on company's calculation) would have been at SGD370mn, higher than 2Q2019 by 41% y/y. In 2Q2020, KEP recorded provisions on contract assets, doubtful debts and stocks, fair value loss on investments and share of impairment provisions from its associate Floatel International Ltd.
- As at 30 June 2020, unadjusted net gearing was higher at 1.0x (31 March 2020: 0.88x). The higher unadjusted net gearing was driven by both higher average debt balance from higher debt taken (including to fulfil dividend payment and cover the operating cash flow gap) while book value equity corroded by 7%, largely from the hit from impairments.
- KEP ended the quarter with a net loss of SGD697.6mn in 2Q2020 (2Q2019: SGD153.4mn). KEP has confirmed that this loss means that the material adverse clause (MAC clause) which is one of the pre-condition of the Offeror's conditional partial takeover offer for KEP has not been met. The Offeror, namely Kyanite Investment Holdings Pte Ltd (an indirect wholly-owned subsidiary of Temasek Holdings (Private) Limited ("Temasek")) has the right to waive the condition and complete the acquisition if it still opts to do so.
- However, as of writing, equity investors has imputed a low probability that this is the case with KEP's share price down by 13% since early July 2020 when the media first speculated that Temasek is prepared to drop the bid due to the MAC being triggered. Temasek currently holds a ~20%-stake in the company and if the deal goes through would see Temasek's stake increase to ~51%.
- On 1 August 2020, Temasek's financial adviser announced that the Offeror has not made a decision with regards to the MAC though will announce their decision by 31 August 2020.
- Per KEP, it has no banking lines which are conditional upon Temasek being the major shareholder of Keppel. Assuming the deal fails, we expect Temasek's stake in Keppel to stay at ~20%. Our issuer profile on KEP has been on a standalone basis without factoring in an uplift from Temasek and would stay as such whether or not Temasek ultimately emerges as a major shareholder. We are monitoring KEP's issuer profile for a downgrade on the back of the issuer's higher leverage levels. (Bloomberg, Company, OCBC)

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Credit Headlines

Credit Suisse Group AG ("CS") | Issuer Profile: Neutral (4)

- CS announced solid 2Q2020 numbers with pre-tax income of CHF1.6bn up 19% y/y on an 11% y/y rise in net revenues. 1H2020 results were similarly solid with pre-tax income up 16% y/y on a 9% y/y rise in net revenues. These results are the highest for a second quarter and first half in the past 10 years according to management.
- That said, reminders of the COVID-19 are still present in the result with credit loss provisions still materially above FY2019 numbers with 2Q2020 and 1H2020 provisions at CHF296mn and CHF864mn respectively, up from CHF25mn and CHF106mn in 2Q2019 and 1H2019. Of note though is the noticeable drop in 2Q2020 provisions (CHF296mn) against 1Q2020 provisions (CHF568mn). Almost half of the 2Q2020 provisions were due to pro-active recognition of credit losses under the Current Expected Credit Losses methodology as required under US GAAP with provisions broadly split amongst the operating divisions with CHF81mn in Asia Pacific, CHF77mn in Global Markets, CHF67mn in Investment Banking & Capital Markets, CHF35mn in International Wealth Management and CHF30mn in Swiss Universal Bank.
- Operating expense growth was muted at +2% y/y in 2Q2020 and -2% y/y in 1H2020 – this was against y/y net revenue growth of 11% and 9% for 2Q2019 and 1H2019 respectively. This was driven by investment banking revenues that rose 38% y/y in 2Q2020 25% y/y in 1H2020 on a USD basis due to good performance in both Investment Banking & Capital Markets and Markets related activities.
- Turning to the balance sheet, total Assets under Management ("AuM") was CHF1.4tr as at 30 June 2020 with net new assets ("NNA") of CHF9.8bn in 2Q2020, higher than CHF5.8bn in 1Q2020 bringing total NNA for 1H2020 to CHF15.6bn. NNAs for 2Q2020 came from International Wealth Management (+CHF5.9bn) and Asia-Pacific (+CHF4.5bn). Overall AuM was stable q/q as favourable market movements and NNA offset negative foreign exchange-related effects.
- With the solid results, CS' CET1 ratio was 12.5% as at 30 June 2020, stable y/y and up 40bps q/q. The ratio remains above Basel III minimum CET1 ratio of 8.0% as well as higher obligations for systemically important banks under Swiss legislation of 10.0%. As such, CS announced their intention to distribute the full FY2019 dividend amount originally proposed but subsequently deferred at the request of the regulator to preserve capital strength in the face of COVID-19.
- CS also announced the restructuring of its existing businesses – this reflects more underlying trends that have been accentuated by COVID-19 in management's view with these moves contemplated following the successful completion of its prior three year plan to 2018 in order to ensure CS remains a leading wealth manager with strong global investment banking capabilities. Key aspects of the restructure that will be effective from 1 August 2020 include:
    - Creation of a global Investment Bank and Global Trading Solutions and globally integrated Equities platform;
    - Combining the Chief Risk and Compliance Officer functions to solidify the control function;
    - Creating a new Sustainability, Research & Investment Solutions (SRI) function to fulfil their ambition to be sustainability finance leader.

