

### Market Commentary

- The SGD swap curve bear steepened yesterday, with the shorter and belly tenors trading slightly lower while the longer tenors traded 1-3bps higher with the exception of the 10-year traded 1bps lower.
- The Bloomberg Barclays Asia USD IG Bond Index average OAS tightened 3bps to 177bps, and the Bloomberg Barclays Asia USD HY Bond Index average OAS tightened 2bps to 704bps. The HY-IG Index Spread widened 1bps to 527bps.
- Flows in SGD corporates were heavy, with flows in UBS 4.85%-PERPs, NTUCSP 3.1%'50s, OLAMSP 5.5%-PERPs, CMZB 4.875%'27s, SRENVX 3.125%'35s, STANLN 5.375%-PERPs, HSBC 4.7%-PERPs, HRINTH 3.8%'25s, STTGDC 3.13%'28s, CS 5.625%-PERPs, HSBC 5%-PERPs, NOLSP 4.4%'21s and CAPLSP 3.08%'27s.
- 10Y UST Yields gained 3bps to 0.56% as upbeat manufacturing data across the US, Europe and China suggested sign for global economic recovery.

### Credit Research

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### Credit Summary:

- [Commerzbank AG \("CMZB"\)](#) | **Issuer Profile: Neutral (4):** CMZB has appointed Hans-Jörg Vetter as its new supervisory board chairman. Mr Vetter's appointment reportedly is still subject to court approval, however the selection clears the way for the start of a search for a new CEO to replace current CEO Martin Zielke, who will stay on until the end of the year or until a successor is appointed.
- [Century Sunshine Group Holdings Limited \("CENSUN"\)](#) | **Issuer Profile: Unrated:** CENSUN announced that the company and the joint provisional liquidators are currently attempting to reach beneficial holders of the sole SGD bonds in relation to a potential restructuring of the bonds.
- [China Aoyuan Group Limited \("CAPG"\)](#) | **Issuer Profile: Negative (6):** CAPG has announced that for July 2020, it has achieved unaudited property contracted sales of ~RMB9.55bn (m/m down 46%) and up 43% on a y/y basis. For 7M2020, accumulated unaudited property contracted sales was RMB60.42bn (7M2019: RMB60.28bn), up 0.2% y/y.
- [Frasers Property Ltd \("FPL"\)](#) | **Issuer Profile: Neutral (5):** FPL announced the proposed sale of two freehold properties (a logistics facility in Australia and a business park in UK) for a total consideration of SGD89.9mn to Frasers Logistics & Commercial Trust.
- [Wharf Holdings Ltd \("WHARF"\)](#) | **Neutral (3):** WHARF reported half year 2020 results. Revenue fell by 31%y/y to HKD5.6bn with all segments declining, operating profit too fell by 32%y/y to HKD2.5bn. WHARF continues to have healthy liquidity with short term debt at HKD6.4bn against HKD18.3bn cash on hand.
- [Groupe BPCE \("GBPC"\)](#) / [BPCE SA](#) | **Issuer Profile: Neutral (3):** GBPC reported a challenging set of 2Q2020 and 1H2020 results however its capital position continues to provide a buffer against a challenging outlook. Income before tax fell 82.8% y/y and 66.6% y/y respectively for 2Q2020 and 1H2020 to EUR282mn and EUR829mn.

## Asian Credit Daily

### Credit Headlines

#### **Commerzbank AG ("CMZB") | Issuer Profile: Neutral (4)**

- CMZB has appointed Hans-Jörg Vetter as its new supervisory board chairman. Mr Vetter was previously the Chief Executive Officer of Landesbank Baden-Württemberg from 2008-2016.
- While Mr Vetter received support from CMZB's largest shareholder the German Government, his appointment was opposed by the second largest shareholder Cerberus Capital Management LP who felt his experience in a state-owned bank may not translate into a private and publicly traded bank.
- Mr Vetter's appointment reportedly is still subject to court approval, however the selection clears the way for the start of a search for a new CEO to replace current CEO Martin Zielke, who will stay on until the end of the year or until a successor is appointed.
- Mr Zielke was in the midst of formalizing a restructuring plan for CMZB when he announced he was stepping down following pressure from Cerberus Capital Management LP who were dissatisfied with prior restructuring attempts and CMZB's languishing share price. It remains uncertain how a proposed restructuring of CMZB would take shape. It had been reported that as part of a new strategy that Mr Zielke was planning, job cuts would be raised to 10,000 or a net reduction of 8,000-9,000 including new hires -- and a reduction in the branch network from 1,000 branches to around 200 and 200-300 self-service outlets. (Bloomberg, OCBC)

