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Daily Credit Snapshot

Market Commentary

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- The past 12 hours of trading, especially in US asset markets, were choppy amid the release of the FOMC minutes, a US Treasury announcement on liquidity support, further tariff negotiations and US-Iran headlines. First, the FOMC minutes, released overnight and taking on greater importance given the Fed's new communication approach, revealed that "most participants anticipated that inflation would step down over the rest of the year as the effects of tariffs and earlier energy price increases wane, but many participants noted the possibility that inflation might be more persistently elevated." In addition, the minutes noted that "participants judged that their inflation outlooks were highly uncertain and that inflation risks were skewed to the upside." On monetary policy, "many participants assessed that policy tightening would likely be necessary if inflation did not decline. Some participants commented that financial conditions might not currently be sufficiently restrictive to facilitate a return of inflation to 2 percent." Fed funds futures pricing for rate hikes narrowed somewhat, to 21.7bp from 23.3bp at the start of the week. Second, the US Treasury announced that "the U.S. Department of the Treasury is increasing, by at least double, the size of liquidity support buyback operations for longer-dated nominal coupon securities (the 10-year to 20-year sector and the 20-year to 30-year sector). The current maximum size of $2 billion per operation will be at least $4 billion per operation. This change is effective September 9, 2026..." Third, tariff talks between US and Canadian officials continued on Wednesday after President Trump paused the 50% tariffs on Canadian goods. The latest proposal could see steel and aluminium tariffs halved to 25% from the current 50%. Last but not least, President Trump posted on Truth Social that he is announcing "the most crushing economic operation ever taken" against Iran, although he did not specify any measures. US equities closed marginally higher (S&P: +0.2%; Dow: +0.22%; Nasdaq: +0.16%), the DXY index retreated, and UST yields across the curve ended below session highs.

- The SGD SORA OIS curve traded lower yesterday with the shorter tenors trading 1-2bps lower, belly tenors trading 2-3bps lower, and the 10Y tenor trading 3bps lower.

- Flows in SGD corporates were heavy, with flows in OCBCSP 3.2%-PERP, MLTSP 3.5%-PERP, TEMASE 2.65% '36s, KITSP 4.9%-PERP.

- US Investment Grade spreads tightened by 1bps to 80bps, and US High Yield spreads tightened by 5bps to 270bps. Bloomberg Global Contingent Capital traded flat at 206bps.

- Bloomberg Asia USD Investment Grade traded widened by 1bps to 57bps, and the Asia USD High Yield spreads widened by 4bps to 332bps. (Bloomberg, OCBC)

Credit Summary:

Company	Ticker	Description
Commonwealth Bank of Australia, Industry Outlook – Australian Financial Institutions	CBAAU	• Following CBA's FY2026 results announcement, CFO Alan Docherty provided insights into the state of the Australian economy during an interview with CommSec's Gillian Bowen. • **Housing market:** Mortgage applications weakened, down 15% over the past 12 weeks and 17% y/y, on the back of three successive interest rate hikes and changes to capital gains tax and negative gearing in the May budget. Despite softer demand, CBA still expects housing credit growth of 4-5% over the next 12 months, which it considers historically robust. Docherty noted that a 10% decline in house prices would only partially reverse the 70% growth seen over the past six years, returning prices to around January 2025 levels. • **Household spending:** Given the prevalence of variable-rate mortgages in Australia, household spending remains highly sensitive to interest rate movements. Spending by customers without mortgages increased around 25% over five years, in line with inflation. Spending by customers with mortgages rose only 15%, indicating households with debt are tightening discretionary spending and experiencing reduced purchasing power. • **Economic outlook:** Docherty highlights population growth, migration, and infrastructure investment as major long-term supports for the Australian economy. Population growth is helping sustain business activity as numbers of customers increased when spending per customer weakened, as seen in sectors such as cafes and restaurants. However, Australia remains at risk of external shocks due to geopolitical uncertainty. • CBA is increasingly using AI across customer service, engineering, fraud prevention, and business banking to improve efficiency and customer outcomes. Docherty emphasises investing with a long-term stewardship approach focusing on sustainable economic and business outcomes. • Separately, AUSTRAC's Fintel Alliance uncovered hundreds of millions of dollars in suspected fraudulent mortgages at 10 major banks in Australia through Operation Claw, mainly involving Sydney properties. Key issues included inflated incomes, falsified documents, misrepresented employment details, and the use of offshore or third-party funds to support loan applications and repayments. The findings point to systemic vulnerabilities across the lending sector, prompting AUSTRAC to urge lenders to strengthen fraud controls, review existing loan books, and enhance suspicious activity reporting. (Company, AUSTRAC, OCBC) Latest report: Credit Update – 10 June 2025
AIA Group Limited	AIA	• **AIA released decent 1H2026 results with double-digit growth in earnings with a strong capital ratio. We view the impacts of recent government measures on Chinese Mainland Visitors ("CMV") to HKSAR manageable. AIA's outlook remains stable in the next 12 months.** • Annualised new premiums rose 12% y/y to USD5.7bn. **Value of new business ("VONB") rose 10% y/y to a record USD3.2bn** with marginally lower VONB margin of 57.1% (1H2025: 57.7%). • **HKSAR:** VONB rose 10% y/y to USD1.2bn. Chinese Mainland Visitor ("CMV") VONB was broadly stable against a high 1H2025 comparative. • **Chinese Mainland:** VONB rose 20% y/y to USD937mn as annualised new premiums ("ANP") grew 30% y/y. • **Thailand:** VONB fell by -6% y/y to USD514mn against an exceptional prior-year comparative. That said, VONB returned to growth in 2Q2026 (+13% y/y). • **Singapore:** VONB rose 10% y/y to USD294mn on demand for wealth and long-term savings solutions. • **Malaysia:** VONB rose 10% y/y to USD232mn on contributions from both agency and partnership distribution.

