

**Market Commentary:**

- The SGD SORA OIS curve traded higher yesterday with shorter tenors trading 3-4bps higher while belly tenors traded 4bps higher and 10Y traded 5bps higher.
- Flows in SGD corporates were heavy, with flows in FCTSP 3.98%-PERP, SCISP 3.55% '46s, BACR 5.4%-PERP, AIA 3.58% '35s, STSP 3.3%-PERP, HSBC 5.25%-PERP.
- As per Bloomberg, S&P Global sees downside risks to South Korea's corporate ratings from global trade tensions, structural changes and weakened demand. In particular, US tariffs threaten key export sectors like steel, chemicals, EVs and autos, though S&P also assessed that the immediate tariff impact is limited and economic factors are unlikely to challenge Korea's sovereign rating in the next 1-2 years.
- In other news, Sunac China expects better performance this year than last year, with Chairman Sun Hongbin at an annual generating meeting emphasising the need for de-leveraging to mitigate risks from high leverage.
- Bloomberg Asia USD Investment Grade spreads tightened by 1bps to 73bps and Bloomberg Asia USD High Yield spreads tightened by 9bps to 367bps respectively. (Bloomberg, OCBC)

**Credit Summary:**

- **Commerzbank AG ("CMZB"), UniCredit SpA ("UniCredit"):** Per reports in German newspaper Süddeutsche Zeitung, UniCredit Chief Executive Officer Andrea Orcel has revisited the potential of a CMZB takeover by UniCredit with separate approaches during June to new German chancellor Friedrich Merz, Finance Minister Lars Klingbeil and Head of the Chancellery Department Levin Holle.
- **Lendlease Global Commercial REIT ("LREIT"):** LREIT issued a statutory demand to Cathay Cineplexes for SGD3.45mn in outstanding rental payments. Besides, a monthly interest of 1% per month will be imposed until the due is paid in full.

## Credit Headlines

### Commerzbank AG (“CMZB”), UniCredit SpA (“UniCredit”)

- Per reports in German newspaper Süddeutsche Zeitung, UniCredit Chief Executive Officer Andrea Orcel has revisited the potential of a CMZB takeover by UniCredit with separate approaches during June to new German chancellor Friedrich Merz, Finance Minister Lars Klingbeil and Head of the Chancellery Department Levin Holle. Mr Orcel reportedly flagged the benefits of a stronger bank to the German economy as well as some assurances as to the level of local autonomy that the merged entity retain.
- German responses were reportedly consistent with past positions with the Chancellery referring Mr Orcel to the Ministry of Finance and the Finance Minister in turn requesting Mr Orcel engage with CMZB’s management, rather than the government. Mr Klingbeil also confirmed the government’s support for CMZB to remain independent, similar to Mr Merz’s affirmation in early June of the government’s intention for CMZB to remain independent as opposed to any possible takeover from UniCredit. This view is consistent with the previous German government.
- This development somewhat conflicts with recent reports that UniCredit’s interest in a takeover was restrained given CMZB’s share price was now too high for a takeover to create value, notwithstanding prevailing opposition from various parts of Germany’s political and financial community. UniCredit is expected to soon receive necessary authorisations to convert its ~30% ownership stake which is predominantly through derivatives into shares.
- Mr Orcel has previously highlighted that the bank will decide on the future of its CMZB ownership “well beyond the end of 2025.” This is possibly to give UniCredit time to assess CMZB’s strategic execution as a standalone entity in the capacity of a financial investor as well as allow additional consideration of any further investment given the rise in CMZB’s share price. UniCredit’s position in CMZB is almost fully hedged and an investment with downside protection, providing UniCredit with the option to sell the stake or keep it unchanged in addition to pursuing an acquisition depending on the meeting of strict financial metrics. As such, UniCredit’s stake in CMZB is primarily financial for the time being which may still enable it to exert some level of strategic influence. (Bloomberg, Süddeutsche Zeitung, OCBC)

