

Market Commentary

- The SGD swap curve traded higher yesterday, with shorter tenors trading 2-6bps higher, belly tenors trading 8-9bps higher, and longer tenors trading 9-11bps higher.
- There were light flows in SGD corporates yesterday, with flows in CERTSP 5%-PERPs.
- UST 10Y yields traded 1bps higher to 1.72% yesterday, as investors continued to reposition their portfolios following the release of the hawkish FOMC meeting minutes on Wednesday. The release of the Nonfarm Payrolls report for December 2021 by the US Department of Labor tonight will be a key event for investors, as they continue to monitor the labor market recovery and adjust their expectations of the Fed's policy tightening pace resultingly.

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Credit Summary:

- [Société Générale \("SocGen"\)](#) | **Issuer Profile: Neutral (4)**: SocGen has announced the execution of two memorandums of understanding with ALD to acquire 100% of LeasePlan for EUR4.9bn, that will be paid for in cash and shares. Should the proposed acquisition complete as planned, SocGen is expected to be the majority shareholder at ~53% and the new combined entity will be consolidated into SocGen's financials. The combination remains subject to closing conditions including regulatory approvals, with expected completion by 4Q2022. The acquisition looks manageable in our view at its current Neutral (4) issuer profile.

Asian Credit Daily**Credit Headlines****Société Générale (“SocGen”) | Issuer Profile: Neutral (4):**

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- Per SocGen’s announcement, ALD is an existing subsidiary of SocGen and a global leader in mobility solutions with full-service leasing and fleet management services and a fleet of 1.7 million vehicles, 33% located in France. LeasePlan is a competitor of ALD with a global fleet of 1.8 million vehicles that are spread more diversely across the globe – hence the combination will create a global leader in mobility that is expected to benefit from the shift from vehicle ownership to vehicle usership. LeasePlan and ALD are currently the fourth and fifth largest players in terms of fleet size and when combined will be equal second behind Volkswagen.
- Under the proposal, LeasePlan shareholders will receive EUR2bn in cash and shares in the combined entity such that it will own ~31% of the combined group. ALD will finance the acquisition with EUR700mn of surplus capital and a EUR1.3bn rights issue underwritten by SocGen.
- The capital impact to SocGen is expected to be around 40bps. SocGen’s CET1 capital ratio was 13.4% as at 30 September 2021 on a transitional basis (ie includes a 19bps impact for the phasing in of IFRS19), which is around 440bps above the regulatory requirement and Minimum Distributable Amount (“MDA”) requirement. As such, the acquisition looks manageable in our view at its current Neutral (4) issuer profile. Management expects a CET1 buffer of 200bps over its MDA requirement at any point in time.
- This transaction looks to be strategically important for SocGen with CEO Frederic Oudea aiming for the combined entity to be the third pillar of SocGen’s business model alongside Retail Banking and Insurance and Corporate and Investment Banking Businesses based on expected synergies in the existing businesses and future growth.
- The combination remains subject to closing conditions including regulatory approvals with expected completion by 4Q2022. (Company, Bloomberg, OCBC)

Key Market Movements

	7-Jan	1W chg (bps)	1M chg (bps)		7-Jan	1W chg	1M chg
iTraxx Asiax IG	81	3	-12	Brent Crude Spot (\$/bbl)	82.47	6.03%	9.32%
iTraxx SovX APAC	22	1	-2	Gold Spot (\$/oz)	1,790.86	-2.10%	0.38%
iTraxx Japan	47	1	-5	CRB	236.75	1.19%	6.05%
iTraxx Australia	66	2	-9	GSCI	578.04	1.77%	8.18%
CDX NA IG	52	2	-4	VIX	19.61	13.16%	-27.85%
CDX NA HY	109	0	1	CT10 (%)	1.712%	20.22	23.90
iTraxx Eur Main	50	2	-7				
iTraxx Eur XO	250	7	-30	AUD/USD	0.718	-1.21%	0.79%
iTraxx Eur Snr Fin	57	2	-9	EUR/USD	1.130	-0.63%	0.28%
iTraxx Eur Sub Fin	110	2	-16	USD/SGD	1.360	-0.79%	0.49%
iTraxx Sovx WE	4	0	0	AUD/SGD	0.976	0.45%	-0.31%
USD Swap Spread 10Y	6	0	-3	ASX 200	7,465	-0.64%	2.07%
USD Swap Spread 30Y	-17	1	-3	DJIA	36,236	-0.44%	2.87%
US Libor-OIS Spread	8	-2	-3	SPX	4,696	-1.73%	2.27%
Euro Libor-OIS Spread	-9	0	-2	MSCI Asiax	779	-1.31%	-1.73%
				HSI	23,073	-1.39%	-3.80%
China 5Y CDS	44	4	-8	STI	3,198	2.37%	2.01%
Malaysia 5Y CDS	48	3	-11	KLCI	1,537	-1.96%	2.60%
Indonesia 5Y CDS	78	4	-8	JCI	6,653	0.80%	0.77%
Thailand 5Y CDS	27	0	-4	EU Stoxx 50	4,325	0.44%	1.14%
Australia 5Y CDS	14	0	0				

Source: Bloomberg

Asian Credit Daily**New Issues**

- Jingjiang Port priced a USD100mn 3-year credit enhanced bond (SBLC provider: Bank of Jiangsu Co., Taizhou Branch) at 2%.
- Shriram Transport has arranged investor calls commencing 06 January for its proposed USD senior secured social bond offering.

Date	Issuer	Size	Tenor	Pricing
06-Jan-22	Jingjiang Port (SBLC provider: Bank of Jiangsu Co., Taizhou Branch)	USD100mn	3-year	2%

*Source: OCBC, Bloomberg***Temporary Suspension**

- Do note that our official coverage on **Keppel Corporation Ltd**, **City Development Limited** and **Frasers Centrepoint Trust** is temporarily suspended due to OCBC's other business.

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