

Market Commentary

- The SGD swap curve traded lower yesterday, with shorter tenors trading 2bps lower (with the exception of the 1.5-year trading 1bps higher), belly tenors trading 2-3bps lower, and longer tenors trading 1-4bps lower.
- There were heavy flows in SGD corporates yesterday, with flows in VRTVEN 3.3%'28s, MAPLSP 3.7%-PERPs, MLTSP 3.725%-PERPs, OLAMSP 4%'26s, and AIA 2.9%-PERPs.
- UST 10Y yields traded 4bps lower to 1.70% yesterday despite hawkish comments by Fed governors Brainard, Harker and Evans, as investors repositioned their portfolios amidst risk-off sentiments. This came amidst the release of higher-than-expected initial jobless claims by the US Department of Labor, and lower-than-expected m/m Price Index ("PPI") for final demand released by the US Bureau of Labor Statistics. Initial jobless claims for the previous week came in at 230,000, which was higher than Bloomberg median estimates of 200,000, while PPI for final demand in December 2021 came in at a 0.2% increase from the previous month, lower than Bloomberg median estimates of 0.4%.

Credit Summary:

- **United Overseas Bank ("UOB") | Issuer Profile: Positive (2):** UOB has entered into agreements to acquire Citigroup's consumer banking businesses in Indonesia, Malaysia, Thailand and Vietnam. This comprises unsecured and secured lending portfolios, wealth management and retail deposit businesses, with Citigroup's 5,000 employees also transferring to UOB. The acquisition will be financed from existing reserves, and is manageable in terms of UOB's capital position in our view. We continue to maintain the Positive (2) issuer profile on UOB on solid fundamentals and the operating outlook, and see this acquisition as well contained within our current credit view. (Company, OCBC)

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Asian Credit Daily**Credit Headlines****United Overseas Bank (“UOB”) | Issuer Profile: Positive (2)**

- UOB has entered into agreements to acquire Citigroup's consumer banking businesses in Indonesia, Malaysia, Thailand and Vietnam. This comprises unsecured and secured lending portfolios, wealth management and retail deposit businesses with Citigroup's 5,000 employees also transferring to UOB.
- The acquisition cost is SGD915mn plus the net asset value of the businesses as at completion. Per UOB's announcement, Citigroup's consumer banking businesses to be acquired generated income of ~SGD500mn in 1H2021, with an aggregate net asset value of ~SGD4.0bn and a customer base of about 2.4 million as at 30 June 2021.
- The acquisition will be financed from existing reserves, and is manageable in terms of UOB's capital position in our view. UOB's CET1 ratio was 13.5% as at 30 September 2021, which equates to a capital buffer of ~SGD11bn against the regulatory minimum requirement. UOB's proforma capital ratio is expected to reduce by 70bps to 12.8% following this acquisition.
- We think this move is credit supportive, given UOB's solid capital position and existing presence in South East Asia. This adds scale and diversity to UOB's overall business with synergies expected to UOB's existing complementary businesses across all retail segments. The acquisition is expected to double UOB's presence in Indonesia, Malaysia, Thailand and Vietnam from ~2.9mn retail customers to ~5.3mn, in line with UOB's pre-acquisition target to achieve 2x growth by 2026. UOB's geographic focus will remain in Singapore, with 50% of loans post-acquisition (based on 1H2021 loan composition) as opposed 51% pre-acquisition.
- As a reminder, Citigroup had previously announced the sale of its consumer business in Asia which includes retail banking in Australia, Bahrain, China, India, Indonesia, South Korea, Malaysia, the Philippines, Taiwan, Thailand and Vietnam. Citigroup's move is part of a strategy review by Chief Executive Officer Jane Fraser. Citigroup is reportedly not giving up its banking licences in most of these markets, although it remains to be seen if all regulators will allow the licenses to be retained. So far, National Australia Bank Ltd (“NAB”) has been announced the acquisition of [Citigroup's Australian consumer business](#) while Standard Chartered PLC (“StanChart”) and DBS Group Holdings Ltd (“DBS”) are also amongst banks vying for Citigroup's assets for sale. UOB was previously announced as the preferred bidder for the Indonesian assets only and StanChart as the preferred bidder for Malaysia. Both StanChart and DBS are reportedly bidding for Citigroup's larger Taiwanese assets which were previously reported to be worth anywhere from USD2bn to USD4bn.
- Completion of the acquisitions is still subject to regulatory approval both in Singapore and each respective country, hence the timeline will be varied. UOB expects completion between mid-2022 and early 2024.
- We continue to maintain the Positive (2) issuer profile on UOB on solid fundamentals and the operating outlook, and see this acquisition as well contained within our current credit view. (Company, OCBC)

Key Market Movements

	14-Jan	1W chg (bps)	1M chg (bps)		14-Jan	1W chg	1M chg
iTraxx Asiax IG	84	4	-1	Brent Crude Spot (\$/bbl)	84.29	3.11%	14.37%
iTraxx SovX APAC	23	1	0	Gold Spot (\$/oz)	1,825.98	1.64%	3.11%
iTraxx Japan	48	0	-2	CRB	242.90	2.60%	8.28%
iTraxx Australia	67	1	-2	GSCI	590.07	2.07%	9.51%
CDX NA IG	53	0	-1	VIX	20.31	3.57%	-7.22%
CDX NA HY	108	0	0	CT10 (%)	1.722%	-4.03	28.06
iTraxx Eur Main	51	1	-1				
iTraxx Eur XO	253	2	-6	AUD/USD	0.728	1.31%	2.41%
iTraxx Eur Snr Fin	59	0	-1	EUR/USD	1.147	1.00%	1.91%
iTraxx Eur Sub Fin	113	1	-4	USD/SGD	1.346	0.75%	1.82%
iTraxx Sovx WE	4	0	0	AUD/SGD	0.979	-0.59%	-0.56%
USD Swap Spread 10Y	6	-1	-2	ASX 200	7,393	-0.81%	0.20%
USD Swap Spread 30Y	-17	1	-1	DJIA	36,114	-0.34%	1.60%
US Libor-OIS Spread	7	-2	-5	SPX	4,659	-0.79%	0.54%
Euro Libor-OIS Spread	-7	1	3	MSCI Asiax	807	2.77%	2.66%
				HSI	24,167	2.87%	2.25%
China 5Y CDS	46	2	2	STI	3,269	2.00%	4.75%
Malaysia 5Y CDS	50	3	1	KLCI	1,555	0.80%	5.03%
Indonesia 5Y CDS	82	4	4	JCI	6,662	-0.58%	0.70%
Thailand 5Y CDS	29	2	0	EU Stoxx 50	4,316	-0.21%	4.14%
Australia 5Y CDS	14	0	0				

Source: Bloomberg

Asian Credit Daily**New Issues**

- CIMB Bank Bhd priced a USD500mn 5.5-year senior unsecured sustainable development goals (“SDG”) bond at T+70bps, tightening from an IPT of T+100bps area.
- China Construction Bank Corp priced a USD2bn 10NC5 Tier 2 subordinated bond at T+140bps, tightening from an IPT of T+170bps area.
- Thailand-based Electricity Generating Public Company Limited (“EGAT”), has arranged investor calls commencing 13 January for its proposed USD senior unsecured bonds offering.

Date	Issuer	Size	Tenor	Pricing
13-Jan-22	CIMB Bank Bhd	USD500mn	5.5-year	T+70bps
13-Jan-22	China Construction Bank Corp	USD2bn	10NC5	T+140bps

*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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