By Global Markets | 17 August 2026

Daily Credit Snapshot

Market Commentary

- The S&P 500 retreated from record highs on Friday. Geopolitical uncertainty remains the main macro roadblock for an equity market otherwise supported by strong corporate earnings. On data, US retail sales fell 0.6% m/m in July, the first sequential decline since last October and the largest in 14 months, after an unrevised 0.2% gain in June. The reading was well below market expectations for a 0.1% increase. Nevertheless, retail sales were still up a solid 5.0% y/y. Part of the decline reflected payback from earlier spending, as the boost from generous tax refunds faded and Amazon shifted Prime Day from July to June this year. Nonstore retail sales fell 2.2%, while auto sales declined 1.8%. Receipts at gasoline stations fell 0.9%, partly reflecting lower gasoline prices. Sales at food services and drinking places—a useful gauge of discretionary spending and household financial health—rose 0.5% m/m, following a 0.4% increase in June. This suggests that households have not yet shifted into broad-based retrenchment. That said, the underlying momentum did soften. Core retail sales, which exclude automobiles, gasoline, building materials and food services and feed more directly into GDP estimates, fell 0.4% m/m, versus expectations for a 0.3% increase. This points to some moderation in consumer spending entering 3Q. However, with equity-market gains continuing to support household wealth—particularly among higher-income households—a sharp collapse in consumption still looks unlikely. Separately, the University of Michigan Consumer Sentiment Index fell sharply to 51.0 in August from 55.2 in July, ending two consecutive months of improvement and undershooting expectations of 54.5. The deterioration appears increasingly linked to concerns over the cost of living and the Middle East conflict. One-year inflation expectations also edged higher to 4.3% from 4.2%, while five-year expectations remained unchanged at 3.3%

- The SGD SORA OIS curve traded flat to higher last Friday with the shorter tenors trading flat, belly tenors trading flat to 1bps higher, and the 10Y tenor trading 2bps higher.

- Flows in SGD corporates were heavy, with flows in OCBCSP 3.2%-PERP, TEMASE 2.65% '36s, HSBC 2.95% '32s, BACR 8.3%-PERP.

- US Investment Grade spreads widened by 1bps to 79bps, and US High Yield spreads traded flat at 266bps. Bloomberg Global Contingent Capital tightened by 3bps to 203bps.

- Bloomberg Asia USD Investment Grade tightened by 1bps to 56bps, and the Asia USD High Yield spreads tightened by 5bps to 327bps. (Bloomberg, OCBC)

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Credit Summary:

Company	Ticker	Description
Hotel Properties Ltd.	HPLSP	• **1H2026 results weakened as Middle East disruptions pressured hotels, while leverage remained elevated despite the new perpetual issuance.** • **HPLSP's operating performance continues to weaken:** 1H2026 revenue fell 1.9% y/y to SGD371.1mn, while gross profit declined faster by 11.4% y/y to SGD75.4mn. HPLSP reported a SGD36.1mn loss before income tax and fair value changes in investment properties, widening from a loss of SGD7.9mn in 1H2025. • **Hotel earnings weakened as Middle East disruptions weighed on demand and costs:** Hotel revenue fell 1.9% y/y to SGD360.0mn, while reported hotel PBIT declined 26.5% y/y to SGD29.1mn. HPLSP attributed the weaker performance to disrupted air travel, higher airfares and reduced traveller confidence from the Middle East conflict, while higher fuel prices increased utilities, transportation and other related expenses. HPLSP expects hotels to remain pressured by elevated operating costs including utilities, labour, procurement and financing. • **Recorded losses in associates and JVs, as well as fair value losses:** Associates and jointly controlled entities recorded a SGD10.2mn loss in 1H2026, compared with a SGD7.7mn profit in 1H2025, when Paddington Square recognised a one-off gain from the favourable settlement of tenant disputes. Separately, 1H2025 included a SGD27.3mn fair value gain on the Concorde Shopping Mall units, which did not recur. Fair value loss in investments of SGD4.8mn was recorded (1H2025: loss of SGD9.3mn). • **Finance costs remained a significant drag given weak earnings profile:** Reported finance costs rose 6.4% y/y to SGD54.3mn due to higher borrowings (gross borrowings increased 1.6% h/h to SGD1.93bn excluding lease liabilities), exceeding reported hotel PBIT of SGD29.1mn. • **No material update to asset recycling and Orchard Road redevelopment:** At the April 2026 AGM, management said it was considering recycling largely overseas, low-yielding assets and may monetise assets when appropriate. Discussions with potential joint-venture partners for the Forum, voco Orchard Singapore and HPL House redevelopment remained preliminary, with no arrangements finalised and no redevelopment-cost estimate disclosed. The 1H2026 results provided no material update on these initiatives. • **Net gearing levels largely unchanged despite losses and acquisition due to perpetual issuance:** HPLSP completed the acquisition of the company owning InterContinental Auckland, resulting in a SGD118.7mn acquisition cash outflow. We calculate net gearing (including lease liabilities) at around 81%, broadly unchanged h/h, as the SGD148.9mn net proceeds from issuance of SGD150mn HPLSP 4.38% PERP increased equity, which offset the acquisition cash outflow of SGD118.7mn and SGD40.6mn loss after tax. • **Near-term liquidity likely manageable if refinancing proceeds:** Cash of SGD80.3mn was exceeded by SGD199.2mn short-term borrowings and SGD31.8mn commitments for purchase of property, plant and equipment contracted but not provided for. HPLSP stated that most of these borrowings are capable of being refinanced and that committed revolving credit facilities are available to meet current obligations. (Company, OCBC) Latest report: Credit update – 09 January 2026

