

June 7, 2019

**Credit Headlines:** Commerzbank AG, Société Générale SA, Industry Outlook – Singapore Property

## Market Commentary

- The SGD swap curve bull-steepened over yesterday, with the shorter tenors and belly trading 5-9bps lower while the longer tenors traded 1-3bps lower.
- The Bloomberg Barclays Asia USD IG Bond Index average OAS tightened 1bps to 140bps while the Bloomberg Barclays Asia USD HY Bond Index average OAS tightened 3bps to 518bps.
- Flows in SGD corporates were heavy, with flows in HSBC 5%-PERPs, ESRCAY 6.71% '22s, SOCGEN 6.125%-PERPs, HSC 4.7%-PERPs, DBSSP 3.98%-PERPs, MFCCN 3.0% '29s, WINGTA 4.35%-PERPs, MRTSP 2.59% '23s, JTCSP 3.5% '23s, FPLSP 4.98%-PERPs, UBS 5.875%-PERPs, and ARASP 5.2%-PERPs.
- 10Y UST yields fell 2bps to 2.12%, due to increased risk aversion by investors, continuing expectations that trade tensions between US and its trade partners may be prolonged, compounded by ECB's decision to not lower rates. Spread between 3-month treasury bills and 10-year treasury notes continued to be inverted, though narrower at -17bps.

## Credit Headlines

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

- Since the calling off of merger discussions between CMZB and Deutsche Bank in April 2019, new market talk has emerged that the German government is discussing the possibility of a merger between CMZB and Netherlands-based ING Groep NV (“ING”). This comes on the back of apparent overtures by UniCredit SpA towards CMZB (though such interest has subsided in recent weeks).
- Commerzbank is ~16%-owned by the German government with various officials consistently pushing for the creation of a larger bank. However, the divergent regulatory and operating environment means that in practice a merger is difficult to be carried out. We are maintaining our issuer profile of CMZB at Neutral (4) and monitoring the situation. (Reuters, Bloomberg, OCBC)

### **Société Générale SA (“SOCGEN”) | Issuer Profile: Neutral (4)**

- SOCGEN is reportedly looking to sell its Nordic equipment leasing business, SG Finans AS which may garner EUR500mn. The bank is in the midst of cost cutting and divestments in a bid to improve profitability. (Bloomberg)

## **Industry Outlook – Singapore Property**

- The Government announced the 2H2019 Government Land Sales (“GLS”) Programme. Continuing the trend from 1H2019, the units on the confirmed list continued to decline to 1,715 units (1H2019: 2,025 units, 2H2018: 2,705 units). Including the 4,715 units on the reserve list, total supply of GLS units is down 20% y/y to 6,430 units.
- The rationale to cut the supply is due to the fall in demand since the introduction of the property cooling measures in Jul 2018 while supply in the pipeline is large with 39,000 unsold units from GLS and en-bloc sites.
- We think this is part of the government's intention to ensure a sustainable market. (URA, OCBC)

**Table 1: Key Financial Indicators**

	7-Jun	1W chg (bps)	1M chg (bps)
iTraxx Asiax IG	76	-4	7
iTraxx SovX APAC	49	-3	4
iTraxx Japan	69	-1	13
iTraxx Australia	74	-5	4
CDX NA IG	63	-7	2
CDX NA HY	106	1	-1
iTraxx Eur Main	66	-6	4
iTraxx Eur XO	292	-17	26
iTraxx Eur Snr Fin	84	-8	9
iTraxx Sovx WE	18	0	2
AUD/USD	0.698	0.59%	-0.47%
EUR/USD	1.127	0.92%	0.72%
USD/SGD	1.364	0.78%	-0.10%
China 5Y CDS	55	-5	10
Malaysia 5Y CDS	70	-4	9
Indonesia 5Y CDS	106	-9	5
Thailand 5Y CDS	36	-3	-4

	7-Jun	1W chg	1M chg
Brent Crude Spot (\$/bbl)	62.34	-3.33%	-10.79%
Gold Spot (\$/oz)	1,333.23	2.12%	3.80%
CRB	173.87	-2.74%	-3.13%
GSCI	402.93	-1.19%	-7.40%
VIX	15.93	-7.92%	-17.55%
CT10 (bp)	2.126%	0.15	-33.05
USD Swap Spread 10Y (bp)	-1	3	1
USD Swap Spread 30Y (bp)	-27	1	-3
US Libor-OIS Spread (bp)	19	2	1
Euro Libor-OIS Spread (bp)	5	0	-1
DJIA	25,721	2.19%	-0.94%
SPX	2,843	1.96%	-1.41%
MSCI Asiax	619	0.57%	-6.80%
HSI	26,965	-0.55%	-8.17%
STI	3,154	0.35%	-4.79%
KLCI	1,651	1.70%	0.85%
JCI	6,209	2.92%	-1.75%

## New issues:

- Gemdale Ever Prosperity Investment Ltd has priced a USD250mn 3-year bond (guarantor: Famous Commercial Ltd.) at 5.6%, tightening from IPT at 6% area.
- China South City Holdings Ltd has priced a USD60mn re-tap of its existing CSCHCN 11.875%'21s at 12.12% (reoffer: 99.567).
- Ronshine China Holdings Ltd has priced a USD235mn 3-year bond at 9%, from IPT at 9.25% area.
- Cooperatieve Rabobank U.A. has priced a SGD15mn 1-year FRN at SORF3M-5bps.

<u>Date</u>		<u>Size</u>	<u>Tenor</u>	<u>Pricing</u>
06-Jun-19	Gemdale Ever Prosperity Investment Ltd	USD250mn	3-year	5.6%
06-Jun-19	China South City Holdings Ltd	USD60mn	CSCHCN 11.875%'21s	12.12%
06-Jun-19	Ronshine China Holdings Ltd	USD235mn	3-year	9%
06-Jun-19	Cooperatieve Rabobank	SGD15mn	1-year	SORF3M-5bps
04-Jun-19	UHI Capital Ltd	USD500mn	5-year	T+128bps
04-Jun-19	Xinhu (BVI) 2018 Holding Company Limited	USD110mn	3NCNP2-perpetual	11.0%
04-Jun-19	Fuqing Investment Management Ltd	USD400mn	3-year	4.30%
04-Jun-19	Keppel Infrastructure Fund Management Pte Ltd	SGD200mn	NC10-perpetual	4.75%
03-Jun-19	Industrial & Commercial Bank of China Ltd	USD750mn USD750mn	3-year 5-year	3M-US LIBOR+72bps 3M-US LIBOR+83bps
03-Jun-19	Zunyi Road and Bridge Construction (Group) Ltd	USD78mn	3-year	8.0%
03-Jun-19	Shangri-La Hotel Ltd Shangri-La Hotel Ltd	SGD135mn SGD 165mn	5-year 8-year	3.70% 4.10%
31-May-19	Adani Green Energy (UP) Ltd, Prayatna Developers Pte Ltd & Parampujya Solar Energy Pte Ltd	USD500mn	5.5-year	6.25%

Source: OCBC, Bloomberg

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