		• **Other Markets:** VONB rose 7% y/y to USD260mn, with India, Taiwan, Vietnam and the Philippines more than offsetting lower VONB from Australia, Indonesia and South Korea. • **Decent earnings and cash flow generation:** Operating profit after tax ("OPAT", which excludes short-term investment variances and other non-operating items) rose 11% y/y to USD4.2bn. Meanwhile, net free surplus generation rose 10% y/y to USD2.8bn. • **Strong capital ratio:** AIA's local capital summation method ("LCSM") coverage ratio remained strong at 229% (end-2025: 233%), with the decline largely from capital returns, partly offset by a favourable one-off AIA China asset reclassification. • **Continued demand from CMV:** In the earnings call, the management reiterated that the demand remains intact despite the concerns of (1) 20% income tax on returns from insurance policies and (2) cross-border bank account opening curbs. The management indicated that insurance policies in HKSAR provides diversification, better healthcare, more professional advice, and taxes are not a major concern for the CMV. • **Stable outlook:** We believe AIA will continue to grow amidst rising insurance and investment demands from the markets AIA operates in. While we may see slower growth from CMV, the impact is likely manageable. AIA's outlook continues to be underpinned by its leading position, strong brand, strong distribution channels, and strong capital ratios. (Company, OCBC) Latest report: Initiation – 10 September 2025

New Issues:

- The total issuances in the APAC USD and DM IG markets were USD300mn and USD2.5bn respectively yesterday (prior day: USD2.4bn and USD4.1bn respectively. (Bloomberg, OCBC)

Date	Issuer	Description	Currency	Size (mn)	Tenor (Yr)	Final Pricing (%)
19 Aug	Commonwealth Bank of Australia	Fixed, Subordinated, Tier 2	SGD	325	10NC5	3.15%
19 Aug	MassMutual Global Funding II	Fixed, Secured	USD	700	3	T + 55bps
19 Aug	MassMutual Global Funding II	FRN, Secured	USD	300	3	SOFR+ 72bps

Mandates:

- There were no notable mandates yesterday.

Key Market Movements

	20-Aug	1W chg (bps)	1M chg (bps)		20-Aug	1W chg	1M chg
iTraxx Asiax IG	68	1	-2	**Brent Crude Spot ($/bbl)**	92.9	6.7%	4.2%
				Gold Spot ($/oz)	4,491	3.2%	12.0%
iTraxx Japan	57	-1	-3	**CRB Commodity Index**	400	1.8%	4.3%
iTraxx Australia	68	1	-2	**S&P Commodity Index - GSCI**	704	3.3%	3.7%
CDX NA IG	51	0	-1	**VIX**	15.0	2.3%	-19.8%
CDX NA HY	108	-0	0	**US10Y Yield**	4.65%	1bp	6bp
iTraxx Eur Main	51	0	-2				
iTraxx Eur XO	250	2	-6	**AUD/USD**	0.712	0.9%	1.8%
iTraxx Eur Snr Fin	54	1	-2	**EUR/USD**	1.169	1.4%	2.4%
iTraxx Eur Sub Fin	87	1	-3	**USD/SGD**	1.271	0.7%	1.6%
				AUD/SGD	0.905	-0.2%	-0.2%
USD Swap Spread 10Y	-40	1	2	**ASX200**	9,084	-1.1%	3.3%
USD Swap Spread 30Y	-71	2	5	**DJIA**	53,463	-0.6%	3.1%
				SPX	7,708	-0.5%	3.6%
China 5Y CDS	36	-1	-2	**MSCI Asiax**	1,103	-2.0%	3.1%
Malaysia 5Y CDS	34	-0	-3	**HSI**	25,758	1.4%	2.4%
Indonesia 5Y CDS	85	-2	-8	**STI**	5,671	-0.8%	3.1%
Thailand 5Y CDS	41	-0	-2	**KLCI**	1,737	0.1%	0.8%
Australia 5Y CDS	15	1	1	**JCI**	6,500	2.0%	4.3%
				EU Stoxx 50	6,439	-1.6%	3.4%

Source: Bloomberg

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