Asian Credit Daily

8 May 2025

Market Commentary:

- The SGD SORA OIS curve traded lower yesterday with shorter tenors trading 4-5bps lower, belly tenors and 10Y trading 7bps lower.
- Flows in SGD corporates were heavy, with flows in BACR 5.4%-PERP, STTGDC 5.7%-PERP, OUESP 3.5% '26s, VRTVEN 3.3% '28s, ARASP 5.65%-PERP, HSBC 5.25%-PERP, HSBC 5%-PERP.
- There were no new dollar bonds issued in Asia on Wednesday, reflecting a global slowdown in activity ahead of the Federal Reserve's policy announcement as reported by Bloomberg. The statement concluded with interest rates remaining unchanged, and Powell indicated that officials are not in a rush to make adjustments.
- Bloomberg Asia USD Investment Grade spreads tightened by 1bps to 91bps while Bloomberg Asia USD High Yield spreads tightened by 6bps to 535bps respectively. (Bloomberg, OCBC)

Credit Summary:

- **DBS Group Holdings Ltd ("DBS"):** DBS reported 1Q2025 results which look strong, however guidance was shaded down. While the tone in 4Q2024 was relatively focused on distributing earnings to shareholders, 1Q2025's focus was somewhat shifted towards strengthening of general allowance reserves even though business momentum was resilient in April.
- **Keppel Ltd ("KEP"):** The Business Times reports that Mitsubishi Corporation has joined KEP and GenZero in an initiative that aims to retire a coal plant in the Philippines early using funds from carbon credit backed by the Monetary Authority of Singapore ("MAS"). KEP and GenZero were reported to be equity partners of this project.
- **Lendlease Global Commercial REIT ("LREIT"):** LREIT reported 3QFY2025 business updates ended 31 March 2025. Overall results are largely stable with a quick replacement tenant for Cathay Cineplexes at Jem. LREIT continues to report decent rental reversion in Singapore though some weaknesses were evidenced from tenant sales and visitor footfall. LREIT recorded largely stable occupancy and credit metrics on a q/q basis. LREIT's outlook is still well underpinned primarily by its two premium assets in Singapore namely Jem and 313@somerset.

Credit Headlines

DBS Group Holdings Ltd ("DBS")

- DBS reported 1Q2025 results which look strong, however guidance was shaded down.
- **Record total income, record profit before tax:** Total income rose 6% y/y to a record SGD5.91bn (+7% q/q), supported by growth in commercial book which rose 4% y/y to SGD5.54bn (+4% q/q) and markets trading which rose 48% y/y to SGD363mn (>100% q/q). Expenses was manageable, rising 6% y/y to SGD2.21bn (-8% q/q). Profit before tax rose 1% y/y to a record SGD3.44bn despite increasing allowances by >100% y/y to SGD325mn (+56% q/q). Net profit fell 2% y/y to SGD2.90bn however, due to increase in taxes due to 15% global minimum tax.
- **Record fee income was driven by wealth Management fees and loan-related fees which rose to record levels:** Fee income rose 22% q/q to SGD1.50bn (+18% y/y). Supporting this was wealth management fees which rose 39% q/q to SGD520mn (+35% y/y) due to higher sales of investment products and bancassurance from a constructive market environment and seasonal factors. In addition, loan-related fees rose to SGD227mn (4Q2024: SGD127mn, 1Q2024: SGD185mn) with increased deal activity.
- **Markets trading income surged** to the highest in 12 quarters. This is contributed by non-interest income which rose to SGD401mn (4Q2024: SGD261mn, 1Q2024: SGD388mn) while markets trading net interest income losses narrowed. DBS flags trading opportunities with impact of tariffs.
- **Commercial book net interest income rose 2% y/y** to SGD3.72bn due to balance sheet growth (-3% q/q due to lower NIM which offset balance sheet growth).
- **Adjusted net interest income up even though NIM fell:** NIM fell 3bps q/q to 2.12%, with the commercial book NIM falling 9bps q/q to 2.68% due to lower interest rates. Total net interest income fell to SGD3.68bn (4Q2024: SGD3.73bn), though on day-adjusted basis net interest income was up 1% q/q in 1Q2025. While NIMs declined, net interest income was supported by balance sheet growth and narrowing losses from markets trading net interest income (losses narrowed from SGD103mn in 4Q2024 to SGD38mn in 1Q2025). Loans was up 2% q/q, led by non-trade corporate loans which grew 3% q/q.
- **AUM rose to another new high**, reaching SGD432bn as of 1Q2025 (4Q2024: SGD426bn). This supports wealth management income rising to SGD1.49bn as of 1Q2025 (4Q2024: SGD1.24bn, 1Q2024: SGD1.33bn). DBS sees opportunities for continued wealth inflows despite impact of tariffs.
- **Deposits up with accelerated Casa inflows:** Deposits rose 3% (+SGD18bn) to SGD576bn, with SGD13bn increase in Casa, leading to Casa ratio improving to 53%. We note that Casa inflows has accelerated in 1Q2025 to +SGD13bn (4Q2024: SGD3bn, 3Q2024: +SGD10bn, 2Q2024: -SGD2bn, 1Q2024: -SGD8bn). DBS sees opportunities for Casa to continue growing if rates fall.
- **Expenses remain manageable:** Expenses fell 8% q/q to SGD2.21bn (+6% y/y). Cost-income ratio was stable y/y at 37% (4Q2024: 44%).
- **Hike in general allowance despite decline in non-performing assets and specific allowances:** NPAs fell 3% q/q and 7% y/y to SGD4.86bn. Specific allowances were just SGD120mn, representing 10bps of loans (4Q2024: 20bps). However, general allowance of SGD205mn was taken as a prudent measure despite original guidance for write-back. Allowance coverage rose to 137%, which is highest in recent quarters (4Q2024: 129%).
- **Capital buffers remain strong:** CET1 rose q/q to 17.4% (4Q2024: 17.0%) while fully phased-in CET1 rose to 15.2% (4Q2024: 15.1%).
- **Shading down guidance and appearing more cautious:** While the tone in 4Q2024 was relatively focused on distributing earnings to shareholders, 1Q2025's focus was somewhat shifted towards strengthening of general allowance reserves (against previous guidance of potential writebacks), even though business momentum was resilient in April. NIM is guided to be lower (vs guidance of slight decline in 4Q2024) as DBS expects three rate cuts (vs two rate cuts previously). Commercial book non-interest income growth was shaded down to mid to high single digit (vs high single digit previously). If loan demand weakens, DBS is looking to deploy funding into non-loan assets. Group net interest income is expected to be slightly above 2024 levels still despite lower group NIM, with balance sheet growth while markets trading is expected to benefit from lower funding cost. (Company, OCBC)

