

Market Commentary

- The Singapore swap curve traded mix yesterday, with shorter tenors (1-4 years) mostly traded 0-1bps lower, belly tenors traded 0-1bps higher, the 10 to 15-year traded 1bps lower though the 20-year and 30-year traded 1bps higher.
- There were heavy flows in SGD Corporates yesterday, with flows in AAREIT 5.375%-PERPs, CS 5.675%-PERPs, OLAMSP 4%26s, MAPLSP 3.7%-PERPs, SOCGEN 6.125%-PERPs, and KREITS 3.15%-PERPs.
- UST 10Y Yields fell 5bps to 1.31% yesterday as investors reposition their portfolio with less risky assets amidst uncertainty in the financial system. With another FOMC meeting set to begin today and some fears of market contagion surrounding China's Evergrande Group, UST yields are expected to be more volatile in coming days.

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Credit Summary:

- [AusNet Services Ltd \("AST"\)](#) | **Issuer profile: Neutral (3)**: Two bidders have launched an offer for AST. On 20 September 2021, AST obtained an indicative, non-binding, conditional proposal at AUD2.50 per share, and will grant exclusive due diligence to the infrastructure arm of Brookfield Asset Management ("Brookfield"). Subsequently on 21 September 2021, APA Group ("APA") made a non-binding indicative proposal of AUD2.60 per share in AST (in cash and scrip which is reliant on the APA's scrip value).
- [Ascott Residence Trust \("ART"\)](#) | **Issuer profile: Negative (5)**: ART announced that it has entered into a sales and purchase agreement to buy a student accommodation property in Texas for a purchase consideration for USD70mn (~SGD93.8mn), in line with its strategy to diversify its portfolio away from traditional hospitality assets. This property serves Texas Tech University. ~SGD58.7mn of the purchase is expected to be funded by gross proceeds raised through an equity private placement. Earlier, ART's issuer profile was temporarily suspended due to OCBC's other business though this has been reinstated. We have ART's issuer profile at Neutral (5).
- [Commerzbank AG \("CMZB"\)](#) | **Issuer profile: Neutral (4)**: Reportedly Cerberus Capital ("Cerberus"), an alternative investment management firm, would consider raising its stake in CMZB if a new government in Germany was willing to sell its shares. Germany is going into federal elections this Sunday 26 September 2021. In a separate development, the company announced its sustainability goals.

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Credit Headlines

AusNet Services Ltd (“AST”) | Issuer profile: Neutral (3):

- Two bidders have launched an offer for AST. On 20 September 2021, AST obtained an indicative, non-binding, conditional proposal at AUD2.50 per share, and will grant exclusive due diligence to the infrastructure arm of Brookfield Asset Management (“Brookfield”). Subsequently on 21 September 2021, APA Group (“APA”) made a non-binding indicative proposal of AUD2.60 per share in AST (in cash and scrip which is reliant on the APA’s scrip value).
- Toronto-headquartered Brookfield is one of the largest listed asset management company globally focusing on real estate, infrastructure, private equity and renewable power while APA is a natural gas infrastructure company listed on the Australian Stock Exchange.
- Per APA, AST had been made aware of its intention to make a revised proposal on 16 September 2021 and that it understands that Singapore Power Ltd (single largest shareholder of AST holding a ~31%-stake) was supportive of APA and AST engaging in a discussion determine whether a transaction could be agreed.
- Earlier on 1 September 2021, APA had approached AST with a proposal at AUD2.32 per share and that it had discussed this original proposal with AST’s second largest shareholder, namely State Grid Corp of China.
- AST is currently on trading halt, as the company considers a response to APA Group and to provide the market with all relevant information which may be considered to be market sensitive information in relation to AST. (Company, Bloomberg, AFR, OCBC)

Ascott Residence Trust (“ART”) | Issuer profile: Negative (5):

