

Market Commentary

- The SGD swap curve traded higher yesterday, with shorter tenors trading at 2-8bps higher. Belly tenors traded 7-9bps higher while longer tenors traded 5-7bps higher.
- There were heavy flows in SGD corporates yesterday, including UOBSP 2.55%-PERPs, KITSP 4.3%-PERPs, STSP 3.3%-PERPs, MINTSP 3.15%-PERPs, SPOST 2.53%'30s, SUNSP 3.8%-PERPs and SUNSP 4.25%-PERPs.
- Despite a hawkish Fed update, the UST 10Y Yields slipped 7bps to 1.51% amidst a big sell-off in commodities. Meanwhile, initial jobless claims came in at 412,000, higher than the 360,000 expected, possibly aiding the flight back into safe-haven assets that sent yields lower.

Credit Research

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Credit Summary:

- **[Industry Outlook](#) – Swiss Financial Institutions: UBS Group AG (“UBS”) | Issuer Profile: Neutral (3); Julius Baer Group Ltd (“JBG”) | Issuer Profile: Neutral (3); Credit Suisse Group AG (“CS”) | Issuer Profile: Neutral (4):** The Swiss National Bank released its annual Financial Stability Report this week. Highlights of the report include an improvement in economic and financial conditions since the last Financial Stability Report in June 2020 although the global and Switzerland economies continue to be adversely impacted by the pandemic. The Finance Ministry and Swiss National Bank and FINMA continue to look at improving and strengthening bank regulations to ensure adequate risk management and appropriate levels of capital and liquidity. New CS chairman Antonio Horta-Osorio is reportedly looking at reducing trading activities in the investment bank following Archegos. JBG priced its first ever senior unsecured Euro denominated bonds through Bank Julius Baer & Co, Ltd.
- **[Commerzbank AG \(“CMZB”\) | Issuer Profile: Neutral \(4\):](#)** CMZB has announced a “mid two-digit million” impact in its 2Q2021 results from a German consumer-rights court ruling that customers of Deutsche Bank’s Postbank were entitled to compensation after CMZB unilaterally changed terms and conditions without adequately consulting them.

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Industry Outlook – Swiss Financial Institutions: UBS Group AG (“UBS”) | Issuer Profile: Neutral (3); Julius Baer Group Ltd (“JBG”) | Issuer Profile: Neutral (3); Credit Suisse Group AG (“CS”) | Issuer Profile: Neutral (4)

- The Swiss National Bank released its annual Financial Stability Report this week. Highlights of the report include:
 - An improvement in economic and financial conditions since the last Financial Stability Report in June 2020 although the global and Switzerland economies continue to be adversely impacted by the pandemic;
 - Switzerland’s economy and the banking system has proved resilient to the pandemic as a result of public support measures to ensure companies’ continued access to funding and, in the case of the banking system, their solid capital base;
 - Vulnerability to future shocks has increased and the global macroeconomic environment presents several risks for financial stability including ongoing pandemic uncertainty, stretched valuations from extensive fiscal and monetary policy, and high systemic debt levels for both public and corporate debt.
 - Both UBS and CS, which the Swiss National Bank has identified as globally active Swiss banks remain resilient to the current economic environment due to public support, the resultant recovery in financial markets and their diversified income structure with improved capital positions since June 2020 that have recovered to pre-pandemic levels.
 - That said, the Swiss National Bank did make mention of the negative impact to both banks from the large losses due to Archegos Capital Management (“Archegos”) which offset strong 1Q2021 results, particularly for CS which has seen its credit default swaps increase and share price fall. Swiss regulator FINMA continues to investigate this event.
 - The impact of Archegos (as an example of an adverse impact to systemic risk in the absence of macroeconomic or system wide shocks) as well as the results of the Swiss National Bank’s stress test scenarios (which indicate substantial loss potential for CS and UBS in protracted recession scenarios) continues to support the importance of “Too Big Too Fail” Capital requirements to ensure the ongoing resilience of CS and UBS.
- Given the above, the government through the Finance Ministry and Swiss National Bank and FINMA continue to look at improving and strengthening bank regulations to ensure adequate risk management and appropriate levels of capital and liquidity.
- In other news, new CS chairman Antonio Horta-Osorio is reportedly looking at reducing trading activities in the investment bank following Archegos. Further updates are expected this quarter.
- Finally, JBG priced its first ever senior unsecured Euro denominated bonds through Bank Julius Baer & Co, Ltd. The banking subsidiary of JBG issued EUR500mn 3yr notes at 0.000% to diversify its funding sources and broaden its investor base. At 0.000%, the deal is priced at a spread of ~41bps with order books of around EUR850mn. (SNB, Bloomberg, IFR, OCBC)