### Lendlease Global Commercial REIT (“LREIT”)

- LREIT issued a statutory demand to Cathay Cineplexes for SGD3.45mn in outstanding rental payments. Besides, a monthly interest of 1% per month will be imposed until the due is paid in full.
- LREIT managed to sign Shaw Theatres as a new tenant at Jem per disclosure in May, replacing Cathay Cineplexes. Cathay Cineplexes was the top 6<sup>th</sup> tenant of LREIT, contributing 1.8% of FY2024 gross rental income. Per management, the rental income from Shaw Theatres will be similar to Cathay Cineplexes. Company, OCBC)

## New Issues:

Date	Issuer	Description	Currency	Size (mn)	Tenor	Final Pricing
02 Jul	SoftBank Group Corp.	Fixed	USD	500	3.75Y	6.50%
02 Jul	SoftBank Group Corp.	Fixed	USD	500	10Y	7.50%
02 Jul	SoftBank Group Corp.	Fixed	USD	600	5.5Y	6.875%
02 Jul	SoftBank Group Corp.	Fixed	USD	600	7Y	7.25%
02 Jul	Korea Gas Corporation	FRN	USD	300	3Y	SOFR+65bps
02 Jul	Korea Gas Corporation	Fixed	USD	500	5Y	T+47bps (Yield: 4.328%)
02 Jul	NH Investment & Securities Co., Ltd.	Fixed	USD	300	3Y	T+90bps (Yield:4.676%)
02 Jul	NH Investment & Securities Co., Ltd.	Fixed	USD	300	5Y	T+100bps (Yield: 4.873%)
02 Jul	China Modern Dairy Holdings Ltd	Sustainability, Fixed	USD	350	5Y	T+115bps (Yield: 5.018%)

## Mandates:

- Zhangzhou Jiulongjiang Group Co. may issue a USD denominated 3Y Transition Fixed Bond.

## Key Market Movements

	3-Jul	1W chg (bps)	1M chg (bps)		3-Jul	1W chg	1M chg
iTraxx Asiax IG	73	-3	-5	Brent Crude Spot (\$/bbl)	68.5	1.2%	4.4%
				Gold Spot (\$/oz)	3,360	1.0%	0.2%
iTraxx Japan	62	-0	-2	CRB Commodity Index	301	1.4%	1.3%
iTraxx Australia	72	-3	-4	S&P Commodity Index - GSCI	554	1.8%	3.0%
CDX NA IG	50	-2	-5	VIX	16.6	-0.7%	-5.9%
CDX NA HY	108	1	1	US10Y Yield	4.26%	2bp	-20bp
iTraxx Eur Main	54	-2	-3				
iTraxx Eur XO	284	-7	-12	AUD/USD	0.657	0.4%	1.7%
iTraxx Eur Snr Fin	59	-2	-2	EUR/USD	1.180	0.8%	3.7%
iTraxx Eur Sub Fin	102	-2	-4	USD/SGD	1.273	0.1%	1.3%
				AUD/SGD	0.836	-0.3%	-0.4%
USD Swap Spread 10Y	-54	1	-1	ASX200	8,596	0.5%	1.5%
USD Swap Spread 30Y	-86	3	1	DJIA	44,484	3.5%	4.6%
				SPX	6,227	2.2%	4.3%
China 5Y CDS	50	-2	-1	MSCI Asiax	802	-0.0%	6.3%
Malaysia 5Y CDS	45	-2	-2	HSI	24,039	-1.8%	2.2%
Indonesia 5Y CDS	77	-3	-2	STI	4,003	1.6%	2.8%
Thailand 5Y CDS	44	-2	-3	KLCI	1,547	1.8%	2.9%
Australia 5Y CDS	10	-0	-1	JCI	6,902	1.0%	-2.0%
				EU Stoxx 50	5,319	1.3%	-1.1%

Source: Bloomberg

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