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Credit Headlines

Credit Suisse Group AG ("CS") | Issuer Profile: Neutral (4)

- Together with other refinements in wealth management to accelerate growth (including the ongoing deployment of capital), CS aims to generate annual savings of around CHF400mn per annum from 2022 and achieve a Return on Tangible Equity of 10% to 12% in the medium-term and maintain a CET1 ratio of approximately 12%. Management also expect that the restructuring will result in expenses of around CHF300-400mn over the next year.
- CS strong results appear to have given management the freedom to try and chart their own course forward rather than be constrained by COVID-19. While provisioning indicates ongoing uncertainty, the bank's solid capital position and business segments provides a position of strength to enter 2H2020. We maintain our Neutral (4) issuer profile on CS for now. (Company, OCBC)

HSBC Holdings PLC ("HSBC") | Issuer Profile: Neutral (3)

- HSBC's 1H2020 results reflecting the multiple challenges facing the bank as it attempts to both restructure and combat the impact of COVID-19 with reported profit before tax down 65% y/y to USD4.3bn. This was due to earnings challenges from lower revenues and higher credit provisions as well as capitalized software impairments in HSBC Bank plc to reflect expected underperformance and a deterioration in future forecasts.
- Reported revenues were down 9% y/y due to lower interest rates (net interest margins fell 18bps y/y to 1.43% in 1H2020 and down 21bps q/q to 1.33% in 2Q2020) and other negative market impacts on life insurance volumes and valuations in Global Banking and Markets. Revenues also reflected the absence of USD828mn recorded in 1H2019 as a dilution gain on the completion of a merger with an associate. This offset stronger revenue in Global Markets, higher lending volumes from corporate clients who drew on existing and new credit lines and a 4% y/y fall in operating expenses (adjusted operating expenses -5% y/y) due to lower performance-related pay and reduced discretionary costs.
- HSBC's credit provisions were USD6.9bn in 1H2020, up from USD1.2bn in 1H2019. All global businesses saw a rise in credit provisions reflecting both weaker expectations on the economic outlook but also including specific charges on wholesale exposures including one in Commercial Banking within Singapore. By region, UK saw a rise in credit provisions q/q while Asia decreased 20% q/q. Stage 3 credit provisions in 2Q2020 of around USD1.5bn was stable q/q while Stage 1 and 2 credit provisions rose 80.6% compared to 4Q2019. Stage 3 loans as a percentage of total loans and advances to customers was 1.7% as at 30 June 2020, up from 1.4% as at 31 March 2020.
- By region, Asia continues to drive earnings with 1H2020 reported profit before tax in Asia of USD7.37bn contributing more than 171% to group reported profit before tax of USD4.32bn. Other regions' reported profit before tax performance was impacted by the rise in credit provisions, mostly in Europe hence the previously mentioned write-down. Europe reported a net loss before tax of USD3.06bn while other regions (MENA, North America, Latin America) contributed minimally to overall performance.

