

Market Commentary

- The SGD swap curve bear steepened yesterday, with most of the tenors trading 0-1bps higher.
- The Bloomberg Barclays Asia USD IG Bond Index average OAS widened 1bps to 156bps, and the Bloomberg Barclays Asia USD HY Bond Index average OAS widened 8bps to 736bps. The HY-IG Index Spread widened 7bps to 580bps.
- There were minimal flows in SGD corporates yesterday.
- 10Y UST Yields fell 4bps to 0.83% after data showing the number of Americans filing new claims for jobless benefits unexpectedly rose last week due to restrictions on economic activity to contain the spread of Covid-19.

Credit Research

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Credit Summary:

- [Industry Outlook – Financial Institutions, Commonwealth Bank of Australia \(“CBA”\) | Issuer Profile: Positive \(2\)](#): The Australian Prudential Regulation Authority (“APRA”) announced today the reduction in CBA’s operational risk capital add-on by AUD500mn following the bank’s progress in addressing concerns over its governance, accountability and risk culture. AUD500mn remains from the initial AUD1bn capital add-on applied in 2018 as part of a response to CBA’s breaching of anti-money laundering laws and will remain until CBA completes its remediation action plan and measures put in place to improve CBA’s governance, accountability and risk culture frameworks are assessed by APRA as sustainable.

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Credit Headlines

Industry Outlook – Financial Institutions, Commonwealth Bank of Australia (“CBA”) | Issuer Profile: Positive (2)

- The [Australian Prudential Regulation Authority \(“APRA”\) announced today](#) the reduction in CBA’s operational risk capital add-on by AUD500M following the bank’s progress in addressing concerns over its governance, accountability and risk culture. AUD500mn remains from the initial AUD1bn capital add-on applied in 2018 as part of a response to CBA’s breaching of anti-money laundering laws and will remain until CBA completes its remediation action plan and measures put in place to improve CBA’s governance, accountability and risk culture frameworks are assessed by APRA as sustainable.
- Australia & New Zealand Banking Group Ltd, National Australia Bank Ltd, and Westpac Banking Corp are also subject to additional temporary capital requirements to address higher operational risk in each bank’s risk governance self-assessments as announced by [APRA previously in July 2019](#). However there appears to be positive undertones for the Australian economy and banking sector at the recent Australian Financial Review Banking & Wealth Summit with bank balance sheets and the Australian economy in better than expected shape than previously expected and the Australian government and APRA seem to now be looking at Australia’s banks as an area to propel the recovery going forward rather than cushion the impact of the pandemic. It was reported that APRA Chairman Wayne Byres hinted that dividend payout caps could be reviewed from the previously announced APPRA directive to cap dividend payouts at 50% of earnings for the rest of calendar 2020 given a better outlook and current solid capital positions.
- From a regulatory perspective, the removal of the capital add-on should create additional balance sheet capacity to lend and support an economic recovery and it was expected that Australia’s big 4 banks would lobby the government to remove this add-on before the APRA announcement earlier today.
- Current developments do not alter our fundamental views on CBA or other Australian banks under our coverage (APRA, Bloomberg, OCBC)

