

Market Commentary

- The SGD swap curve mostly rose last Friday, with belly tenors trading 0-1bps higher while longer tenors traded 1-2bps higher.
- The Bloomberg Barclays Asia USD IG Bond Index average OAS widened 2bps to 150bps, and the Bloomberg Barclays Asia USD HY Bond Index average OAS widened 19bps to 671bps. The HY-IG Index Spread widened 17bps to 521bps.
- There were very minimal flows in SGD corporates last Friday.
- 10Y UST gained 4bps to 1.12% after news that nonfarm payrolls decreased by 140,000 jobs in December, raising expectations of more stimulus spending.

Credit Research

Andrew Wong
+65 6530 4736
WongVKAM@ocbc.com

Ezien Hoo, CFA
+65 6722 2215
EzienHoo@ocbc.com

Wong Hong Wei, CFA
+65 6722 2533
WongHongWei@ocbc.com

Seow Zhi Qi, CFA
+65 6530 7348
zhqiaseow@ocbc.com

Credit Summary:

- [Singapore Airlines Ltd \("SIA"\)](#) | **Issuer profile: Neutral (5):** SIA reported its December 2020 operating data. On a group airline basis, passenger load factor was at 13.7% in December 2020, lower than the 14.2% in November 2020. Based on SIA's current schedules, as of end-March 2021, the SIA Group's total passenger capacity is expected to be at around 25% of pre-COVID levels. Separately, SIA has mandated banks to arrange a series of fixed income investor calls in Asia and Europe. An unrated USD-denominated senior unsecured fixed rate bond may follow.
- [Commerzbank AG \("CMZB"\)](#) | **Issuer Profile: Neutral (4):** CMZB announced that it will take a EUR2.1bn provision in its 4Q2020 results including a EUR1.5bn write down in goodwill and EUR630mn in additional provisions for credit losses given Germany's second lockdown. CMZB also previously announced a EUR610mn provision for anticipated job cuts tied to its restructuring program, which has been taking shape through 2020 but will likely be revised with Manfred Knof commencing as new CEO on 1 January 2021. CMZB's fully loaded CET1 ratio rose to 13.5% as at 30 September 2020 from 13.4% as at 30 June 2020 (13.2% as at 31 March 2020 and 13.4% as at 31 December 2019).
- [Credit Suisse Group AG \("CS"\)](#) | **Issuer Profile: Neutral (4):** As previously flagged in early December 2020, CS announced that it will raise additional provisions in relation to a long standing legal case with the Municipal Bond Insurance Association related to U.S. residential mortgage backed securities ("RMBS"). Despite the additional provisions, CS is still expected to remain above its Basel III minimum CET1 ratio of 8.0% and higher obligations for systematically important banks under Swiss legislation of 10.0%, although could fall below CS' capital guidance of above 12%. CS's CET1 ratio was 13.0% as at 30 Sep 2020.

Asian Credit Daily

Credit Headlines

Singapore Airlines Ltd ("SIA") | Issuer profile: Neutral (5)

- SIA reported its December 2020 operating data. On a group airline basis, passenger load factor was at 13.7% in December 2020, lower than the 14.2% in November 2020 (December 2019: 87.6%).
- Capacity in millions seat kilometres on a group airline basis had declined 81.3% y/y to 2,945.1 million seat-kilometres in December 2020, though was higher than the 2,018.3 million seat-kilometre in November 2020.
- SIA cargo load factor was at 88.7% in December 2020, higher versus the 85.5% in November 2020.
- Per SIA, demand for air travel has gradually returned although passenger numbers remained severely constrained by border controls, travel restrictions and further waves of COVID-19. In line with Singapore's progressive re-opening, the group added 46% more passenger capacity (measured in available seat kilometres) versus November 2020.
- Based on SIA's current schedules, as of end-March 2021, the SIA Group's total passenger capacity is expected to be at around 25% of pre-COVID levels.
- Separately, SIA has mandated banks to arrange a series of fixed income investor calls in Asia and Europe. An unrated USD-denominated senior unsecured fixed rate bond may follow, subject to market conditions. (Company, Bloomberg)

Commerzbank AG ("CMZB") | Issuer Profile: Neutral (4)

