

Market Commentary

- The SGD swap curve remained mostly unchanged yesterday in observance Eid al-Fitr.
- The Bloomberg Barclays Asia USD IG Bond Index average OAS widened 1bps to 142bps, and the Bloomberg Barclays Asia USD HY Bond Index average OAS widened 10bps to 614bps. The HY-IG Index Spread widened 9bps to 472bps.
- There were heavy flows on Wednesday including in OLAMSP 5.375%-PERPs, STSP 3.3%-PERPs, NTUCSP 3.1%'50s, OLAMSP 4%'26s, MINTSP 3.15%-PERPs and SPHSP 4%-PERPs.
- 10Y UST Yields fell 4bps to 1.66% despite April's Producer Price Index rising 0.6% m/m in April, compared to the 0.3% estimated by economists.

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

zhiqiseow@ocbc.com

Credit Summary:

- **Commerzbank AG ("CMZB") | Issuer Profile: Neutral (4):** CMZB's turnaround looks to have started with solid 1Q2021 results. Revenue rose 35% y/y to EUR2.5bn while risk results fell 54% y/y to EUR149mn. This drove a marked improvement in operating results to a profit of EUR538mn for 1Q2021 against EUR278mn loss in 1Q2020. The consolidated profit also recovered to EUR133mn (EUR291mn loss in 1Q2020) and included restructuring charges of EUR462mn. The earnings helped buffer the capital position with CMZB's CET1 ratio at 13.4% as at 31 March 2021, up from 13.2% as at 31 December 2020 and around 380bps above the 9.6% minimum regulatory requirement. We continue to look through the numbers but are keeping maintain the Neutral (4) issuer profile.
- **Singapore Telecommunications Ltd ("SingTel") | Issuer Profile: Positive (2):** SingTel booked non-cash impairment charges of USD438mn (SGD589mn) on Amobee and USD250mn (SGD336mn) on Trustwave for 2HFY2021 ending 31 Mar. In relation to Amobee and Trustwave, SingTel flagged the possibility to restructure the product or business segments, a potential full or partial divestment or business combination with other industry players. In total, these will result in net exceptional losses of SGD839mn for 2HFY2021. While the impairments are significant, the Digital segment (including Amobee and Trustwave) have not been significant contributors to the company. We continue to hold SingTel at a Positive (2) Issuer Profile.

Asian Credit Daily

Credit Headlines

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

- CMZB’s turnaround looks to have started with solid 1Q2021 results. Revenue rose 35% y/y to EUR2.5bn while risk results fell 54% y/y to EUR149mn. This drove a marked improvement in operating results to a profit of EUR538mn for 1Q2021 against EUR278mn loss in 1Q2020. The consolidated profit also recovered to EUR133mn (EUR291mn loss in 1Q2020) and included restructuring charges of EUR462mn.
- Positive trends included higher net commission income (+8.5% y/y) from the securities business and capital markets which offset lower interest rates and pressure on business volumes in the corporate Clients segment (net interest income down 5.0% y/y) while operating expenses were stable as higher regulatory costs (+11.9% y/y to EUR336mn from compulsory contributions for the deposit guarantee scheme and for the European Bank Levy) were offset by lower operating costs (-2.3% y/y to EUR1.47bn on lower advertising depreciation and travel costs). The cost to income ratio improved to 59.0% in 1Q2021 against 81.2% in 1Q2020 (79.3% in 4Q2020).
- Loan quality also appears stable with the ratio of non-performing exposures at 0.9% as at 31 March 2021, slightly improved from 1.0% as at 31 December 2020. Nevertheless, the management add on to risk costs remains the same at EUR495mn.
- Restructuring charges of EUR465mn relate primarily to the reduction in staff levels as part of its “Strategy 2024” restructuring program. As recently reported, overall restructuring costs will increase due to the negotiation of a deal with labour unions on Mr Knof’s planned 10,000 in staff reductions, around 25% of CMZB’s domestic workforce.
- The earnings helped buffer the capital position with CMZB’s CET1 ratio at 13.4% as at 31 March 2021, up from 13.2% as at 31 December 2020 and around 380bps above the 9.6% minimum regulatory requirement.
- Overall, the substantial restructuring underway was targeted at reducing costs to restore profitability and buffer the capital position as revenue stability and restructuring costs lead to a likely operating loss in FY2021. However, the upside to revenues in 1Q2021 has resulted in CMZB raising its FY2021 outlook for revenues (slight increase expected in FY2021, previously expected to be stable) while the expected CET1 ratio is at least 12.5%, well above the 200-250bps buffer against the regulatory minimum. We continue to look through the numbers but are keeping maintain the Neutral (4) issuer profile. (Company, OCBC)

Asian Credit Daily

Credit Headlines

Singapore Telecommunications Ltd (“SingTel”) | Issuer Profile: Positive (2)

- SingTel booked non-cash impairment charges of USD438mn (SGD589mn) on Amobee and USD250mn (SGD336mn) on Trustwave for 2HFY2021 ending 31 Mar.
- This is due to industry and operational challenges, compounded by the COVID-19 pandemic as enterprises and advertisers tightened their belts.
 - Amobee saw an almost year-long contraction in advertising spend by the largest agencies and advertisers in North America.
 - Trustwave saw significant challenges in North American markets and commoditisation of legacy products.
- In relation to Amobee and Trustwave, SingTel flagged the possibility to restructure the product or business segments, a potential full or partial divestment or business combination with other industry players.
- Meanwhile, Optus will be making a non-cash impairment and write-down of AUD197mn (SGD204mn) for 2HFY2021 due to impairment of property, plant and equipment of legacy fixed access networks with completion of the NBN rollout. Optus also recorded an exceptional charge of AUD98mn (SGD101mn) with a payroll programme to review staff compensation, which includes payroll adjustments, professional fees as well as remediation of Optus systems and processes.
- Separately, SingTel will record exceptional gains of SGD98mn on dilution of interest in Airtel. SingTel’s share of associates’ exceptional items amounts to SGD211mn.
- In total, these will result in net exceptional losses of SGD839mn for 2HFY2021. While the impairments are significant, the Digital segment (including Amobee and Trustwave) have not been significant contributors to the company. We continue to hold SingTel at a Positive (2) Issuer Profile. (Company, OCBC)