Keppel Ltd ("KEP")

- The Business Times reports that Mitsubishi Corporation has joined KEP and GenZero in an initiative that aims to retire a coal plant in the Philippines early using funds from carbon credit backed by the Monetary Authority of Singapore ("MAS"). KEP and GenZero were reported to be equity partners of this project.
- This 246 MW coal plant is located in Batangas province, South Luzon and the aim is to retire it by 2030, ahead of its scheduled closure in 2040 and replace it with renewable energy and battery storage.
- According to the president and chief executive of ACEN, which is the plant's owner, the cost of the closure and replacement with green power generation and new power lines is costly.
- If successful, this model could be used to retire other coal plants early. (Business Times)

Lendlease Global Commercial REIT ("LREIT")

- LREIT reported 3QFY2025 business updates ended 31 March 2025. **Overall results are largely stable with a quick replacement tenant for Cathay Cineplexes at Jem. LREIT continues to report decent rental reversion in Singapore though some weaknesses were evidenced from tenant sales and visitor footfall. LREIT recorded largely stable occupancy and credit metrics on a q/q basis. LREIT's outlook is still well underpinned primarily by its two premium assets in Singapore namely Jem and 313@somerset.**
- **Decent rental reversion though footfall and tenant sales weakened:** For 9MFY2025, Singapore Retail recorded decent rental reversion of +10.4%. Besides, Singapore Office recorded +13% rental reversion for Jem office following a 5-year rental review with Ministry of National Development. Tenant sales and visitor footfall fell 5.1% and 0.2% y/y respectively, due to a softer retail landscape, outbound tourism and strong SGD (lesser spending from tourists).
- **Replacement tenant for Cathay Cineplexes:** LREIT signed Shaw Theatres as a new tenant at Jem, replacing Cathay Cineplexes. Cathay Cineplexes was the top 6th 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. LREIT is also actively working out with Cathay Cineplexes for rent arrears via instalment plans, which are likely to be fully paid by end-2025.
- **Largely stable occupancy:** As of 31 March 2025, portfolio committed occupancy fell marginally q/q to 92.1% (end-2024: 92.3%) as occupancy of 313@somerset declined 1.1ppts q/q to 98.8% while occupancy of other assets remained unchanged.
- **Largely stable though relatively weak credit metrics:** As of 31 March 2025, LREIT's reported aggregate leverage ratio (excluding perpetuals) improved 2.8ppts to 38.0% as LREIT issued SGD120mn LREIT 4.75%-PERP to reduce debt borrowings. On a proforma basis, reported aggregate leverage ratio is ~43% post SGD200mn loan drawdown for the repayment of LREIT 5.25%-PERP. That said, the adjusted aggregate leverage ratio (including perpetuals) remained stable q/q at ~48% levels based on our calculations. Meanwhile, adjusted interest coverage ratio (including perpetual distributions) remained stable q/q at 1.5x.
- **Disposals will take longer time:** LREIT mentioned that disposal plans of Jem office (worth ~SGD450mn) and Sky Complex are still ongoing. That said, the disposal timeline is extended from previous estimation (by 2025) due to uncertainties and lacklustre market sentiments. (Company, OCBC)

