

### Credit Research

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### Market Commentary:

- The SGD SORA curve flattened yesterday, with shorter tenors trading 22-24bps lower, belly tenors trading 14-17bps lower, and 10Y trading 12bps lower.
- Flows in SGD corporates were heavy, with flows in HSBC 5.3% '33s, UOBSP 5.25%-PERP, HSBC 5.25% '32s, BNP 5.9%-PERP, and CS 5.625%-PERP.
- UST 10Y yields rose by 12bps yesterday to 3.58%, as the markets expect a 25bps rate hike by the Fed in the upcoming FOMC occurring next week, per Bloomberg.

### Credit Summary:

- **Industry Outlook – Financial Institutions: DBS Group Holdings Ltd (“DBS”) | Issuer Profile: Positive (2): United Overseas Bank Ltd (“UOB”) | Issuer Profile: Positive (2):** The Monetary Authority of Singapore (“MAS”) announced that Singapore Banks have insignificant exposure to Credit Suisse Group AG (“CS”), Issuer Profile: Neutral (5)) and that Singapore’s banking system remains sound and resilient.
- **CK Asset Holdings Limited (“CKA”) | Issuer Profile: Positive (2):** CKA reported 2022 results. The overall results are still respectable with revenue falling 4.4% y/y to HKD79.6bn while net profit was up 2.1% y/y to HKD21.7bn. Its issuer profile is maintained at Positive (2).
- **Industry Outlook – Financial Institutions: UBS Group AG (“UBS”) | Issuer Profile: Neutral (3): Credit Suisse Group AG (“CS”) | Issuer Profile: Neutral (5): First Republic Bank (“FRB”) | Unrated:** Sentiments towards Financial Institutions, both in the US and Europe, remain tentative at best despite various support measures currently enacted. Market participants continue to react adversely to slight negative news. While SNB and the Swiss Financial Market Supervisory Authority (“FINMA”) issued a joint statement of support to CS, Switzerland’s largest political party, the Swiss Peoples Party, voiced its objection to anything stronger such as a state guarantee. CS’s issuer profile is maintained at Neutral (5), but we continue monitoring for a downgrade as we determine next steps and its credit direction.

## Asian Credit Daily

### Credit Headlines:

#### Industry Outlook – Financial Institutions: DBS Group Holdings Ltd (“DBS”) | Issuer Profile: Positive (2): United Overseas Bank Ltd (“UOB”) | Issuer Profile: Positive (2)

- The Monetary Authority of Singapore (“MAS”) announced that Singapore Banks have insignificant exposure to Credit Suisse Group AG (“CS”), Issuer Profile: Neutral (5)) and that Singapore’s banking system remains sound and resilient.
- MAS also said that it is in close contact with the Swiss Financial Market Supervisory Authority in relation to the recent developments surrounding CS and will closely monitor developments. (MAS)

#### CK Asset Holdings Limited (“CKA”) | Issuer Profile: Positive (2)

- CKA reported 2022 results. The overall results are still respectable with revenue falling 4.4% y/y to HKD79.6bn while net profit was up 2.1% y/y to HKD21.7bn.
- Underlying operating profit fell 23% y/y to HKD24.3bn, primarily dragged by Development Property and Property Rental segments, offset by better performances of Hotel and Serviced Suite Operation, Pub Operation and Infrastructure and Utility Asset Operation segments. The contribution by segment are as below:
  - Development Property segment profit fell 66% y/y to HKD3.8bn, dragged mainly by China amidst weak macroeconomic environments, COVID impacts and a soft China property market. Profit contribution from China and Hong Kong Special Administrative Region (“HKSAR”) fell 66% and 9% respectively to HKD3.8bn and HKD6.4bn respectively.
  - Property Rental segment profit fell 17% y/y to HKD4.7bn due mainly to disposal of 5 Broadgate, a 13-storey office building in London. However, the profit contribution in 2023 is expected to be bolstered by completion of a 41-storey with 550,000 square feet office building, Cheung Kong Centre II, in Central Hong Kong
  - Hotel and Serviced Suite Operation segment profit increased 42% y/y to HKD567mn following the gradual relaxation of travel restrictions in HKSAR.
  - Pub Operation segment returned to a profit of HKD835mn, a marked improvement compared to losses of HKD55mn in 2021. The improvement was due to the lifting of COVID restrictions in the United Kingdom.
  - Infrastructure and Utility Asset Operation segment profit stayed resilient, increasing 8% y/y to HKD7.5bn.
- As at 31 December 2022, reported debt (including lease liabilities) decreased by HKD48.7bn y/y to HKD53.8bn, which we estimate is due mainly to disposal of (1) 5 Broadgate office building (GBP1.2bn or equivalent to HKD11.4bn) and (2) aircraft leasing businesses (USD4.3bn or equivalent to HKD33.8bn).
- CKA continues to maintain a healthy liquidity position with net cash (including lease liabilities) improving to HKD7.4bn, compared to a net debt of HKD39.2bn. The maturity profile is well spread over a period of 14 years.
- On sustainability, CKA has set environmental targets to reduce intensity of GHG emissions, electricity and water consumption and paper waste by 2030 though no specific percentages have been provided in its released report. In addition, its pub operator, Greene King, in the UK has also pledged to be carbon net zero by 2040.