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<tr><td>National Australia Bank</td><td>NAB</td><td>

- NAB reported its 3QFY2026 trading update for the financial year ending 30 September 2026. NAB reported a positive 3QFY2026 result, with cash earnings of AUD1.81bn increasing 39% against the 1HFY2026 quarterly average due to absence of large notable items (“NLI”) that occurred in 1HFY2026 (accelerated amortisation charges on changes to NAB’s software capitalisation policy). Cash earnings excluding LNI was AUD1.81bn, only a 2% increase from 1HY2026 figures reflecting stable underlying profit and lower credit impairment charges.
- Revenue increased 2%, driven by lending and deposit growth and resilient margins. Excluding Markets & Treasury (“M&T”), revenue rose 3%. Net Interest Margin declined 2bps to 1.79%, but increased 2bps excluding M&T impacts, supported by higher earnings on deposit and capital replicating portfolios. However, lending competition persists. Expenses rose 4% (excluding the large notable item), reflecting higher technology investment, salary costs, depreciation and amortisation, payroll remediation expenses and software capitalisation policy changes, partly offset by productivity benefits.
- Credit impairment charges declined to AUD299mn from the 1HFY2026 quarterly average of AUD359mn, reflecting lower individually assessed provision charges relating to Australian unsecured and non-retail portfolios. Driving this was non-performing exposures declining 2bps q/q to 1.50% of gross loans and acceptances (“GLA”), supported by improved outcomes in Australian and New Zealand business lending portfolios.
    - This was partly offset by higher collective provision charges associated with business lending growth and weaker performing book asset quality. Watch loans also increased q/q, indicating emerging stress among some performing customers.
    - There were no changes to economic assumptions or scenario weightings during the quarter following the higher downside weighting and other forward-looking adjustments applied in 1HFY2026 to consider potential impacts from the Middle East conflict.
    - This drove the higher 1HFY2026 quarterly average for credit impairment charges with the annualised credit impairment charge to GLA ratio improved to 15bps from 27bps in 2QFY2026.
    - Provision coverage remained broadly stable, with collective provisions to credit risk-weighted assets (“CRWA”) increasing 1bp q/q to 1.36%, while total provisions to CRWA decreased 1bp to 1.67%.
- NAB’s Level 2 CET1 ratio increased 28bps q/q to 11.93%, supported by earnings generation despite AUD3.1bn of RWA growth. The FY26 interim dividend (-58bps) and the AUD1.8bn dividend reinvestment plan capital raising (+40bps) had no impact on the 3QFY2026 CET1 ratio, as both are recognised in July 2026. Liquidity remained strong, with an average LCR of 134% and NSFR of 115%, both comfortably above regulatory minimums. (Company, OCBC)

Latest report: Credit Update – 10 June 2025

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<tr><td>Lendlease Group</td><td>LLCAU</td><td>

- LLCAU’s underlying businesses weakened modestly due to lower earnings from Investments and Development segment, though offset by meaningfully better Construction segment. We foresee a stable outlook for LLC in the next 12 months, supported by stronger (1) IDC earnings in FY2027, (2) AUD1.2bn of gross proceeds in FY2027 from completed Development projects, and (3) AUD2.5bn of CRU invested capital remaining to recycle.
- **Operating EBITDA turned to -AUD179mn in FY2026 (FY2025: +AUD914mn), driven primarily by the CRU segment and partially by lower core IDC earnings:** Investments, Development and Construction combined (“IDC”) operating EBITDA fell 18% y/y to AUD542mn on reduced Development completions and lower Investment earnings, partly offset by a strong recovery in Construction. Meanwhile, Capital Release Unit (“CRU”), a non-core segment, posted an operating EBITDA loss of -AUD500mn (FY2025: +AUD379mn).
    - **Investments operating EBITDA fell 5% y/y to AUD297mn due** primarily to lower Management EBITDA as funds under management declined 10% y/y to AUD43.9bn amidst divestments.