- CMZB announced that it will take a EUR2.1bn provision in its 4Q2020 results including a EUR1.5bn write down in goodwill and EUR630mn in additional provisions for credit losses given Germany's second lockdown.
- CMZB also previously announced a EUR610mn provision for anticipated job cuts tied to its restructuring program, which has been taking shape through 2020 but will likely be revised with Manfred Knof commencing as new CEO on 1 January 2021.
- Mr Knof will be seeking to implement CMZB's significant restructuring that previously flagged job cuts of around 10,000, reducing CMZB's branch network (20% of branches or 200 out of 1,000 branches have already been permanently closed following their temporary closure due to COVID-19, 3 years ahead of initial plans to close this number by 2023) and scaling back CMZB's foreign operations. These plans however were largely formulated by previous CEO Martin Zielke and will likely be amended given the ongoing developments with COVID-19 as well as the commencement of Mr Knof. A new strategic plan is likely to be announced in 1Q2021
- Although the bank will likely report a loss for 2020 (CMZB swung to a pre-tax loss from continuing operations of EUR106mn for 9M2020, down from a pre-tax profit of EUR1.0bn in 9M2019 on a substantial rise in risk costs, its capital position should remain within expectations), there remains some buffer in CMZB's capital position at the current issuer profile in our view. CMZB's fully loaded CET1 ratio rose to 13.5% as at 30 September 2020 from 13.4% as at 30 June 2020 (13.2% as at 31 March 2020 and 13.4% as at 31 December 2019) due to a reduction in risk weighted assets from credit risk movements as well as the positive impact of dividend waivers for 2019 and 2020 per European Central Bank guidance and lower regulatory capital reductions. The ratio remains above its maximum distributable amount ("MDA") requirement of 9.8%, which reduced by 31bps due to the successful issuance of its second AT1 in 2020 in September, thus providing a buffer of 370bps. This is also well above the Bank's target distance of 200bps. (Company, Bloomberg, OCBC)

Asian Credit Daily

Credit Headlines

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

- As [previously flagged in early December 2020](#), CS announced that it will raise additional provisions in relation to a long standing legal case with the Municipal Bond Insurance Association related to U.S. residential mortgage backed securities ("RMBS"). The provision is related to estimated damages for warranties tied to mortgages issued in 2007.
- CS will raise an additional USD850mn in provisions for this case and other RMBS related cases, higher than the previously expected flagged USD380mn and will be reflected in 4Q2020. Together with the [previously announced booking of a USD450mn impairment charge on its stake in York Capital Management](#), CS is expected to report a loss in 4Q2020 results that will be announced on 18 February 2021.
- Notwithstanding this, CS also announced its intention to buy back up to CHF1.5bn of shares in 2021 subject to market and economic conditions. This is supported by still solid operating performance across trading, wealth management and the investment bank.
- Despite the additional provisions, CS is still expected to remain above its Basel III minimum CET1 ratio of 8.0% and higher obligations for systematically important banks under Swiss legislation of 10.0%, although could fall below CS' capital guidance of above 12%. CS's CET1 ratio was 13.0% as at 30 Sep 2020. We maintain our Neutral (4) issuer profile as operating performance in 2020 should provide a buffer for CS capital position amidst the above impacts. (Company, OCBC)

Key Market Movements

	11-Jan	1W chg (bps)	1M chg (bps)		11-Jan	1W chg	1M chg
iTraxx Asiax IG	57	1	-2	Brent Crude Spot (\$/bbl)	55.55	8.73%	11.17%
iTraxx SovX APAC	26	0	-1	Gold Spot (\$/oz)	1,834.73	-5.57%	-0.28%
iTraxx Japan	51	-1	-3	CRB	173.35	3.31%	7.50%
iTraxx Australia	56	-1	-3	GSCI	427.56	4.78%	8.59%
CDX NA IG	50	-3	-4	VIX	21.56	-5.23%	-7.51%
CDX NA HY	109	1	0	CT10 (%)	1.115%	20.21	19.74
iTraxx Eur Main	48	-1	-4				
iTraxx Eur XO	246	-5	-22	AUD/USD	0.771	0.64%	2.40%
iTraxx Eur Snr Fin	58	-1	-6	EUR/USD	1.218	-0.56%	0.55%
iTraxx Eur Sub Fin	109	-2	-13	USD/SGD	1.330	-0.73%	0.49%
iTraxx Sovx WE	8	0	-1	AUD/SGD	1.026	-1.34%	-1.81%
USD Swap Spread 10Y	1	1	1	ASX 200	6,692	0.12%	0.75%
USD Swap Spread 30Y	-26	0	2	DJIA	31,098	1.61%	3.50%
US Libor-OIS Spread	15	-1	1	SPX	3,825	1.83%	4.40%
Euro Libor-OIS Spread	-7	0	-1	MSCI Asiax	887	4.00%	8.34%
				HSI	28,072	2.18%	5.91%
China 5Y CDS	29	1	-1	STI	2,987	4.49%	5.87%
Malaysia 5Y CDS	38	1	-1	KLCI	1,614	0.71%	-4.19%
Indonesia 5Y CDS	68	1	-1	JCI	6,349	3.99%	6.91%
Thailand 5Y CDS	35	0	-1	EU Stoxx 50	3,645	2.60%	4.57%
Australia 5Y CDS	14	0	0				

Source: Bloomberg

Asian Credit Daily

New Issues

- ZhenAn Glory Investment Ltd. (Guarantor: Zhenro Properties Group Ltd) priced a USD100mn 363-day bond at 5.35%.
- Guangzhou Fineland Real Estate Development Co., Ltd. has mandated banks for its proposed USD offering.

