

Market Commentary

- The SGD swap curve bull flattened yesterday, with the shorter and belly tenors trading 0-3bps lower while the longer tenors traded 3bps lower and the 30-year traded 6bps lower.
- The Bloomberg Barclays Asia USD IG Bond Index average OAS tightened 1bps to 167bps, and the Bloomberg Barclays Asia USD HY Bond Index average OAS tightened 1bps to 646bps. The HY-IG Index Spread remained mostly unchanged at 479bps.
- Flows in SGD corporates were heavy, with flows in CATHAY 3.375%-23s, HSBC 5%-PERPs, SPHRSP 4.1%-PERPs, WINGTA 4.35%-PERPs, CS 5.625%-PERPs and HSBC 4.7%-PERPs.
- 10Y UST Yields fell 2bps to 0.65% as ADP employment data disappointed investors and the market looked to the release of the official employment report for August on Friday.

Credit Research

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Credit Summary:

- [Sembcorp Industries Ltd \("SCI"\)](#) | **Issuer Profile: Neutral (4)**: SCI announced that its wholly-owned subsidiary has entered into a conditional agreement to sell its 32%-stake in a joint venture company Shenzhen Chiwan Sembawang Engineering Co for a total gross consideration of ~SGD29.4mn where net consideration will be received in cash upon completion. At completion, SCI will exit its investment in CSE and the transaction is in line with SCI's capital recycling efforts.
- [Credit Suisse Group AG \("CS"\)](#) | **Issuer Profile: Neutral (4)**: Swiss banking regulator FINMA has escalated its investigation into CS's spying case that involved ex-employee Iqbal Khan who left for UBS Group AG and resulted in previous CEO Tidjane Thiam leaving the bank and another senior executive (Chief Operating Officer Pierre-Olivier Bouee) departing earlier on in the scandal. While FINMA does not have the power to fine the bank, it can take actions such as banning executives from the industry or ordering corrective actions to improve compliance processes with internal or external monitoring. We expect limited impact from FINMA's investigation. Instead, management is likely to continue to focus on CS's ability to deliver constructive results for 2H2020, deal with BREXIT and the move of its European investment banking operations to Spain from London, and the recently announced restructuring of its existing businesses including growth plans in China.

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Credit Headlines

Sembcorp Industries Ltd (“SCI”) | Issuer Profile: Neutral (4)

- SCI announced that its wholly-owned subsidiary has entered into a conditional agreement to sell its 32%-stake in a joint venture company Shenzhen Chiwan Sembawang Engineering Co (“CSE”) for a total gross consideration of ~SGD29.4mn where net consideration will be received in cash upon completion. CSE is a fabricator and seller of offshore engineering, onshore industrial and structural engineering steel structure products. In 1H2020, a SGD30mn impairment charge had been taken on this investment.
- At completion, SCI will exit its investment in CSE and the transaction is in line with SCI’s capital recycling efforts. (Company, OCBC)

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

- Swiss banking regulator FINMA has escalated its investigation into CS’s spying case that involved ex-employee Iqbal Khan who left for UBS Group AG and resulted in previous CEO Tidjane Thiam leaving the bank and another senior executive (Chief Operating Officer Pierre-Olivier Bouee) departing earlier on in the scandal.
- FINMA’s enforcement action against Credit Suisse follows the regulator’s appointment of an auditor in December 2019 to investigate CS’s observation activities. With the investigation completed, FINMA is now looking into potential violations of supervisory law from the bank’s observation and security activities and how these activities were documented and controlled. While FINMA does not have the power to fine the bank, it can take actions such as banning executives from the industry or ordering corrective actions to improve compliance processes with internal or external monitoring.
- Current CEO Thomas Gottstein indicated that this action was expected. As FINMA does not have powers to fine, the impact will be limited to indirect higher costs and reputational impacts but with senior executives already departed, there should not be much lingering impacts in our view. That said, the probe will touch on how the bank communicates via iPhone or Whatsapp messaging that could set a standard for the whole industry according to Mr Gottstein.
- We expect limited impact from FINMA’s investigation. Instead, management is likely to continue to focus on CS’s ability to deliver constructive results for 2H2020, deal with BREXIT and the move of its European investment banking operations to Spain from London, and the recently announced restructuring of its existing businesses including growth plans in China. (Company, Bloomberg, OCBC)

