

Market Commentary

- The SGD SORA curve traded mostly higher yesterday, with shorter tenors trading 1-2bps higher, belly tenors trading 3-4bps higher and 10Y trading 3bps higher.
- There were light flows in SGD yesterday.
- UST 10Y yields declined by 4bps to 3.53% as risk off sentiments grew following a host of US bank chiefs sounded the alarm about the gloomy outlook. Goldman Sachs warned about pay and job cuts, Bank of America is slowing hiring, Morgan Stanley will reduce its global workforce by about 2%, while JP Morgan said a “mild to hard recession” may hit next year. Besides, The US trade deficit widened for a second month in October, as the value of imports increased by 0.6% and exports declined by 0.7%, which may weigh on economic growth in the fourth quarter. Meanwhile, foreign demand for US goods and services remains soft as many economies contend with persistent inflation and rising interest rates.

Credit Research

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Credit Summary:

- **Industry Outlook – Airlines: Singapore Airlines Ltd | Issuer Profile: Neutral (5), Qantas Airways Ltd | Issuer Profile: Neutral (5) and Cathay Pacific Airways Limited | Issuer Profile: Unrated:** The International Air Transport Association (“IATA”), a trade association for airlines globally published its Global Outlook for Air Transport semi-annual report. Recovery is well underway after the largest shock in aviation’s history. Traffic is forecast to grow at a record rate in 2022, and to continue to grow at a slower pace in 2023 and beyond.
- **Deutsche Bank AG (“DB”) | Issuer Profile: Neutral (4):** We have initiated coverage on DB at the Neutral (4) issuer profile to reflect its exposure to the more volatile investment banking business.
- **Credit Agricole Group (“CAG”) | Issuer Profile: Neutral (3):** Credit Agricole SA (“CAS”) announced its Climate Strategy that is focused on Climate and Environment, maintaining social cohesion and Agriculture and Agri-food sector transitions.

Credit Headlines
Industry Outlook – Airlines: Singapore Airlines Ltd | Issuer Profile: Neutral (5), Qantas Airways Ltd | Issuer Profile: Neutral (5) and Cathay Pacific Airways Limited | Issuer Profile: Unrated

- The International Air Transport Association (“IATA”), a trade association for airlines globally published its Global Outlook for Air Transport semi-annual report. Below some key highlights:
 - Recovery is well underway after the largest shock in aviation’s history. Traffic is forecast to grow at a record rate in 2022, and to continue to grow at a slower pace in 2023 and beyond.
 - Traffic continues to be driven mostly by pandemic-related travel restrictions which are still dampening the recovery, notably in China. Global Revenue Passenger Kilometers (“RPK”) are forecast to reach the 2019 level in 2024. The IATA expects that in between 2019 and 2040, air passenger numbers will increase at an average annual rate of 3.3%.
 - In October 2022, this reached 74.2% of 2019 levels. However, regional composition of RPK noticeably different for 10M2022 versus pre-pandemic. It is expected that the Asia-Pacific region will regain its dominant position in the world’s RPK shortly after China eases its travel restrictions possibly in the spring of 2023.
 - Cargo continues to outperform domestic and international passenger markets. While cargo tonne kilometers (“CTK”) have moderated, the related revenue will likely exceed 2019 results going forward, in spite of pressure on yields as belly capacity returns.
 - Although the relative price advantage of air cargo over maritime is narrowing, the current level of cargo yields will still make cargo a critical source of revenue to the air transport industry.
 - The air transport industry will likely post a loss of ~USD7bn in 2022 and deliver a profit of ~USD4.7bn in 2023. This is in contrast to the USD138bn loss in 2020. That said, the IATA adds that there are numerous risks to the outlook that is tilted towards the downside (ie: risk of deep and prolonged recession, oil price outlook remains very uncertain, escalation in geopolitical tensions, magnitude and timing of recovery of air travel particularly in China, further disruptions to global supply chain and renewed COVID outbreaks).
 - All regions will see their finances improve in 2022 and 2023, led by North America and is likely already profitable in 2022. In 2023, Europe and the Middle East are expected to be profitable, while Latin America, Africa, and Asia-Pacific will have to look to 2024 or beyond to turn profitable. (IATA).