#### **Century Sunshine Group Holdings Limited ("CENSUN") | Issuer Profile: Unrated**

- CENSUN announced that the company and the joint provisional liquidators ("JPLs") are currently attempting to reach beneficial holders of the sole SGD bonds in relation to a potential restructuring of the bonds.
- Beneficial holders are invited to contact the JPLs by email to [Amanda-CS.Tan@hk.ey.com](mailto:Amanda-CS.Tan@hk.ey.com) to establish contact and initiate discussions. (Company)

#### **China Aoyuan Group Limited ("CAPG") | Issuer Profile: Negative (6)**

- CAPG has announced that for July 2020, it has achieved unaudited property contracted sales of ~RMB9.55bn (m/m down 46%) and up 43% on a y/y basis.
- For 7M2020, accumulated unaudited property contracted sales was RMB60.42bn (7M2019: RMB60.28bn), up 0.2% y/y. (Company)

#### **Frasers Property Ltd ("FPL") | Issuer Profile: Neutral (5)**

- FPL announced the proposed sale of two freehold properties (a logistics facility in Australia and a business park in UK) for a total consideration of SGD89.9mn to Frasers Logistics & Commercial Trust.
- This follows the [sale of 50%-stake in Northpoint City in mid-July](#).
- The rationale is to recycle capital, and we think FPL may continue to undertake divestments to par down debt levels (1HFY2020 net gearing: 1.12x). (Company, OCBC)

**Asian Credit Daily****Credit Headlines****Wharf Holdings Ltd (“WHARF”) | Neutral (3)**

- WHARF reported half year 2020 results. Revenue fell by 31%/y/y to HKD5.6bn with all segments declining, operating profit too fell by 32%/y/y to HKD2.5bn.
  - Development Properties (“DP”) in Mainland in particular reported ~60% decline in revenue recognition to HKD1.2bn. Operating profit fell to HKD486mn from HKD1.3bn a year ago.
  - Revenue from Investment Properties (“IP”) fell 5% to HKD1.9bn resulting from the rental concessions made to retail tenants and lower turnover rent due to COVID-19 pandemic, though partially offset by increase in rental revenue from WHARF’s expanding office areas available for leasing. Operating profit was maintained at HKD1.2bn on the back of lower expenses.
  - Hotel revenue too was lower by 54%/y/y to HKD123mn due to low occupancy and depressed room rates, leading to an operating loss of HKD49mn vs a profit of HKD31mn in 2019.
  - Logistics revenue fell 4% to HKD1.2bn with operating profit down 13%/y/y to HKD193mn from lower throughput handled by Modern Terminals Ltd in Hong Kong.
- WHARF recorded revaluation losses for its IP portfolio as at 30 June 2020 of HKD641mn to HKD73.2bn (2019: HKD74.8bn) vs a gain of HKD91.0mn a year ago.
- On the DP front, an impairment provision of HKD2.9bn was made for a development property in Hong Kong. Inclusive of joint venture projects on an attributable basis, total DP contracted sales was HKD9.1bn (2019: HKD9.2bn).
- Total DP contracted sales was somewhat stable at HKD9.1bn while net order book increased by 14%.
- Net debt as at 30 June 2020 rose to HKD23.9bn (2019: HKD19.0bn) due to net purchase of long term investments, mainly equity investment to Greentown China Holdings Ltd of HKD4.3bn. Excluding non-recourse debts, adjusted net debt was HKD18.1bn (2019: HKD13.1bn). Net gearing ratio was 16.7%, higher than 13.0% in 2019. WHARF continues to have healthy liquidity with short term debt at HKD6.4bn against HKD18.3bn cash on hand. We continue to maintain WHARF at Neutral (3) issuer profile. (Company, OCBC)