- ART announced that it has entered into a sales and purchase agreement to buy a student accommodation property in Texas for a purchase consideration for USD70mn (~SGD93.8mn), in line with its strategy to diversify its portfolio away from traditional hospitality assets. This property serves Texas Tech University. ~SGD58.7mn of the purchase is expected to be funded by gross proceeds raised through an equity private placement.
- Per ART, on a proforma basis, the acquisition is expected to contribute EBITDA of USD3.6mn (~SGD4.8mn), with an expected EBITDA yield of 5.1%.
- On 9 September 2021, ART had raised gross proceeds of ~SGD150mn via the equity private placement (issue price represented a discount of ~5.5% to the volume weighted average price, at the lower end of the issue price range). Aside from the amount to fund the Texas property, the bulk amounting to SGD89mn is intended to go towards partly funding any future potential acquisitions (eg: student accommodation and multi-family rental housing properties) in developed markets such as US, Europe and Japan.
- In effect, while broad categories have been identified, the money has been raised prior to actual target announced. ART may utilise the money raised to repay debt first pending deployment. Earlier, ART’s issuer profile was temporarily suspended due to OCBC’s other business though this has been reinstated. We have ART’s issuer profile at Neutral (5). (Company, OCBC)

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Credit Headlines

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

- Reportedly Cerberus Capital (“Cerberus”), an alternative investment management firm, would consider raising its stake in CMZB if a new government in Germany was willing to sell its shares. Germany is going into federal elections this Sunday 26 September 2021.
- Currently, the state owns 15.6%-stake in CMZB while Cerberus owns ~5% (bought in 2017).
- In a separate development, the company announced its sustainability goals. Among the key goals:
 - Credit and investment portfolios to become net zero by 2050 at the latest; own operations by 2040 at the latest.
 - Sustainable business volume to be tripled to EUR300bn by 2025; products included in the sustainable business volume has been published in CMZB’s Sustainable Finance Framework.
 - Working on expanding fossil fuel policy to include gas and oil, to come into force on 1 January 2022. Coal policy incepted since 2016. Coal portfolio halved to ~EUR1bn in the past two years and now represents ~0.2% of total portfolio.
 - In the midst of measuring carbon footprint of loan and investment portfolio, concrete reduction targets to be defined for the entire portfolio by August 2022. (Company, Bloomberg, Handelsblatt, Reuters, OCBC)

Key Market Movements

	21-Sep	1W chg (bps)	1M chg (bps)		21-Sep	1W chg	1M chg
iTraxx Asiax IG	93	28	21	Brent Crude Spot (\$/bbl)	74.43	1.13%	14.19%
iTraxx SovX APAC	27	4	1	Gold Spot (\$/oz)	1,763.66	-2.26%	-2.31%
iTraxx Japan	42	0	-4	CRB	218.10	-1.40%	5.38%
iTraxx Australia	67	11	5	GSCI	529.55	-0.72%	7.10%
CDX NA IG	54	7	5	VIX	25.71	32.73%	38.52%
CDX NA HY	109	-1	0	CT10 (%)	1.314%	3.05	5.91
iTraxx Eur Main	51	7	5				
iTraxx Eur XO	253	27	21	AUD/USD	0.726	-0.85%	0.68%
iTraxx Eur Snr Fin	59	8	6	EUR/USD	1.173	-0.64%	-0.15%
iTraxx Eur Sub Fin	0	0	0	USD/SGD	1.352	-0.58%	0.34%
iTraxx Sovx WE	5	0	0	AUD/SGD	0.981	0.25%	-0.34%
USD Swap Spread 10Y	3	0	2	ASX 200	7,223	-2.88%	-3.19%
USD Swap Spread 30Y	-24	1	4	DJIA	33,970	-2.58%	-3.27%
US Libor-OIS Spread	4	0	0	SPX	4,358	-2.48%	-1.89%
Euro Libor-OIS Spread	-6	0	0	MSCI Asiax	806	-2.98%	2.94%
				HSI	24,099	-6.64%	-3.02%
China 5Y CDS	48	14	13	STI	3,042	-1.06%	-1.97%
Malaysia 5Y CDS	52	10	4	KLCI	1,528	-3.05%	0.65%
Indonesia 5Y CDS	87	20	13	JCI	6,076	-0.19%	0.76%
Thailand 5Y CDS	43	9	6	EU Stoxx 50	4,044	-3.48%	-2.50%
Australia 5Y CDS	15	0	0				

Source: Bloomberg

New Issues

- Panther Ventures Ltd (Guarantor: CK Assets Holdings Limited) priced a SGD300mn perpNC3 senior bond at 3.38%, tightening from an IPT of 3.625% area.

Date	Issuer	Size	Tenor	Pricing
20-Sep-21	Panther Ventures Ltd (Guarantor: CK Assets Holdings Limited)	SGD300mn	perpNC3	3.38%

Source: OCBC, Bloomberg

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