Deutsche Bank AG (“DB”) | Issuer Profile: Neutral (4):

- We have initiated coverage on DB at the Neutral (4) issuer profile to reflect its exposure to the more volatile investment banking business.
- We see DB residing at the upper end of the Neutral (4) range given management capability that offsets potential business volatility.
- DB’s strategic transformation and restructuring that commenced in 2019 has improved the bank’s earnings. That said, the bank remains heavily dependent on its investment banking business which generated ~70% of profit before tax for 9M2022 and is its largest business segment by total assets.
- We commence with an overweight view on the DB 5.0% ‘26s given the decent pick up over the MQGAU 4.5% ‘26s considering the differing credit quality. DB’s fundamentals are on a positive trajectory and should compensate for the weaker operating environment. (OCBC)

Credit Headlines

Credit Agricole Group (“CAG”) | Issuer Profile: Neutral (3):

- Credit Agricole SA (“CAS”) announced its Climate Strategy that is focused on Climate and Environment, maintaining social cohesion and Agriculture and Agri-food sector transitions.
- Key to this is CAS reducing its exposure to fossil fuels through existing and new commitments:
 - Ending financing of new unconventional hydrocarbon projects (shale oil and gas, oil from tar sands, gas from tight reservoirs, bituminous shale, extra-heavy oil or oil requiring thermal extraction methods, seam gas (coal) and methane hydrate) or financing borrowers with more than 30% of revenues based on these activities.
 - No new financing of oil and gas projects in the Arctic.
 - 30% reduction in absolute CO2e emissions by 2030 using a 2020 base.
 - 25% reduction in exposure to oil exploration and production by 2025 using a 2020 base.
 - No financing of new oil extraction projects.
 - Annual analysis of client transition plans and divestment strategy for carbon energy and investment in decarbonization investment.
 - Have 80% of asset-related financing and advisory services by asset value in green assets (as defined under CAG’s Green Bond Framework) or natural gas over the 2023-2025 period.
- CAS’ announcement follows the establishment of a new business titled Crédit Agricole Transitions & Énergies as part of its 2025 Medium Term Plan (“MTP”) covering 2022-2025. This business will advise clients, co-ordinate CAG’s climate strategy and drive renewable energy adoption.
- Other sustainability announcements as part of the MTP included a reduction in CAS’ own Scope 1 and 2 emissions by 50% as well as a cut in absolute financed carbon emissions in the oil and gas industry by 30% in 2030 based on 2020. CAS is also targeting to reduce the carbon intensity (defined as emissions measured against financing) from its car industry financing business by 50% in 2030 compared to 2020.
- CAS is targeting to publish carbon intensity reduction targets for major financed sectors with power, commercial real estate, and cement announced yesterday. Other sectors to be published include steel, shipping, aviation, agriculture, and residential real estate by 2023. (Company, OCBC

Key Market Movements

	7-Dec	1W chg (bps)	1M chg (bps)		7-Dec	1W chg	1M chg
iTraxx Asiax IG	132	-5	-60	Brent Crude Spot (\$/bbl)	79.17	-7.33%	-19.15%
iTraxx SovX APAC	28	2	-5	Gold Spot (\$/oz)	1,771.20	0.15%	5.70%
iTraxx Japan	77	-4	-21	CRB	267.45	-2.93%	-6.78%
iTraxx Australia	87	-2	-27	GSCI	579.23	-6.74%	-12.57%
CDX NA IG	83	7	-6	VIX	22.17	1.28%	-8.95%
CDX NA HY	100	-2	1	CT10 (%)	3.548%	-5.76	-66.57
iTraxx Eur Main	91	0	-15				
iTraxx Eur XO	464	5	-56	AUD/USD	0.669	-1.41%	3.29%
iTraxx Eur Snr Fin	101	-2	-15	EUR/USD	1.046	0.55%	4.42%
iTraxx Eur Sub Fin	182	-2	-24	USD/SGD	1.358	0.23%	3.13%
iTraxx Sovx WE	5	0	0	AUD/SGD	0.909	1.66%	-0.14%
USD Swap Spread 10Y	-4	1	-5	ASX 200	7,248	-0.50%	4.53%
USD Swap Spread 30Y	-40	5	9	DJIA	33,596	-0.76%	2.34%
US Libor-OIS Spread	25	-12	-6	SPX	3,941	-0.41%	3.53%
Euro Libor-OIS Spread	246	0	23	MSCI Asiax	629	1.12%	12.35%
				HSI	19,418	4.41%	17.01%
China 5Y CDS	79	1	-16	STI	3,245	-1.37%	3.31%
Malaysia 5Y CDS	80	7	-17	KLCI	1,475	-0.96%	2.25%
Indonesia 5Y CDS	103	11	-22	JCI	6,840	-3.41%	-3.70%
Thailand 5Y CDS	61	1	-21	EU Stoxx 50	3,939	0.12%	6.21%
Australia 5Y CDS	27	0	-5				

Source: Bloomberg

New Issues

- There were no new issues priced yesterday.

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