Key Market Movements

	14-May	1W chg (bps)	1M chg (bps)		14-May	1W chg	1M chg
iTraxx Asiax IG	85	7	-6	Brent Crude Spot (\$/bbl)	67.01	-1.86%	0.65%
iTraxx SovX APAC	27	1	-1	Gold Spot (\$/oz)	1,824.45	-0.37%	5.07%
iTraxx Japan	49	2	2	CRB	202.95	-1.12%	7.87%
iTraxx Australia	62	2	-2	GSCI	511.53	-1.41%	7.99%
CDX NA IG	52	2	1	VIX	23.13	25.77%	38.92%
CDX NA HY	109	0	0	CT10 (%)	1.663%	8.54	3.02
iTraxx Eur Main	52	2	1				
iTraxx Eur XO	259	9	13	AUD/USD	0.772	-1.57%	-0.09%
iTraxx Eur Snr Fin	61	2	2	EUR/USD	1.208	-0.75%	0.79%
iTraxx Eur Sub Fin	108	-9	-1	USD/SGD	1.335	-0.73%	0.11%
iTraxx Sovx WE	6	0	0	AUD/SGD	1.030	0.84%	0.16%
USD Swap Spread 10Y	-6	-4	-5	ASX 200	7,042	-0.54%	0.27%
USD Swap Spread 30Y	-34	-5	-7	DJIA	34,021	-1.53%	1.02%
US Libor-OIS Spread	8	-1	-3	SPX	4,113	-2.12%	-0.70%
Euro Libor-OIS Spread	-5	-1	0	MSCI Asiax	837	-4.63%	-4.47%
				HSI	27,719	-3.21%	-4.09%
China 5Y CDS	39	3	-4	STI	3,123	-0.96%	-2.03%
Malaysia 5Y CDS	49	4	1	KLCI	1,583	0.43%	-0.95%
Indonesia 5Y CDS	80	4	-4	JCI	5,938	-0.43%	-0.17%
Thailand 5Y CDS	42	2	-1	EU Stoxx 50	3,952	-1.17%	-0.60%
Australia 5Y CDS	15	0	-12				

Source: Bloomberg

Asian Credit Daily

New Issues

- There are no new issues for yesterday.

Date	Issuer	Size	Tenor	Pricing
11-May-21	Haitong International Securities Group Ltd	USD300mn	5-year	T+135bps
11-May-21	Agricultural Bank of China Ltd	USD300mn	3-year	T+51bps
11-May-21	China Water Affairs Group Ltd	USD200mn	5NC3	5.125%
11-May-21	Jiayuan International Group Ltd	USD130mn	2.75NC2	12.5%
11-May-21	Boxinyuan International Co Ltd	USD100mn	364-day	2.2%
11-May-21	Fortune Star BVI Ltd (Guarantor: FOSUN INTL)	USD500mn	5NC3	5%
11-May-21	Hopson Development Holdings Ltd	USD300mn	3NC2	7%
11-May-21	Yanlord Land HK Co Ltd (Guarantor: Yanlord Land Group Ltd)	USD500mn	5NC3	5.125%
11-May-21	Korea Development Bank of London	USD100mn	5-year	1.146%
11-May-21	Country Garden Holdings Co Ltd	USD500mn	COGARD 3.125%'25s	T+230bps
11-May-21	Studio City Finance Ltd	USD350mn	STCITY 5%'29s	101.50 to yield 4.763%
11-May-21	Housing & Development Board	SGD900mn	10-year	1.73%

Source: OCBC, Bloomberg

Treasury Research & Strategy

Macro Research

Selena Ling

Head of Research & Strategy

LingSSSelena@ocbc.com

Tommy Xie Dongming

Head of Greater China

Research

XieD@ocbc.com

Wellian Wiranto

Malaysia & Indonesia

WellianWiranto@ocbc.com

Howie Lee

Thailand, Korea &

Commodities

HowieLee@ocbc.com

Carie Li

Hong Kong & Macau

carierli@ocbcwh.com

Herbert Wong

Hong Kong & Macau

herberhtwong@ocbcwh.com

FX/Rates Strategy

Frances Cheung

Rates Strategist

FrancesCheung@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 and/or its related and affiliated corporations may at any time make markets in the securities/instruments mentioned in this publication and together with their respective directors and officers, may have or take positions in the securities/instruments mentioned in this publication and may be engaged in purchasing or selling the same for themselves or their clients, and may also perform or seek to perform broking and other investment or securities-related services for the corporations whose securities are mentioned in this publication as well as other parties generally. There may be conflicts of interest between Oversea-Chinese Banking Corporation Limited ("OCBC Bank"), Bank of Singapore Limited, OCBC Investment Research Private Limited, OCBC Securities Private Limited or other members of the OCBC Group and any of the persons or entities mentioned in this report of which OCBC Bank and its analyst(s) are not aware due to OCBC Bank's Chinese Wall arrangement.

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).