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Key Market Movements

	3-Sep	1W chg (bps)	1M chg (bps)		3-Sep	1W chg	1M chg
iTraxx Asiax IG	57	-5	-14	Brent Crude Spot (\$/bbl)	44.53	-1.24%	0.86%
iTraxx SovX APAC	31	-3	-9	Gold Spot (\$/oz)	1,944.83	0.79%	-1.63%
iTraxx Japan	59	-2	-2	CRB	151.44	-0.83%	3.18%
iTraxx Australia	60	-5	-15	GSCI	353.72	-1.71%	2.61%
CDX NA IG	62	-6	-6	VIX	26.57	14.18%	9.43%
CDX NA HY	106	1	4	CT10 (%)	0.643%	-10.93	8.86
iTraxx Eur Main	50	-4	-8				
iTraxx Eur XO	305	-15	-54	AUD/USD	0.733	0.92%	2.84%
iTraxx Eur Snr Fin	57	-4	-14	EUR/USD	1.184	0.16%	0.67%
iTraxx Eur Sub Fin	121	-8	-26	USD/SGD	1.363	0.23%	0.96%
iTraxx Sovx WE	13	0	-3	AUD/SGD	0.999	-0.68%	-1.84%
USD Swap Spread 10Y	2	2	3	ASX 200	6,107	-0.32%	3.05%
USD Swap Spread 30Y	-36	1	7	DJIA	29,101	2.71%	9.14%
US Libor-OIS Spread	18	1	0	SPX	3,581	2.94%	8.69%
Euro Libor-OIS Spread	0	0	-1	MSCI Asiax	736	0.29%	4.93%
				HSI	25,120	-1.46%	2.71%
China 5Y CDS	33	-2	-9	STI	2,540	-0.08%	2.21%
Malaysia 5Y CDS	44	-4	-13	KLCI	1,538	-1.12%	-2.23%
Indonesia 5Y CDS	86	-11	-27	JCI	5,312	-0.53%	6.11%
Thailand 5Y CDS	36	-2	-5	EU Stoxx 50	3,338	-0.57%	2.75%
Australia 5Y CDS	14	-1	-2				

Source: Bloomberg

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New Issues

- China Merchants Bank Co Ltd/Hong Kong priced a USD800mn 5-year green bond at T+105bps, tightening from IPT of T+150bps area.
- Kaisa Group Holdings Ltd priced a USD400mn re-tap of its KAISAG 11.25%'25s at 10.75%, tightening from IPT of 11.125% area.
- China South City Holdings Ltd priced a USD250mn 2Y7M bond at 12.35%, tightening from IPT of 12.75% area.
- Eastern Creation II Investment Holdings Ltd. (Guarantor: Beijing Infrastructure Investment Co.) priced a USD650mn 3-year bond at T+108bps, tightening from IPT of T+160bps area.
- Oversea-Chinese Banking Corp Ltd priced a USD1bn 10NC5 Sub at T+158bps, tightening from IPT of T+200bps area.
- BOSCI (BVI) Limited priced a USD300mn 3-year bond at T+110bps, tightening from IPT of T+145bps area.
- SABIC Capital I BV (Guarantor: Saudi Basic Industries Corp.) has arranged investor calls commencing 2 September 2020 for its proposed USD bond offering.

Date	Issuer	Size	Tenor	Pricing
2-Sep-20	China Merchants Bank Co Ltd/Hong Kong	USD800mn	5-year	T+105bps
2-Sep-20	Kaisa Group Holdings Ltd	USD400mn	KAISAG 11.25%'25s	10.75%
2-Sep-20	China South City Holdings Ltd	USD250mn	2Y7M	12.35%
2-Sep-20	Eastern Creation II Investment Holdings Ltd. (Guarantor: Beijing Infrastructure Investment Co.)	USD650mn	3-year	T+108bps
2-Sep-20	Oversea-Chinese Banking Corp Ltd	USD1bn	10NC5	T+158bps
2-Sep-20	BOSCI (BVI) Limited	USD300mn	3-year	T+110bps
1-Sep-20	Industrial & Commercial Bank of China Ltd/Singapore	USD800mn USD1bn	3-year 5-year	T+90bps T+100bps
1-Sep-20	Yango Cayman Investment Ltd (Guarantor: Fujian Yango Group Co Ltd)	USD200mn	2-year	12.2%
31-Aug-20	Nan Fung Treasury (III) Ltd. (Guarantor: Nan Fung International Holding Ltd)	USD500mn	PerpNC3	5%
31-Aug-20	ZhongAn Online P&C Insurance Co Ltd	USD300mn	5.5-year	T+325bps
31-Aug-20	Modern Land (China) Co., Ltd.	USD50mn USD50mn	MOLAND 11.5%'22s MOLAND 11.95%'24s	12.375% 12.85%

Source: OCBC, Bloomberg

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