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Daily Credit Snapshot

Market Commentary

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- US equities fell sharply overnight with the S&P declining 2.0%, the Dow Jones dropping 2.2% and the Nasdaq retreating 2.3%. Markets initially rallied following Anthropic's record breaking IPO, with its shares surging 39% above its offer price before paring gains to close 17% higher. However, the optimism failed to lift the broader AI sector, as concerns over stretched valuations and elevated capex spending continued to weigh on sentiment. On the geopolitical front, Donald Trump, Xi Jinping and Vladimir Putin met on the sidelines of APEC in Shenzhen yesterday, marking the first-ever trilateral summit between the leaders of the US, China and Russia. Discussions centered on nuclear risks, the Russia-Ukraine conflict and global energy security. The three leaders issued a joint declaration calling for reduced nuclear risks and greater cooperation on energy supplies, while also backing reforms to the United Nations, although no concrete breakthroughs were reached on any major geopolitical issues. In the US, the Philadelphia Fed Manufacturing Index fell sharply to 6.3 in November from 20.9 previously, well below market expectations of 20.0 and marking its lowest reading in six months. New orders slipped into contraction territory at -0.4, while shipments improved to 25.7. The prices paid index increased from 58.2 from 43.2, suggesting that manufacturers continue to face elevated input costs despite moderating activity. In Australia, the unemployment rate rose to 4.9% in October from 4.7%, its highest level since October 2021. Monthly employment change declined by 43.5k, significantly below expectations for a 25k increase, following a revised 36.4k decline in September. The weakness was driven largely by part time employment, which fell 40.6k, while full time employment fell 2.9k. The weaker than expected print reinforces concerns of a sharper slowdown in economic activity, strengthening the case for the RBA to remain on hold. We remain comfortable with our view that the cash rate target will remain on hold at 4.85% through most of 2027, followed by one 25bp cut in 4Q27.

- The SGD SORA OIS curve traded flat to lower yesterday; shorter tenors traded flat to 2bps lower, while belly tenors traded 2-3bps lower and 10Y tenors traded 3bps lower.

- Flows in SGD corporates were light, with flows in STTGDC 5.7% PERP.

- US Investment Grade spreads widened by 1bp to 92bps, while US High Yield spreads widened by 6bps to 344bps.

- Bloomberg Asia USD Investment Grade spreads tightened by 1bps to 73bps, while Asia USD High Yield spreads widened 5bps to 396bps. Bloomberg Contingent Capital Statistics tightened 1bps to 243bps. (Bloomberg, OCBC)

Credit Summary:

Company	Ticker	Description
Lenovo Group Ltd	LENOVO	• **Lenovo delivered strong September-quarter (2QFY2027) results**, showing structural improvements in profitability and earnings diversification. ISG and SSG together generated 61% of business-group operating profit, up 28ppt y/y. This reduces Lenovo's dependence on the PC cycle, which has been affected by memory supply chain constraints. However, as ISG scaled up to another record quarter, working capital remains the main credit watchpoint. IDG sells personal devices such as PCs and tablets; ISG provides enterprise IT infrastructure such as AI servers; SSG offers services such as IT support and project services. • **Revenue grew 48% y/y to USD30.3bn**, driven mainly by a 178% increase at ISG, with slower growth of 15% at IDG and 20% at SSG. All regions grew strongly: Americas +74%, PRC +51%, EMEA +30% and AP +24%. The shift in revenue mix, together with improved ISG profitability, lifted gross margin by 0.6ppt y/y to 16.0%. • **EBITDA rose 108% y/y to USD2.3bn**, and EBITDA margin widened by 2.2ppt to 7.5% on a higher gross margin and cost controls. Excluding the fair value loss on derivatives, opex fell to 10.1% of sales from 12.2% a year earlier. AI-related revenue grew 79% y/y to USD10.8bn, or 36% of group revenue. • **The earnings mix continued to shift toward higher-margin businesses**. ISG revenue reached USD11.3bn, and the segment swung from a USD32mn operating loss to a USD1.1bn operating profit, a record 9.6% margin. Enterprise & SMB revenue grew 200% y/y, and the AI server pipeline rose 48% q/q to USD80bn. SSG revenue grew 20% to USD3.1bn, while operating profit rose 40% to USD801mn, a record 26.0% margin. IDG revenue grew 15% to USD17.4bn. Its margin held up at 7.1% (2QFY2026: 7.3%), as a richer premium mix and higher selling prices offset weaker volumes and higher component costs. • **Free cash flow rose y/y to USD1.2bn on higher operating cash flow of USD1.6bn** (1QFY2027: USD382mn). Strong AI server growth continued to weigh on working capital. Outflows totalled USD714mn in 2QFY2027, a material improvement from USD1.5bn in the previous quarter. • **Lenovo reported a net cash position of USD530mn**, compared with net debt of USD179mn at end-1QFY2027. Gross borrowings rose to USD5.8bn, largely because of the USD2.0bn zero-coupon convertible bonds due 2033 issued in June. • Based on LTM EBITDA, **gross leverage improved to 0.8x** from 1.0x in the previous quarter, while net leverage was -0.1x (1QFY2027: 0.0x). (Company, OCBC) Latest report – credit update 29 May 2026
Commerzbank AG, UniCredit SpA	CMZB, UniCredit	• UniCredit and the German government have agreed on the path forward for the CMZB takeover with both sides compromising on their initial positions. • The agreement includes UniCredit's commitment to keep CMZB listed and headquartered in Frankfurt, growing CMZB's core small and medium-sized companies lending business and protecting the rights of CMZB employees with key decisions to be made in Germany. CMZB's international business also appears to have been preserved, a previous point of difference in the positions of UniCredit and CMZB.