New Issues:

Date	Issuer	Description	Currency	Size (mn)	Tenor	Final Pricing
07 May	AL Rajhi Sukuk Ltd (obligor: Al Rajhi Banking and Investment Corporation)	Fixed, Sukuk	USD	500	5Y	T+95bps

Mandates:

- Korea Housing Finance Corporation is looking to issue a USD denominated FRN dual-listed Sustainable Formosa covered bond with an expected tenor of 5Y.

Key Market Movements

	8-May	1W chg (bps)	1M chg (bps)		8-May	1W chg	1M chg
iTraxx Asiax IG	93	-4	-27	**Brent Crude Spot ($/bbl)**	61.5	-1.0%	-2.1%
				Gold Spot ($/oz)	3,401	5.0%	14.0%
iTraxx Japan	70	1	-10	**CRB Commodity Index**	290	0.3%	3.6%
iTraxx Australia	88	-3	-22	**S&P Commodity Index - GSCI**	520	-0.1%	2.0%
CDX NA IG	64	-4	-17	**VIX**	23.6	-4.7%	-55.0%
CDX NA HY	104	1	3	**US10Y Yield**	4.29%	7bp	-0bp
iTraxx Eur Main	64	-3	-13				
iTraxx Eur XO	331	-13	-64	**AUD/USD**	0.646	1.2%	8.4%
iTraxx Eur Snr Fin	69	-3	-15	**EUR/USD**	1.133	0.3%	3.4%
iTraxx Eur Sub Fin	120	-5	-27	**USD/SGD**	1.294	1.4%	4.6%
				AUD/SGD	0.836	0.2%	-3.5%
USD Swap Spread 10Y	-53	-1	7	**ASX200**	8,207	0.7%	9.3%
USD Swap Spread 30Y	-88	0	9	**DJIA**	41,114	1.1%	9.2%
				SPX	5,631	1.1%	13.0%
China 5Y CDS	59	-2	-27	**MSCI Asiax**	738	2.9%	14.4%
Malaysia 5Y CDS	60	-2	-13	**HSI**	22,973	4.4%	14.1%
Indonesia 5Y CDS	94	-5	-34	**STI**	3,867	0.9%	11.5%
Thailand 5Y CDS	59	-3	-12	**KLCI**	1,547	0.4%	7.1%
Australia 5Y CDS	14	-1	-5	**JCI**	6,852	1.3%	14.3%
				EU Stoxx 50	5,230	1.4%	9.6%

Source: Bloomberg

Macro Research

Selena Ling
Head of Research & Strategy
lingssselena@ocbc.com

Tommy Xie Dongming
Head of Asia Macro Research
xied@ocbc.com

Keung Ching (Cindy)
Hong Kong & Macau Economist
cindyckeung@ocbc.com

Herbert Wong
Hong Kong & Taiwan Economist
herberthtwong@ocbc.com

Lavanya Venkateswaran
Senior ASEAN Economist
lavanyavenkateswaran@ocbc.com

Ahmad A Enver
ASEAN Economist
ahmad.enver@ocbc.com

Jonathan Ng
ASEAN Economist
jonathanng4@ocbc.com

Ong Shu Yi
ESG Analyst
shuyiong1@ocbc.com

FX/Rates Strategy

Frances Cheung, CFA
Head of FX & Rates Strategy
francescheung@ocbc.com

Christopher Wong
FX Strategist
christopherwong@ocbc.com

Credit Research

Andrew Wong
Head of Credit Research
wongvkam@ocbc.com

Ezien Hoo, CFA
Credit Research Analyst
ezienhoo@ocbc.com

Wong Hong Wei, CFA
Credit Research Analyst
wonghongwei@ocbc.com

Chin Meng Tee, CFA
Credit Research Analyst
mengteechin@ocbc.com