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Key Market Movements

| | 20-Nov | 1W chg (bps) | 1M chg (bps) | | 20-Nov | 1W chg | 1M chg |
|------------------------------|--------|-----------------|-----------------|----------------------------------|----------|--------|---------|
| iTraxx Asiax IG | 61 | 1 | -5 | Brent Crude Spot (\$/bbl) | 44.20 | 1.54% | 3.71% |
| iTraxx SovX APAC | 28 | 1 | -3 | Gold Spot (\$/oz) | 1,863.47 | -1.36% | -2.28% |
| iTraxx Japan | 60 | 1 | -5 | CRB | 155.03 | 1.32% | 1.78% |
| iTraxx Australia | 59 | -1 | -6 | GSCI | 370.19 | 0.50% | 1.48% |
| CDX NA IG | 54 | -1 | -4 | VIX | 23.11 | -8.84% | -21.26% |
| CDX NA HY | 108 | 1 | 2 | CT10 (%) | 0.821% | -7.52 | 3.54 |
| iTraxx Eur Main | 51 | -1 | -4 | | | | |
| | | | | | | | |
| iTraxx Eur XO | 283 | -17 | -48 | AUD/USD | 0.728 | 0.07% | 3.22% |
| iTraxx Eur Snr Fin | 64 | -3 | -8 | EUR/USD | 1.187 | 0.31% | 0.41% |
| iTraxx Eur Sub Fin | 119 | -6 | -20 | USD/SGD | 1.345 | 0.21% | 0.91% |
| iTraxx Sovx WE | 10 | 0 | -2 | AUD/SGD | 0.979 | 0.14% | -2.25% |
| | | | | | | | |
| USD Swap Spread 10Y | 0 | 1 | -3 | ASX 200 | 6,561 | 2.43% | 6.08% |
| USD Swap Spread 30Y | -31 | 2 | 4 | DJIA | 29,483 | 1.39% | 4.15% |
| US Libor-OIS Spread | 15 | 1 | 1 | SPX | 3,582 | 1.27% | 4.03% |
| Euro Libor-OIS Spread | -4 | -1 | -2 | MSCI Asiax | 789 | 0.90% | 6.11% |
| | | | | HSI | 26,357 | 0.72% | 7.27% |
| China 5Y CDS | 32 | 0 | -6 | STI | 2,777 | 2.40% | 9.82% |
| Malaysia 5Y CDS | 39 | 1 | -7 | KLCI | 1,584 | -0.45% | 4.81% |
| Indonesia 5Y CDS | 77 | 1 | -17 | JCI | 5,594 | 2.48% | 9.69% |
| Thailand 5Y CDS | 37 | 0 | -7 | EU Stoxx 50 | 3,452 | 0.69% | 6.94% |
| Australia 5Y CDS | 14 | 0 | -2 | | | | |

Source: Bloomberg

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New Issues

- Republic of Uzbekistan priced a USD555mn 10-year bond at 3.7%, tightening from IPT of 4.25% area.

| Date | Issuer | Size | Tenor | Pricing |
|-----------|--|-----------|------------------|----------|
| 19-Nov-20 | Republic of Uzbekistan | USD555mn | 10-year | 3.7% |
| 18-Nov-20 | China Gezhouba Group (Hong Kong) Overseas Investment Co. (Guarantor: China Gezhouba Group Corp) | USD200mn | PerpNC5 | 4.15% |
| 18-Nov-20 | AC Energy Finance International Limited (Guarantor : AC Energy, Inc.) | USD300mn | PerpNC5 | 5.10% |
| 17-Nov-20 | Central China Real Estate Ltd | USD300mn | 3.5NC2 | 7.875% |
| 17-Nov-20 | Australia & New Zealand Banking Group Ltd | USD1.5bn | 15NC10 | T+170bps |
| 17-Nov-20 | Saudi Arabian Oil Co | USD500mn | 3-year | T+110bps |
| | | USD1bn | 5-year | T+125bps |
| | | USD2bn | 10-year | T+145bps |
| | | USD2.25bn | 30-year | 3.3% |
| | | USD2.25bn | 50-year | 3.65% |
| 17-Nov-20 | Aviva Singlife Holdings Pte Ltd | SGD550mn | 10.25NC5.25 | 3.375% |
| 16-Nov-20 | Jingrui Holdings Ltd | USD240mn | 2.25-year | 14.5% |
| 16-Nov-20 | Zhongliang Holdings Group Company Limited | USD50mn | ZHLGHD 1.75%'22s | 10.125% |
| 12-Nov-20 | SingPost Group Treasury Pte Ltd | SGD250mn | 10-year | 2.53% |
| 12-Nov-20 | Shandong Hi-Speed Group (Hong Kong) Co. (Guarantor: Shandong Hi-Speed Group Co Ltd) | USD400mn | 3-year | T+220bps |
| | Yili Holding Investment Limited (Guarantor: Inner Mongolia Yili Industrial Group Co., Ltd) | | | |
| 12-Nov-20 | Yili Holding Investment Limited (Guarantor: Inner Mongolia Yili Industrial Group Co., Ltd) | USD500mn | 5-year | T+125bps |
| 12-Nov-20 | Huaxin Cement International Finance Company Limited (Guarantor: Huaxin Cement Co) | USD300mn | 5-year | T+190bps |

Source: OCBC, Bloomberg

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