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

- CMZB has announced a “mid two-digit million” impact in its 2Q2021 results from a German consumer-rights court ruling that customers of Deutsche Bank’s Postbank were entitled to compensation after CMZB unilaterally changed terms and conditions without adequately consulting them.
- Chief Financial Officer and deputy Chief Executive Officer Bettina Orlopp however expects the impact to be negated by a recognized gain of around EUR50mn from its less than 5% stake in US payment platform Marqeta Inc. following the company going public last week.
- In other comments, Ms Orlopp indicated that 2Q2021 risk costs would be the same or lower than 1Q2021. 1Q2021 results were solid with revenue up 35% y/y to EUR2.5bn while risk results fell 54% y/y to EUR149mn and drove a marked improvement in operating results to a profit of EUR538mn for 1Q2021 against EUR278mn loss in 1Q2020. In addition, management reaffirmed its previous guidance for FY2021 revenues to be higher than FY2020. (Bloomberg, OCBC)

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Key Market Movements

	18-Jun	1W chg (bps)	1M chg (bps)		18-Jun	1W chg	1M chg
iTraxx Asiax IG	84	1	0	Brent Crude Spot (\$/bbl)	73.06	0.51%	6.33%
iTraxx SovX APAC	25	0	-1	Gold Spot (\$/oz)	1,778.26	-5.29%	-4.88%
iTraxx Japan	45	-1	-2	CRB	204.24	-3.75%	-0.83%
iTraxx Australia	58	0	-2	GSCI	515.51	-3.21%	-1.04%
CDX NA IG	49	1	-2	VIX	17.75	10.25%	-9.99%
CDX NA HY	110	0	0	CT10 (%)	1.518%	6.58	-11.93
iTraxx Eur Main	47	0	-3				
iTraxx Eur XO	234	0	-19	AUD/USD	0.756	-1.96%	-3.02%
iTraxx Eur Snr Fin	55	-1	-4	EUR/USD	1.191	-1.64%	-2.54%
iTraxx Eur Sub Fin	108	-9	-1	USD/SGD	1.342	-1.18%	-0.92%
iTraxx Sovx WE	5	0	-1	AUD/SGD	1.014	0.77%	2.16%
USD Swap Spread 10Y	-3	-1	1	ASX 200	7,376	1.01%	4.39%
USD Swap Spread 30Y	-29	1	3	DJIA	33,823	-1.86%	-1.47%
US Libor-OIS Spread	3	-1	-5	SPX	4,222	-0.41%	1.41%
Euro Libor-OIS Spread	-7	-1	0	MSCI Asiax	880	-1.32%	1.70%
				HSI	28,559	-0.64%	-0.12%
China 5Y CDS	36	1	-1	STI	3,138	-0.76%	-0.14%
Malaysia 5Y CDS	44	0	-2	KLCI	1,571	-0.57%	-1.29%
Indonesia 5Y CDS	74	0	-3	JCI	6,068	-0.64%	4.01%
Thailand 5Y CDS	38	0	-2	EU Stoxx 50	4,158	1.52%	3.81%
Australia 5Y CDS	15	0	-12				

Source: Bloomberg

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New Issues

- Mega Wisdom Global Ltd (Guarantors: Fortune Joy Ventures Ltd and Sino-Ocean Capital Holding Ltd) priced a USD500mn 2-year senior unsecured bond at 6.25%, tightening from IPT of 6.5% area.
- Deqing Construction Development Group Co Ltd priced a USD150mn 3-year senior unsecured bond at 3.6%, tightening from IPT of 4.1% area.

Date		Size	Tenor	Pricing
17-June-21	Mega Wisdom Global Ltd (Guarantors: Fortune Joy Ventures Ltd and Sino-Ocean Capital Holding Ltd)	USD500mn	2-year	6.25%
17-June-21	Deqing Construction Development Group Co Ltd	USD150mn	3-year	3.6%

Source: OCBC, Bloomberg

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