

Apr 11, 2019

Credit Headlines: Commerzbank AG, CapitaLand Mall Trust

Market Commentary

- The SGD swap curve flattened yesterday, with the shorter tenors and belly trading 3bps lower while the longer tenors from 12-year onwards traded 2bps lower.
- The Bloomberg Barclays Asia USD IG Bond Index average OAS tightened 1bps at 134bps while the Bloomberg Barclays Asia USD HY Bond Index average OAS tightened 1bps to 469bps.
- Flows in SGD corporates were heavy, comprising largely of SOCGEN 6.125%-PERPs. Other flows seen were FPLSP 4.98%-PERPs, UBS 5.875%-PERPs, HSBC 5.0%-PERPs, CMZB 4.2%'28s, DBSSP 3.98%-PERPs, HRAM 3.8%'25s, and HSBC 4.7%-PERPs.
- 10Y UST yields rose 3bps to 2.50%, as safe haven demand waned after positive data on US jobless claims and producer prices assuaged worries of a US economic downturn.

Credit Headlines

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

- As an update to the ongoing merger discussions between CMZB and Deutsche Bank AG (Unrated by OCBC Credit Research), [we previously discussed](#) that messages were somewhat mixed. As it stands, the deal continues to face hurdles, which appear to be mounting.
- Labour unions appear resolute in rejecting the deal. According to Bloomberg, labour union representatives hold half the seats on each bank's supervisory board and on the expectation of united opposition to the deal, union representatives will not need much more support to strike out the deal.
- The ECB also remains sceptical of the benefits of the deal and are apparently more worried about approving such a deal only for a merged bank to fall into stress which would have reputational issues.
- Finally, there appears periodic noise of disagreement between CMZB and Deutsche Bank AG on timing and amounts in any potential deal. This is before the announcement of any contemplated structure and as always, the devil is in the details. German regulators also appear wary that while a key benefit of a deal is enhanced scale and competitiveness, this also comes with enhanced complexity and potential systemic risk. It also is not conclusive if a merger will adequately correct the industry wide and fundamental weaknesses of both banks.
- In all, progress of the deal appears to be driven so far mostly by an internal willingness to investigate a merger - if anything only as an alternative given the current paths taken by both banks appear challenging. At the same time, the willingness of external stakeholders remains questionable at best, perhaps in the absence of any concrete details of the structure. This is before considering the financial capacity necessary to complete a transaction (OCBC, Bloomberg)

Credit Headlines (cont'd)

CapitaLand Mall Trust ("CMT") | Issuer Profile: Positive (2)

- CapitaLand Mall Trust Management Limited ("CMTML"), manager of CMT announced that, with effect from today, Ms Teo Swee Lian, 59 has been appointed to replace Adj Professor Richard Rokmat Magnus, 74 (who is retiring) as the Chairman of the Board, a Non-Executive Independent Director of CMTML and Chairman of the Corporate Disclosure Committee.
- Ms Teo Swee Lian has over 27 years of experience with the Monetary Authority of Singapore. She is currently also a Non-Executive Independent Director of Singapore Telecommunications Limited and AIA Group Limited.
- Separately, CMTML will dissolve its Investment Committee and the Board of Directors will undertake all the responsibilities for reviewing and approving proposals on major acquisitions and divestments of CMT.

Table 1: Key Financial Indicators

	<u>12-Apr</u>	<u>1W chg (bps)</u>	<u>1M chg (bps)</u>
iTraxx Asiax IG	67	0	0
iTraxx SovX APAC	44	-2	-7
iTraxx Japan	56	-1	0
iTraxx Australia	70	0	2
CDX NA IG	59	-1	-1
CDX NA HY	107	0	1
iTraxx Eur Main	59	-2	-3
iTraxx Eur XO	250	-3	-27
iTraxx Eur Snr Fin	70	-4	-2
iTraxx Sovx WE	18	-1	-2
AUD/USD	0.713	0.37%	0.69%
EUR/USD	1.129	0.66%	0.02%
USD/SGD	1.356	-0.11%	-0.03%
China 5Y CDS	43	0	-4
Malaysia 5Y CDS	54	-3	-7
Indonesia 5Y CDS	99	-2	1
Thailand 5Y CDS	40	-2	-4

	<u>12-Apr</u>	<u>1W chg</u>	<u>1M chg</u>
Brent Crude Spot (\$/bbl)	71.03	0.98%	6.54%
Gold Spot (\$/oz)	1,292.22	0.04%	-0.72%
CRB	187.33	0.15%	3.32%
GSCI	449.85	0.58%	5.59%
VIX	13.02	-4.12%	-5.45%
CT10 (bp)	2.495%	-0.02	-10.63
USD Swap Spread 10Y (bp)	-2	0	-3
USD Swap Spread 30Y (bp)	-26	-1	-5
US Libor-OIS Spread (bp)	20	1	1
Euro Libor-OIS Spread (bp)	6	0	0
DJIA	26,143	-0.92%	2.30%
SPX	2,888	0.31%	3.47%
MSCI Asiax	679	-0.01%	3.64%
HSI	29,762	-0.58%	2.91%
STI	3,325	0.08%	3.52%
KLCI	1,626	-0.94%	-2.69%
JCI	6,413	-0.94%	0.93%

New issues

- Nuoxi Capital Ltd has priced a USD300mn 3.5-year bond (guarantor: Peking University Founder Group Co Ltd) at 7.45%, tightening from IPT of 7.875% area.
- Vedanta Resources Finance II PLC (guarantor: Vedanta Resources Ltd) has priced a USD400mn 4-year bond at 8.0% (IPT of 8.25% area) and a USD600mn 7NC4 bond at 9.25% (IPT of 9.375% area).
- Huaibei City Construction Investment Holding Group Co Ltd has priced a USD150mn 3-year bond at 5.0%, in line with final price guidance.
- Eros International PLC has scheduled investor meetings from 12 April for its potential USD bond issuance.

<u>Date</u>	<u>Issuer</u>	<u>Size</u>	<u>Tenor</u>	<u>Pricing</u>
11-Apr-19	Nuoxi Capital Ltd	USD300mn	3.5-year	7.45%
11-Apr-19	Vedanta Resources Finance II PLC	USD400mn	4-year	8.0%
11-Apr-19	Huaibei City Construction Investment Holding Group Co Ltd	USD150	3-year	5.0%
10-Apr-19	Bank of China Ltd	USD500mn USD550mn USD300mn	3-year 5-year 10-year	3M US LIBOR+72bps T+88bps T+120bps
10-Apr-19	Fantasia Holdings Group Co Ltd	USD200mn	3NC2	98.472
10-Apr-19	Xihui Haiwai I Investment Holdings Co Ltd	USD300mn	3-year	99.723
10-Apr-19	JSW Steel Ltd	USD500mn	5-year	5.95%
10-Apr-19	Minera y Metalurgica del Boleo	USD400mn	5-year	T+102.5bps
10-Apr-19	IFC Development (Corporate Treasury) Ltd	USD500mn	10-year	T+125bps
9-Apr-19	21Vianet Group Inc	USD300mn	2.5-year	8.0%
9-Apr-19	DBS Group Holdings Ltd	USD750mn	3-year	T+58bps
9-Apr-19	Societe Generale SA	SGD750mn	NC5-perp	6.125%

Source: OCBC, Bloomberg

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