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Credit Headlines

HSBC Holdings PLC ("HSBC") | Issuer Profile: Neutral (3)

- HSBC continues to see uncertainties for 2H2020 on both the COVID-19 path and elevated geopolitical risk in its main markets of HKSAR and the UK. This has resulted in a wide range of outcomes for credit provisioning for the remainder of FY2020 of between USD1.1bn to USD6.1bn although what is interesting to note is HSBC's more bearish view with assumptions for full year credit provisioning now higher than at 1Q2020 reflecting weaker economic forecasts, actual loss experience in 2Q2020 and the likely ongoing impact from lower global interest rates and reduced customer activity. With stronger external headwinds, management are seeking to accelerate HSBC's transformation program and increase cost reductions and risk weighted asset reductions which is reportedly not going as fast as CEO Noel Quinn would like. This is hoped to reduce pressure on earnings and hence HSBC's capital position.
- HSBC's CET1 ratio improved to 15.0% as at 30 June 2020 against 14.6% as at 31 March 2020 and 14.7% as at 31 December 2019, and at the top of its CET1 ratio in the range of 14-15%. The final dividend cancellation had a positive impact on the ratio as did earnings generation and other movements. This was impacted by changes in risk weighted assets which mostly resulted in changes in credit risk weighted assets from credit migration.
- The current operating environment is now exposing underlying fundamental weaknesses in an accelerated manner – these weaknesses previously necessitated the announcement of HSBC's updated strategic plan during its FY2019 results announcement in February 2020 and COVID-19 is now forcing an acceleration of these changes after initially delaying them. Mixed amongst these influences are additional challenges from geopolitical influences between China and the US. While we continue to review the numbers, we do expect that current results remain within the bounds of our Neutral (3) issuer profile. That said, the range of outcomes and impacts to HSBC for 2H2020 remain wide considering the operating environment and HSBC's ongoing execution of its substantial restructuring plan. (Company, OCBC)

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Credit Headlines

Société Générale ("SocGen") | Issuer Profile: Neutral (4)

- SocGen reported another quarterly loss with reported group net losses of EUR1.26bn for 2Q2020. This was driven by EUR1.28bn in net cost of risk and EUR684mn in impairment losses on goodwill. For 1H2020, reported group net loss was EUR1.59bn driven by EUR2.1bn in net cost of risk as well as the aforementioned impairment losses on goodwill.
- JAWs was negative for SocGen reflecting a higher fall in net banking income than the fall in operating expenses. Driving the fall in net banking income was the significant decline in activity in French Retail Banking and International Retail Banking and Financial Services. Global Banking & Investor Solutions net banking income was 17.0% lower y/y in 2Q2020.
- Reflecting a more muted economic outlook and weaker performance, the net cost of risk as a percentage of outstanding loans rose to 97bps in 2Q2020 against 65bps in 1Q2020. Of the EUR1.28bn in net cost of risk, 51% relate to Stage 1 and Stage 2 exposures with 75% of this related to weaker macro-economic scenarios. The 1H2020 net cost of risk was at 81bps with management expecting the range for 2020 to be between 70-100bps. The gross doubtful outstandings ratio was 3.2% as at 30 June 30 2020, marginally higher than 3.1% as at 31 March 2020. The gross coverage ratio for doubtful outstandings was 54% as at June 30th 2020 against 55% as at 31 March 31 2020.
- As a result of the net loss in 2Q2020 (-7bps impact to CET1 ratio) and organic risk weighted asset movements (-15bps), SocGen's CET1 ratio of 12.5% as at 30 June 2020 was marginally down from 12.6% as at 31 March 2020 (12.7% as at 31 December 2019). Other movements related to regulatory and other support measures related to COVID-19 largely cancelled each other out. The CET1 ratio remains well above the regulatory requirement and Minimum Distributable Amount requirement of 9.05% (a 345bps buffer) and SocGen's guidance of operating 200-250bps above the regulatory requirement. Management are expecting the ratio to be at the top of its 11.5%-12% range for 2020. The group's total loss absorbing capacity ("TLAC ") ratio was at 28.5% also remains above minimum TLAC requirements of 19.5% and minimum MREL requirement of 24.4%.
- SocGen's capital buffer remains a support for the current Neutral (4) Issuer profile and its importance is rising as the earnings outlook remains weak and COVID-19 developments remain uncertain as evidenced by the wide range in the net cost of risk range for 2020. We continue to review the numbers. (Company, OCBC)