## Asian Credit Daily

### Credit Headlines

#### Groupe BPCE ("GBPCE") / BPCE SA | Issuer Profile: Neutral (3)

- GBPCE reported a challenging set of 2Q2020 and 1H2020 results however its capital position continues to provide a buffer against a challenging outlook. Income before tax fell 82.8% y/y and 66.6% y/y respectively for 2Q2020 and 1H2020 to EUR282mn and EUR829nm.
- Results were impacted by a larger fall in net banking income against the fall in operating expenses. For 1H2020, net banking income fell 8.3% y/y on an underlying basis. While Retail Banking & Insurance saw net banking income rise 0.7% y/y on normal conditions earlier in 2020 and a resumption in activity after the lockdown, Asset & Wealth Management saw revenues down 13.3% y/y on financial market volatility and lower performance fees. Corporate & Investment Banking saw revenues impacted by performance in equity derivatives which is under strategic review – this offset better performance in fixed income, global finance and investment banking.
- At the same time, operating expenses fell 2.0% y/y in 1H2020 although this is driven by operating expense performance in 1Q2020. 2Q2020 operating expense was more constructive with a 5.7% y/y fall on cost discipline in Asset Management and Corporate & Investment Bank and lower costs in GBPCE's retail banking networks. Operating expenses were higher in Insurance and fell less in Payments reflecting ongoing investment to grow the businesses.
- Similar to peers, the cost of risk has risen substantially up 200% y/y and 140% y/y to EUR981mn and EUR1,484mn respectively for 2Q2020 and 1H2020 driven by IFRS9 forward looking provisions which comprised 37.3% of 1H2020 cost of risk. Cost of risk in Retail Banking & Insurance was EUR953mn or 64.2% of 1H2020 cost of risk with EUR447mn or 46.9% of this related to specific IFRS 9 forward-looking provisions and the rest provisions for stage 3 outstandings. Cost of risk in the Corporate & Investment Banking division was EUR 469mn mainly due to energy related exposures and an increase in non-performing loans. As a percentage of gross customer outstandings, the cost of risk was 42bps in 1H2020 or 26bps excluding 16bps in forward looking provisions, up from 18bps in 1H2019. Of note is that the 16bps in forward looking provisions in 1H2020 comprises 8bps in 1Q2020 and 23bps in 2Q2020 reflecting a deteriorating economic outlook. On a segment basis, the 1H2020 cost of risk was at 34bps for the Retail Banking & Insurance division or 18bps excluding forward-looking provisions (17bps in 1H2019) and 144bps for Corporate & Investment Banking or 114bps excluding forward-looking provisions (42bps in 1H2019). The ratio of non-performing loans to gross loan outstandings remained stable h/h at 2.7% as at 30 June 2020.
- Offsetting the above pressures is GBPCE's solid capital position with its estimated CET1 capital ratio at 15.6% as at 30 June 2020 (15.5% as at 31 March 2020 and 15.6% as at 31 December 2019), well above its maximum distributable amount trigger of 10.82% that considers cancellation of the counter-cyclical capital buffer and lower pillar 2 requirements and above ECB minimum requirements of 9.32%. Main impacts on the CET1 ratio include a rise in risk weighted assets related to state guaranteed loans (-32bps) that was offset by the immediate activation of related state guarantees (+25bps). Other impacts included retained earnings and issue of co-operative shares (+4bps) and a reduction in non-state guaranteed risk weighted assets (+8bps). GBPCE's capital position can be further enhanced by a relaxation on capital requirement rules for risk weightings on SME exposures that is not reflected in the current ratio. According to management, this would result in a gain of around 34bps on the CET1 ratio.

***(To be continued on the next page...)***

## Asian Credit Daily

### Credit Headlines

#### **Groupe BPCE (“GBPCE”) / BPCE SA | Issuer Profile: Neutral (3)**

- GBPCE’s Total Loss-Absorbing Capacity (“TLAC”) and Minimum Requirement for own funds and Eligible Liabilities (“MREL”) ratios of 23.4% and 30.2% as at 30 June 2020 (23.4% and 29.8% respectively as at 31 March 2020) continues to remain above the minimum TLAC requirement of 19.5% and its minimum MREL requirement of 24.9%. GBPCE’s 2Q2020 monthly average Liquidity Coverage Ratio was 156%, up from 138% in 1Q2020.
- GBPCE has indicated its exposure to sensitive or at risk sectors (wholesale and retail trade, tourism-hotel-catering, auto, real estate professionals) remains relatively low at 3.3% of total group gross exposure with around 20% of those exposures state guaranteed. In comparison, residential mortgages comprise 25%, local governments and central banks/other sovereign exposures comprise 24% in total while Corporate customers comprise 26%. Loan exposures through Natixis to oil & gas and aviation appear to be mostly investment grade and benefit from low exposure to oil prices or security according to management.
- GBPCE’s credit ratios continue to provide a buffer against various support measures implemented including 6 month loan repayment deferrals on 520,000 professional and Micro-company/SME loans totalling around EUR5bn and 82,000 leasing contracts. This is in addition to processing EUR24bn in applications for state guaranteed loans as at end of April. These are marginal increases from those reported in 1Q2020 results indicating slowdown in support required. With the outlook still somewhat uncertain, the improved buffers over minimum requirements (largely driven by reduction in regulatory requirements) gives us comfort to maintain GBPCE’s neutral (3) issuer profile rating for now. (Company, OCBC)