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### Credit Headlines:

- There are some signs of improvement in China property. According to the National Bureau of Statistics, new home prices in 70 cities rose 0.3% m/m in February 2023 for the first time in 18 months. Besides, sales also rose in February 2023 for the first time in 20 months, with the new home sales by the 100 biggest real estate developers increased 15% y/y. These may be the early sign of recovery after some supportive policies announced by China since late-2022. Nevertheless, CKA's solid business fundamentals are well positioned to sustain further market deterioration.
- Besides, CKA announced the retirement of Ms. Woo Chia Ching, Grace from her position of Executive Director with effect from 28 April 2023. Ms. Woo Chia Ching, Grace is 66 years old and served CK Group for 36 years.
- We continue to hold CKA at a Positive (2) Issuer Profile. (Company, OCBC)

### Industry Outlook – Financial Institutions: UBS Group AG (“UBS”) | Issuer Profile: Neutral (3): Credit Suisse Group AG (“CS”) | Issuer Profile: Neutral (5): First Republic Bank (“FRB”) | Unrated

- Sentiments towards Financial Institutions, both in the US and Europe, remain tentative at best despite various support measures enacted in both areas including:
  - CS confirming its intention to use a CHF50bn covered loan facility from the Swiss National Bank (“SNB”). Part of the drawdown may be used to buyback bonds at a discount.
  - Saudi National Bank's Chairman stating that CS is generally sound and likely doesn't require more capital, a reversal in tone from Wednesday.
  - 11 US banks announcing that they will deposit USD30bn into FRB to restore confidence in the bank.
  - US Treasury Secretary Janet Yellen in her testimony stating that “I can reassure the members of the committee that our banking system remains sound, and that Americans can feel confident that their deposits will be there when they need them” with her department watching for any signs of tightening credit and focused on ensuring financial stability.
  - European Central Bank President Christine Lagarde commenting that the banking sector is currently in a much stronger position than it was back in 2008 with tools and facilities on hand to fight a liquidity crisis.
  - Credit rating agencies highlighting that most banking systems, in particular Asia-Pacific, Europe and the UK, are well placed to absorb potential contagion effects.
- Market participants continue to react adversely to slight negative news. While SNB and the Swiss Financial Market Supervisory Authority (“FINMA”) issued a joint statement of support to CS, Switzerland's largest political party, the Swiss Peoples Party, voiced its objection to anything stronger such as a state guarantee.
- While CS continues to have adequate liquidity and capital buffers, the issue is confidence above fundamentals and alternate scenarios to a recovery by CS on its own will continue to surface. Any scenario largely rests with who has more control on the process in our view.
- The provision of the covered loan facility from SNB has given control to the authorities rather than the market at the moment while any control on the process by CS, and a scenario where CS can somehow exist on its own and recover under its own steam, remains a distant possibility for now. Other rumours consider a combination between CS and UBS although this has its own complications in terms of CS's current business composition and associated risk profiles. It was reported that the Swiss Federal Council was holding a special meeting yesterday to discuss CS.

### Credit Headlines:

- To this end, the likely scenario would be a split of CS's existing businesses to ensure its domestic banking operations remain intact (thereby preserving financial system stability for SNB), its stronger businesses in Asset Management and Wealth Management can be sold to an appropriate strategic buyer, while the lower return and higher risk businesses can be run down or sold off. In any case, as we wrote in our recent Credit Update on CS, we expect whilst Swiss authorities are in control that actions moving forward will be driven by domestic considerations but with an eye on global systemic risk.
- The range of scenarios and outcomes are skewed to the downside in our view and we are monitoring the Neutral (5) issuer profile on CS for a downgrade as we determine next steps and CS's credit direction. (Bloomberg, Reuters, OCBC)

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### Key Market Movements:

	17-Mar	1W chg (bps)	1M chg (bps)		17-Mar	1W chg	1M chg
iTraxx Asiax IG	141	15	28	Brent Crude Spot (\$/bbl)	75.5	-8.8%	-9.1%
iTraxx SovX APAC	29	2	3	Gold Spot (\$/oz)	1,930	3.3%	4.8%
iTraxx Japan	88	7	11	CRB Commodity Index	257	-3.0%	-4.1%
iTraxx Australia	101	11	16	S&P Commodity Index - GSCI	545	-5.3%	-6.2%
CDX NA IG	83	0	10	VIX	23.0	1.7%	14.8%
CDX NA HY	100	0	-2	US10Y Yield	3.56%	-14bp	-26bp
iTraxx Eur Main	97	15	20				
iTraxx Eur XO	476	49	71	AUD/USD	0.671	1.9%	-2.5%
iTraxx Eur Snr Fin	120	26	35	EUR/USD	1.065	0.0%	-0.4%
iTraxx Eur Sub Fin	211	47	62	USD/SGD	1.342	0.6%	-0.4%
				AUD/SGD	0.900	-1.3%	2.1%
USD Swap Spread 10Y	5	6	5	ASX200	6,995	-2.1%	-4.8%
USD Swap Spread 30Y	-42	2	-1	DJIA	32,247	0.0%	-4.7%
				SPX	3,960	1.1%	-2.9%
China 5Y CDS	79	4	14	MSCI Asiax	612	-0.6%	-5.4%
Malaysia 5Y CDS	75	1	6	HSI	19,510	1.0%	-5.8%
Indonesia 5Y CDS	105	5	11	STI	3,180	0.1%	-4.5%
Thailand 5Y CDS	49	0	1	KLCI	1,412	-1.5%	-4.4%
Australia 5Y CDS	27	2	2	JCI	6,656	-1.6%	-3.5%
				EU Stoxx 50	4,117	-3.9%	-3.7%

Source: Bloomberg

### New Issues:

Date	Issuer	Description	Currency	Size (mn)	Tenor	Final Pricing	Initial Pricing
16-Mar-23	Shengzhou Investment Holdings Co. Ltd.	-	USD	250	3-year	6.50%	6.80%

Source: OCBC, Bloomberg

## Treasury Research & Strategy

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