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# Daily Credit Snapshot

## Market Commentary

Andrew Wong
Credit Research Analyst

Ezien Hoo
Credit Research Analyst

Wong Hong Wei
Credit Research Analyst

Chin Meng Tee
Credit Research Analyst

Aleen Lee Li Fei
Credit Research Analyst

- US equities surged to fresh record highs on Friday, as a near-10% plunge in crude prices triggered a broad-based risk-on rotation. The Nasdaq rose for a 13th consecutive session, marking its longest winning streak since 1992. The rally was initially driven by Iranian Foreign Minister Seyed Abbas Araghchi's post on X, which stated that the Strait was "completely open" to commercial vessels "for the remaining period of the Israel-Lebanon ceasefire." President Trump reinforced the market's optimism, although he also stressed that the US naval blockade of Iranian ports would remain "in full force" until a deal is reached. Against this backdrop, Treasury yields moved lower, with the 2Y yield falling below 3.7% and the 10Y declining to 4.26%, as weaker oil revived the dovish narrative. That said, Friday's sharp drop in oil was built on the assumption of an "open strait" — and that assumption did not even last 24 hours. Iran's military subsequently reimposed restrictions, while Iranian gunboats reportedly fired on one tanker and another vessel was said to have been struck by an "unknown projectile." The IRGC later stated that Hormuz would remain closed until the US lifts its blockade of Iranian ports. Adding to the tension, Yemen's Houthis warned they could shut the Bab al-Mandeb Strait if President Trump "continues to obstruct peace." In OCBC Group Macro Research's view, this leaves Monday's dominant trade as at least a partial unwinding of the peace dividend seen at the end of last week. On the policy side, the IMF's European Department chief said on Friday that, under its reference scenario, the ECB may need to raise rates by around 50bps in 2026 to maintain a neutral stance, before potentially easing again in 2027.

- The SGD SORA OIS curve traded mixed last Friday with shorter tenors trading 1bps lower to 1bps higher while belly and 10Y tenors traded 1bps higher.

- Flows in SGD corporates were moderate, with flows in STANLN 4.3%-PERP, LREIT 4.28%-PERP, STTGDC 5.7%-PERP.

- US Investment Grade spreads traded flat at 79bps and US High Yield spreads tightened by 5bps to 268bps respectively.

- Bloomberg Global Contingent Capital Index traded flat at 234bps.

- Bloomberg Asia USD Investment Grade spreads widened by 2bps to 61bps and Asia USD High Yield spreads widened by 9bps to 407bps respectively. (Bloomberg, OCBC)

- The total issuance volumes for APAC and DM IG market last Friday were zero for both.

- There were no notable issuers in the DM IG, APAC USD and Singdollar markets last Friday.

**Credit Summary:**

<table>
<tr><th>Company</th><th>Ticker</th><th>Description</th></tr>
<tr><td>National Australia Bank Ltd</td><td>NAB</td><td>
<ul>
<li>NAB issued an update ahead of its 1H2026 results (for the half-year ended 31 March 2026), flagging a material increase in credit provisioning and other notable items to respond to heightened macro and geopolitical risks, particularly stemming from the Middle East conflict and higher energy and fuel costs.</li>
<li>NAB expects total 1H2026 credit impairment charges of AUD706mn, representing a 46% increase from AUD485mn recorded in 2H2025.
<ul>
<li>Of this, underlying provision charges are expected to be AUD406mn, comprising AUD541mn in individually assessed charges partly offset by a AUD135mn write-back in underlying collective provisions.</li>
<li>Forward-looking collective provisions will increase by a net AUD300mn, driven by a more cautious economic outlook and targeted sector overlays. This includes (1) a AUD152mn increase in the Economic Adjustment reflecting updates to NAB's base economic forecast and a higher weighting (45%) applied to the Australian downside scenario, (2) a AUD201mn uplift in forward-looking adjustments for stress in fuel exposed sectors such as agriculture, transport, storage, manufacturing, construction and commercial real estate, and (3) a AUD53mn release where prior risks have not materialised or are now captured in underlying provisioning.</li>
<li>As a result, the collective provision ratio is expected to rise to 1.35% of credit risk weighted assets at March 2026 (Dec 2025: 1.31%).</li>
</ul></li>
<li>Higher interest rate volatility, a weaker New Zealand dollar and the increase in forward looking provisions reduced NAB's CET1 ratio by approximately 20bps at 31 March 2026. In addition, credit risk weighted assets increased due to a AUD4.2bn overlay applied to internal credit models following probability of default updates, although no standardised floor adjustment was required at the half year.
<ul>
<li>To bolster capital and balance sheet resilience amid ongoing uncertainty, NAB intends to apply a 1.5% discount to its 1H2026 dividend reinvestment plan ("DRP") and partially underwrite the dividend reinvestment plan.</li>
<li>These actions are expected to raise up to AUD1.8bn and add approximately 40bps to the CET1 ratio in 2H2026, with NAB guiding to a pro forma CET1 ratio above 12% at 31 March 2026 including the DRP benefit.</li>
</ul></li>
<li>Separately, NAB announced changes to its software capitalisation policy, resulting in an accelerated amortisation charge of AUD1.35bn pre-tax (AUD949mn after tax) in 1H2026, driven by shortened useful lives for capitalised software, a higher capitalisation threshold (raised to AUD20mn from AUD5mn) and a narrower definition of capitalisable assets. While this will reduce reported earnings, there is no impact on CET1 capital. NAB reaffirmed FY2026 cash operating expense growth guidance of less than 4.6%, excluding large notable items</li>
<li>NAB is scheduled to announce its 1H2026 results on 4 May 2026. (Company, OCBC)</li>
</ul>
Latest report: Credit Update – 10 June 2025
</td></tr>
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## Mandates:

- There were no notable mandates last Friday.

## Key Market Movements

| | 20-Apr | 1W chg (bps) | 1M chg (bps) |
|---|---|---|---|
| **iTraxx Asiax IG** | 72 | -3 | -16 |
| | | | |
| **iTraxx Japan** | 62 | -1 | -4 |
| **iTraxx Australia** | 74 | -3 | -13 |
| **CDX NA IG** | 53 | -1 | -13 |
| **CDX NA HY** | 107 | 1 | 3 |
| **iTraxx Eur Main** | 56 | -3 | -16 |
| **iTraxx Eur XO** | 276 | -20 | -74 |
| **iTraxx Eur Snr Fin** | 60 | -4 | -18 |
| **iTraxx Eur Sub Fin** | 99 | -8 | -34 |
| | | | |
| | | | |
| **USD Swap Spread 10Y** | -43 | 1 | 5 |
| **USD Swap Spread 30Y** | -75 | 1 | 8 |
| | | | |
| **China 5Y CDS** | 42 | -1 | -10 |
| **Malaysia 5Y CDS** | 37 | -3 | -14 |
| **Indonesia 5Y CDS** | 82 | -5 | -19 |
| **Thailand 5Y CDS** | 49 | -2 | -10 |
| **Australia 5Y CDS** | 14 | -1 | -1 |
| | | | |

| | 20-Apr | 1W chg | 1M chg |
|---|---|---|---|
| **Brent Crude Spot ($/bbl)** | 95.2 | -4.2% | -15.1% |
| **Gold Spot ($/oz)** | 4,793 | 1.1% | 6.7% |
| **CRB Commodity Index** | 363 | -3.2% | -1.2% |
| **S&P Commodity Index - GSCI** | 679 | -5.1% | -7.7% |
| **VIX** | 17.5 | -9.1% | -34.7% |
| **US10Y Yield** | 4.26% | -3bp | -12bp |
| | | | |
| **AUD/USD** | 0.716 | 0.9% | 1.9% |
| **EUR/USD** | 1.176 | 0.0% | 1.6% |
| **USD/SGD** | 1.272 | 0.1% | 0.8% |
| **AUD/SGD** | 0.910 | -0.7% | -1.1% |
| | | | |
| **ASX200** | 8,948 | 0.2% | 6.2% |
| **DJIA** | 49,447 | 3.2% | 8.5% |
| **SPX** | 7,126 | 4.5% | 9.5% |
| **MSCI Asiax** | 1,031 | 4.1% | 7.6% |
| **HSI** | 26,405 | 2.9% | 4.5% |
| **STI** | 5,008 | 0.5% | 1.2% |
| **KLCI** | 1,701 | 1.2% | -1.1% |
| **JCI** | 7,633 | 1.8% | 7.4% |
| **EU Stoxx 50** | 6,058 | 2.2% | 10.1% |

*Source: Bloomberg*

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