## Asian Credit Daily

### Key Market Movements

	4-Aug	1W chg (bps)	1M chg (bps)		4-Aug	1W chg	1M chg
iTraxx Asiax IG	71	-4	-9	Brent Crude Spot (\$/bbl)	44.15	1.70%	3.15%
iTraxx SovX APAC	40	-2	-3	Gold Spot (\$/oz)	1,974.49	0.82%	10.64%
iTraxx Japan	61	1	3	CRB	146.77	2.05%	4.39%
iTraxx Australia	75	-2	-6	GSCI	344.71	0.63%	3.56%
CDX NA IG	68	-4	-4	VIX	24.28	-1.86%	-12.28%
CDX NA HY	103	1	2	CT10 (%)	0.554%	-2.47	-11.50
iTraxx Eur Main	58	-2	-3				
iTraxx Eur XO	359	-6	4	AUD/USD	0.711	-0.67%	1.96%
iTraxx Eur Snr Fin	71	0	-1	EUR/USD	1.176	0.34%	3.95%
iTraxx Eur Sub Fin	148	2	0	USD/SGD	1.377	0.16%	1.11%
iTraxx Sovx WE	16	0	-2	AUD/SGD	0.979	0.83%	-0.84%
USD Swap Spread 10Y	-1	0	2	ASX 200	6,001	-0.33%	-0.94%
USD Swap Spread 30Y	-43	-3	7	DJIA	26,664	0.30%	3.24%
US Libor-OIS Spread	18	-2	-3	SPX	3,295	1.70%	5.26%
Euro Libor-OIS Spread	1	-1	-3	MSCI Asiax	701	0.15%	3.96%
				HSI	24,458	-0.59%	-3.61%
China 5Y CDS	42	-2	-2	STI	2,485	-3.67%	-6.33%
Malaysia 5Y CDS	57	-3	-8	KLCI	1,573	-1.07%	1.29%
Indonesia 5Y CDS	113	-5	-7	JCI	5,006	-1.51%	0.65%
Thailand 5Y CDS	42	0	0	EU Stoxx 50	3,248	-1.65%	-1.40%

Source: Bloomberg

## Asian Credit Daily

### New Issues

- Powerlong Real Estate Holdings Ltd priced a USD200mn WNG 4NC2 bond at 6.5%, tightening from IPT of 7% area.
- CICC Hong Kong Finance 2016 MTN Ltd (Guarantor: China International Capital Corp Hong Kong Ltd) priced a USD500mn 3-year bond at T+170bps, tightening from IPT of T+225bps area.
- KWG Group Holdings Limited priced a USD200mn 5-year bond at 5.95%.
- CMB Financial Leasing Co., Ltd. has arranged investor calls commencing 3 August 2020 for its proposed USD bond offering.
- Chouzhou International Investment Limited (Guarantor: Yiwu State-owned Capital Operation Co., Ltd.) has arranged investor calls commencing 3 August 2020 for its proposed USD bond offering.
- Pandita Industries Limited has arranged investor calls commencing 4 August 2020 for its proposed USD bond offering.
- Zhongtai Financial International Limited has mandated banks for its proposed USD bond offering.

Date	Issuer	Size	Tenor	Pricing
3-Aug-20	Powerlong Real Estate Holdings Ltd	USD200mn	4NC2	6.5%
3-Aug-20	CICC Hong Kong Finance 2016 MTN Ltd (Guarantor: China International Capital Corp Hong Kong Ltd)	USD500mn	3-year	T+170bps
3-Aug-20	KWG Group Holdings Limited	USD200mn	5-year	5.95%
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

Source: OCBC, Bloomberg

## Treasury Research & Strategy

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