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		○ **Development operating EBITDA fell 75% y/y to AUD78mn**, due to (1) limited completion and (2) absence of AUD250mn from apartment settlements at Residences Two/Watermans Residences (One Sydney Harbour) and the Capella Capital divestment in FY2025. ○ **Construction improved meaningfully with operating EBITDA rising to AUD167mn** (FY2025: AUD33mn). EBITDA margin recovered to 4.3% (FY2025: 1.1%), as challenging legacy projects were substantially completed. New work secured rose 28% y/y to AUD6.4bn and backlog grew 42% y/y to AUD8.4bn. LLCAU indicated that 40% of new work are fee-based, improving the risk profile of future earnings. ○ **Capital Release Unit ("CRU") posted an operating EBITDA loss of -AUD500mn** (FY2025: +AUD379mn), due to (1) AUD340mn of non-cash impairments (MSG North, Communities development land and other assets), (2) AUD92mn of provisions for retained international Construction risk and (3) AUD42mn of net negative revaluations. LLCAU completed AUD1.2bn of CRU disposals in FY2026. • **Weaker credit metrics:** As of 30 June 2026, net debt including perpetuals ("adjusted net debt") rose 35% y/y to AUD4.63bn. Reported underlying gearing (adjusted net debt / total tangible assets excluding cash) weakened to 37.7% (June 2025: 26.6%). Including the contracted CRU and IDC disposal transactions of AUD1.3bn, pro-forma underlying gearing would improve to 30.2%. • **Manageable liquidity risks:** LLCAU held AUD4.0bn of committed liquidity as at 30 June 2026, comprising AUD0.8bn of cash and cash equivalents and AUD3.2bn of undrawn committed facilities. The liquidity is sufficient to cover debt maturing in FY2027 (AUD887mn) and FY2028 (AUD705mn). • **Stable outlook:** FY2027 is anticipated to be a stronger year for IDC earnings , with guidance of 37 -41 cents per security supported by pre-sold apartment revenues in Development and continued growth in Construction. Investments segment earnings are expected to be impacted by lower co-investment income and lower funds management income, arising from portfolio recycling initiatives, and the absence of large transactional profits. Meanwhile, LLCAU is expected to receive AUD1.2bn of gross proceeds in FY2027 following completion of Development projects from One Circular Quay and Victoria Harbour. Credit metrics are expected to improve further with an additional AUD2.5bn of CRU invested capital remaining to recycle. Per LLCAU, proceeds from both CRU and Investments recycling are prioritised toward debt reduction with an underlying gearing target of 15%. (Company, OCBC) Latest report: Credit Update – 08 June 2026

New Issues:

- The total issuances in the APAC USD and DM IG markets were USD zero and USD 42mn respectively (last Friday: 700mn and USD5.85bn respectively). (Bloomberg, OCBC)

Mandates:

- Kotak Mahindra Bank may issue USD-denominated 5-year bonds.
- YES Bank Limited may issue USD-denominated 3-year bonds.

Key Market Movements

	17-Aug	1W chg (bps)	1M chg (bps)		17-Aug	1W chg	1M chg
iTraxx Asiax IG	67	-0	-4	**Brent Crude Spot ($/bbl)**	88.9	1.4%	0.9%
				Gold Spot ($/oz)	4,398	0.2%	9.5%
iTraxx Japan	57	-1	-3	**CRB Commodity Index**	391	0.3%	2.5%
iTraxx Australia	67	-0	-4	**S&P Commodity Index - GSCI**	686	-0.2%	1.9%
CDX NA IG	51	-1	-1	**VIX**	15.0	-3.3%	-20.4%
CDX NA HY	108	0	0	**US10Y Yield**	4.68%	-3bp	13bp
iTraxx Eur Main	51	-0	-2				
iTraxx Eur XO	247	-4	-10	**AUD/USD**	0.712	1.0%	2.0%
iTraxx Eur Snr Fin	53	-1	-2	**EUR/USD**	1.161	0.6%	1.5%
iTraxx Eur Sub Fin	86	-1	-4	**USD/SGD**	1.276	0.4%	1.3%
				AUD/SGD	0.909	-0.6%	-0.8%
USD Swap Spread 10Y	-41	0	1	**ASX200**	9,073	-1.7%	3.1%
USD Swap Spread 30Y	-73	1	2	**DJIA**	53,732	-0.6%	3.0%
				SPX	7,786	0.4%	4.4%
China 5Y CDS	36	-1	-1	**MSCI Asiax**	1,129	2.4%	5.3%
Malaysia 5Y CDS	34	-1	-3	**HSI**	25,453	-1.9%	3.6%
Indonesia 5Y CDS	84	-5	-8	**STI**	5,751	0.9%	4.4%
Thailand 5Y CDS	41	-1	-2	**KLCI**	1,728	-0.4%	-0.2%
Australia 5Y CDS	14	-1	1	**JCI**	6,402	-0.1%	3.7%
				EU Stoxx 50	6,551	0.2%	5.1%

Source: Bloomberg

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