Key Market Movements

	3-Aug	1W chg (bps)	1M chg (bps)
iTraxx Asiax IG	73	-2	-7
iTraxx SovX APAC	41	-1	-3
iTraxx Japan	62	2	3
iTraxx Australia	76	-1	-7
CDX NA IG	69	-1	-5
CDX NA HY	103	1	3
iTraxx Eur Main	60	1	-3
iTraxx Eur XO	376	17	3
iTraxx Eur Snr Fin	73	5	-2
iTraxx Eur Sub Fin	153	9	-8
iTraxx Sovx WE	16	0	-2
USD Swap Spread 10Y	-1	0	2
USD Swap Spread 30Y	-42	-1	7
US Libor-OIS Spread	18	-2	-3
Euro Libor-OIS Spread	1	0	-3
China 5Y CDS	43	-1	-2
Malaysia 5Y CDS	58	-2	-8
Indonesia 5Y CDS	116	-2	-5
Thailand 5Y CDS	42	0	0

	3-Aug	1W chg	1M chg
Brent Crude Spot ($/bbl)	43.47	0.14%	1.57%
Gold Spot ($/oz)	1,980.73	1.98%	11.53%
CRB	143.69	0.45%	2.20%
GSCI	339.82	-0.64%	2.09%
VIX	24.46	-5.34%	-11.63%
CT10 (%)	0.535%	-8.04	-13.46
AUD/USD	0.714	-0.10%	2.93%
EUR/USD	1.178	0.26%	4.75%
USD/SGD	1.375	0.28%	1.43%
AUD/SGD	0.982	0.39%	-1.44%
ASX 200	5,915	-2.13%	-2.35%
DJIA	26,428	-0.16%	2.33%
SPX	3,271	1.73%	4.51%
MSCI Asiax	701	1.27%	3.95%
HSI	24,595	-0.45%	-3.07%
STI	2,530	-3.16%	-2.32%
KLCI	1,604	-0.17%	6.85%
JCI	5,150	0.09%	4.98%
EU Stoxx 50	3,174	-4.12%	-3.64%

Source: Bloomberg

New Issues

- Future Days Limited priced a USD125mn 5-year zero coupon bond.

Date	Issuer	Size	Tenor	Pricing
31-Jul-20	Future Days	USD125mn	5-year	0%
30-Jul-20	Redco Group	USD220mn	2-year	12.875%
29-Jul-20	State Grid Overseas Investment 2016 Ltd (Guarantor: State Grid Corp of China)	USD300mn USD1.15bn	5-year 10-year	T+88bps T+118bps
29-Jul-20	Sunac China Holdings Ltd	USD500mn	4NC2	6.85%
29-Jul-20	Ronshine China Holdings Ltd	USD200mn	4NC2	6.75%
29-Jul-20	Chong Hing Bank Limited	USD50mn	CHOHIN 5.50%'PerpNC5	5.50%
29-Jul-20	CIFI Holdings Group Co Ltd.	USD200mn	CIFIHG 5.95%'25s	5.95%
29-Jul-20	Korea Development Bank	SGD20mn	1-year	3m-SIBOR+26bps
28-Jul-20	China Construction Bank Corporation Hong Kong Branch	USD500mn USD700mn	3-year 5-year	T+93bps T+105bps
28-Jul-20	Country Garden Holdings Company Limited	USD500mn USD500mn	5.5NC3.5 10NC5	4.2% 4.8%
28-Jul-20	Haimen Zhongnan Investment Development (International) Co., Ltd. (Guarantor: Jiangsu Zhongnan Construction Group Co., Ltd.)	USD200mn	364-day	9.35%
28-Jul-20	CSCIF Asia Limited (Guarantor: CSC Financial Co., Ltd.)	USD500mn	5-year	T+150bps
28-Jul-20	Adani Ports & Special Economic Zone Ltd	USD750mn	7-year	4.2%
27-Jul-20	Chong Hing Bank Limited	USD250mn	PerpNC5	5.50%

Source: OCBC, Bloomberg

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