Date	Issuer	Size	Tenor	Pricing
8-Jan-21	ZhenAn Glory Investment Ltd. (Guarantor: Zhenro Properties Group Ltd)	USD100mn	363-day	5.35%
7-Jan-21	Haidilao International Holding Ltd	USD600mn	5-year	T+173bps
7-Jan-21	Bank of China Ltd/Hong Kong	USD500mn	3-year	T+72bps
7-Jan-21	Huarong Leasing Management Hong Kong Co Ltd	USD300mn	363-day	1.9%
7-Jan-21	RongXingDa Development BVI Ltd (Guarantor: RiseSun Real Estate Development Co., Ltd.)	USD300mn	364-day	8.95%
7-Jan-21	Times China Holdings Ltd	USD350mn	6NC4	5.75%
7-Jan-21	NWD MTN Ltd (Guarantor: New World Development Company Limited)	USD200mn	10-year	T+275bps
7-Jan-21	Central China Real Estate Ltd	USD260mn	4.5NC2.5	7.875%
7-Jan-21	Changxing Urban Construction Investment Group Co. Ltd	USD120mn	3-year	4.2%
7-Jan-21	United Overseas Bank Limited	SGD150mn	PerpNC5	2.25%

Source: OCBC, Bloomberg

Treasury Research & Strategy

Macro Research

Selena Ling*Head of Research & Strategy*LingSSSelena@ocbc.com**Howie Lee***Thailand, Korea &**Commodities*HowieLee@ocbc.com**Tommy Xie Dongming***Head of Greater China**Research*XieD@ocbc.com**Carie Li***Hong Kong & Macau*carierli@ocbcwh.com**Wellian Wiranto***Malaysia & Indonesia*WellianWiranto@ocbc.com**Terence Wu***FX Strategist*TerenceWu@ocbc.com

Credit Research

Andrew Wong*Credit Research Analyst*WongVKAM@ocbc.com**Ezien Hoo***Credit Research Analyst*EzienHoo@ocbc.com**Wong Hong Wei***Credit Research Analyst*WongHongWei@ocbc.com**Seow Zhi Qi***Credit Research Analyst*ZhiQiSeow@ocbc.com

This publication is solely for information purposes only and may not be published, circulated, reproduced or distributed in whole or in part to any other person without our prior written consent. This publication should not be construed as an offer or solicitation for the subscription, purchase or sale of the securities/instruments mentioned herein. Any forecast on the economy, stock market, bond market and economic trends of the markets provided is not necessarily indicative of the future or likely performance of the securities/instruments. Whilst the information contained herein has been compiled from sources believed to be reliable and we have taken all reasonable care to ensure that the information contained in this publication is not untrue or misleading at the time of publication, we cannot guarantee and we make no representation as to its accuracy or completeness, and you should not act on it without first independently verifying its contents. The securities/instruments mentioned in this publication may not be suitable for investment by all investors. Any opinion or estimate contained in this report is subject to change without notice. We have not given any consideration to and we have not made any investigation of the investment objectives, financial situation or particular needs of the recipient or any class of persons, and accordingly, no warranty whatsoever is given and no liability whatsoever is accepted for any loss arising whether directly or indirectly as a result of the recipient or any class of persons acting on such information or opinion or estimate. This publication may cover a wide range of topics and is not intended to be a comprehensive study or to provide any recommendation or advice on personal investing or financial planning. Accordingly, they should not be relied on or treated as a substitute for specific advice concerning individual situations. Please seek advice from a financial adviser regarding the suitability of any investment product taking into account your specific investment objectives, financial situation or particular needs before you make a commitment to purchase the investment product. OCBC Bank, its related companies, their respective directors and/or employees (collectively "Related Persons") may or might have in the future interests in the investment products or the issuers mentioned herein. Such interests include effecting transactions in such investment products, and providing broking, investment banking and other financial services to such issuers. OCBC Bank and its Related Persons may also be related to, and receive fees from, providers of such investment products.

This report is intended for your sole use and information. By accepting this report, you agree that you shall not share, communicate, distribute, deliver a copy of or otherwise disclose in any way all or any part of this report or any information contained herein (such report, part thereof and information, "Relevant Materials") to any person or entity (including, without limitation, any overseas office, affiliate, parent entity, subsidiary entity or related entity) (any such person or entity, a "Relevant Entity") in breach of any law, rule, regulation, guidance or similar. In particular, you agree not to share, communicate, distribute, deliver or otherwise disclose any Relevant Materials to any Relevant Entity that is subject to the Markets in Financial Instruments Directive (2014/65/EU) ("MiFID") and the EU's Markets in Financial Instruments Regulation (600/2014) ("MiFIR") (together referred to as "MiFID II"), or any part thereof, as implemented in any jurisdiction. No member of the OCBC Group shall be liable or responsible for the compliance by you or any Relevant Entity with any law, rule, regulation, guidance or similar (including, without limitation, MiFID II, as implemented in any jurisdiction).