

June 4, 2018

**Credit Headlines:** Société Générale

## **Market Commentary**

- The SGD swap curve steepened last Friday, with swap rates trading 3bps higher across most tenors.
- Flows in SGD corporates were moderate last Friday, with better buying seen in CMZB 4.873%'27s and better selling seen in HSBC 4.7%-PERP.
- The Bloomberg Barclays Asia USD IG Bond Index average OAS was unchanged at 138bps and the Bloomberg Barclays Asia USD HY Bond Index average OAS tightened 9bps to 460bps.
- 10Y UST yield rose 4bps to 2.90%, on the back of better-than-expected non-farm payrolls data reported last Friday.

## **Credit Headlines**

### **Société Générale ("SG") | Issuer Profile: Neutral (4)**

- UniCredit SpA (total assets: EUR824.0bn as at 31 March 2018) is reportedly pursuing a potential merger with SG. This news is not particularly new given the connection between the two banks with UniCredit SpA's current CEO Jean Pierre Mustier previously working at SG.
- Completion risk remains high in our view, particularly given recent volatility in Italy's political front. In any case, any potential merger would be a medium term event rather than a short term one given the size of each bank and complexity of any transaction. That said, we will continue to monitor and update as necessary.
- This news follows reports last year that UniCredit SpA was pursuing a merger with Commerzbank AG (refer to [OCBC Asian Credit Daily \(21 Sept 2017\)](#)).
- We currently have a Neutral (4) issuer profile on SG and Commerzbank AG. We do not cover UniCredit SpA (OCBC, Reuters, Bloomberg)

**Table 1: Key Financial Indicators**

	4-Jun	1W chg (bps)	1M chg (bps)
iTraxx Asiax IG	77	2	2
iTraxx SovX APAC	12	0	0
iTraxx Japan	52	2	4
iTraxx Australia	70	4	4
CDX NA IG	65	2	4
CDX NA HY	107	0	0
iTraxx Eur Main	67	2	11
iTraxx Eur XO	295	-4	21
iTraxx Eur Snr Fin	80	4	19
iTraxx Sovx WE	26	1	9
AUD/USD	0.758	0.40%	0.49%
EUR/USD	1.167	0.41%	-2.40%
USD/SGD	1.338	0.37%	-0.28%
China 5Y CDS	56	1	-3
Malaysia 5Y CDS	93	9	16
Indonesia 5Y CDS	123	10	7
Thailand 5Y CDS	45	0	-1

Source: OCBC, Bloomberg

	4-Jun	1W chg	1M chg
Brent Crude Spot (\$/bbl)	76.52	1.62%	2.20%
Gold Spot (\$/oz)	1,293.11	-0.46%	-1.63%
CRB	201.71	-1.92%	-0.76%
GSCI	477.11	-2.93%	-0.49%
VIX	13.46	7.42%	-8.87%
CT10 (bp)	2.910%	-2.18	-4.02
USD Swap Spread 10Y (bp)	6	2	2
USD Swap Spread 30Y (bp)	-8	2	4
TED Spread (bp)	41	-2	-12
US Libor-OIS Spread (bp)	42	-2	-10
Euro Libor-OIS Spread (bp)	4	0	1
DJIA	24,635	-0.71%	1.54%
SPX	2,735	0.25%	2.67%
MSCI Asiax	713	-0.79%	1.04%
HSI	30,493	-0.31%	1.89%
STI	3,428	-2.87%	-3.32%
KLCI	1,756	-4.80%	-4.64%
JCI	5,984	3.31%	-0.18%

## New issues

- China Construction Bank Corp Hong Kong Branch has priced a USD1.5bn deal across two-tranches with the USD900mn 3-year FRN priced at 3mL+73bps, tightening from its initial price guidance of 3mL+100bps and the USD600mn 5-year FRN priced at 3mL+83bps, tightening from its initial price guidance of 3mL+110bps.
- Sichuan Development Holding Co Ltd has scheduled for investor meetings from 4 June for its potential USD bonds issuance.
- Harbin Investment Group Co Ltd has scheduled for investor meetings from 4 June for its potential USD bonds issuance.

<u>Date</u>	<u>Issuer</u>	<u>Size</u>	<u>Tenor</u>	<u>Pricing</u>
1-June-18	China Construction Bank Corp Hong Kong Branch	USD900mn	3-year	3mL+73bps
1-June-18	China Construction Bank Corp Hong Kong Branch	USD600mn	5-year	3mL+83bps
31-May-18	Bank of China Ltd	USD500mn	5-year	3mL+83bps
31-May-18	Bank of China Ltd	USD500mn	3-year	3mL+73bps
31-May-18	Full Dragon Hong Kong International Development Ltd (re-tap)	USD100mn	ZHANLO 5.6%'21	97.8+ accrued interest
31-May-18	Korea Western Power Co Ltd	USD300mn	5-year	CT5+112.5bps
30-May-18	Fuxiang Investment Management Ltd	USD250mn	363-day	5.1%
28-May-18	Central China Real Estate Ltd (re-tap)	USD86mn	CENCHI 6.875%'20s	7.30%
28-May-18	China South City Holdings Ltd (re-tap)	USD100mn	CSCHCN 10.875%'20s	11%
28-May-18	Times China Holdings Ltd	USD450mn	3NC2	7.85%
24-May-18	Tokyo Metropolitan Government	USD500mn	5-year	MS+42bps
24-May-18	China Overseas Grand Oceans Finance IV Cayman Ltd	USD500mn	3-year	CT3+225bps
24-May-18	Housing & Development Board	SGD500mn	12-year	3.08%
23-May-18	QNB Finance Ltd	CNH600mn	3-year	5.2%

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