		• In return, the German government will support a smooth transition of control and drop its demand to appoint two members to CMZB's supervisory board as the second largest shareholder. UniCredit will instead propose two independent directors with extensive experience of Germany's banking market and CMZB. • UniCredit Chief Executive Officer Andrea Orcel expects all regulatory approvals by the end of this month. This is ahead of schedule and following this, UniCredit can commence its planned restructuring including changes to the supervisory board and top management and implementing UniCredit's strategy. • Agreement with the German government reduces but does not eliminate execution risk in our view although we expect the longer-term outlook could be credit positive if integration is executed successfully. A combined entity would benefit from stronger scale, improved earnings diversification and enhanced business positioning in our view. (Company, Bloomberg, OCBC) Latest report: CMZB Credit Update – 28 July 2026
JP Morgan & Chase	JPM	• JPM disclosed that a cyberattack on third-party vendor (Visa Inc and Mastercard Inc) exposed customer marketing data. The incident was unrelated to the service outage earlier in the week. No sensitive information, however, was compromised and banking and payment services were unaffected. • Credit impact is neutral, with no immediate financial or operational disruption. However, two technology-related incidents within a week may increase regulatory scrutiny of JPM's operational resilience and oversight of external vendors. (Bloomberg, OCBC) Latest report: Credit Update – 23 January 2026
UBS AG	UBS	• At the JP Morgan European Financials Conference, CFO Todd Tuckner mentioned that UBS plans to lower its CET1 operating level from the current 14.7%. Management will outline its new capital target and allocation priorities, including the trade-off between growth and buybacks, in February during the FY2026 results briefing. • Swiss capital reform remains the key uncertainty, with the capital proposal will next be considered by the lower-house economic committee before a full National Council debate in December. Management expects any new requirements to begin only around 2028-2029 and be phased in over six to seven years, providing time to adapt. Meanwhile, Credit Suisse integration is nearing completion, with cumulative gross cost savings expected to exceed USD13.5bn. (Company, OCBC) Latest report: Credit Update – 1 September 2026

Alibaba Group Holdings	BABA	• BABA released 2QFY2027 results. Operating profitability improved meaningfully, and the large net cash position and sizeable investment portfolio continue to provide strong buffers. However, we expect sustained negative FCF through 2028, continued losses in AI applications, a soft domestic consumption backdrop and uncertainty from export controls to keep net cash trending lower. Management's commitment to disciplined investment and the use of equity funding are supportive, but we will monitor the pace of net cash erosion and any shift toward debt-funded investment. • **Strong earnings recovery driven by AI Cloud and quick commerce**. Revenue rose 10% y/y to RMB271.5bn in the September quarter. Adjusted EBITA jumped 260% y/y to RMB32.6bn, and adjusted EBITDA rose 167% y/y to RMB46.1bn, lifting the adjusted EBITDA margin to 17% from 7%. • **By segment,** AI Cloud and Compute Services revenue grew 53% y/y to RMB61.0bn in 2QFY2027, while segment adjusted EBITA more than doubled to RMB8.8bn, with the margin up to 14.5% from 10.0%. E-commerce Group adjusted EBITA rose 243% y/y to RMB38.9bn, mainly due to substantially narrower quick commerce losses. Partly offsetting these gains, the AI Labs and Applications loss widened to RMB10.5bn from RMB3.4bn on higher model investment and Qwen app inference costs. • **Heavy capex continues to drive negative FCF.** FCF was an outflow of RMB34.5bn in this quarter, compared with outflows of RMB44.7bn in the June quarter and RMB21.8bn a year earlier. Operating cash flow rose 55% y/y to RMB15.7bn. Capex was RMB50.5bn, up 60% y/y but down from RMB67.7bn in the June quarter, which management attributed to procurement timing. • Nevertheless, **net cash rose to RMB220.7bn from RMB208.0bn at end-June**, boosted by the HKD80bn (~RMB69bn) share placement in August 2026. Gross debt, including bank borrowings, senior notes, convertibles and exchangeable bonds, was about RMB267bn, against RMB487.9bn of cash and liquid investments. • **Export controls reshape the outlook.** Following the new US compute export rules, management now expects cloud revenue growth of 30–45% next year, rebounding to 50% or more in CY2028 as domestic T-Head chip supply scales. The 20GW compute target may be revised down. Management expects investment to peak between 1H2027 and 2028 and is targeting positive FCF in 2H2028. It reiterated its CY2030 target of USD100bn in external cloud revenue with a margin above 20%. Management also aims to halve quick commerce losses next year and reach profitability by FY2029. In addition, T-Head has confidentially filed for a listing. (Company, OCBC) Latest report: Credit Update – 21 July 2026

New Issues:

- APAC USD and DM IG markets saw USD3bn and USD16.5bn of issuances respectively yesterday (prior business day: USD719mn and USD4.5bn).

Date	Issuer	Description	Currency	Size (mn)	Tenor (Yr)	Final Pricing (%)
19 Nov	Korea Housing Finance Corp	Social, Fixed	SGD	257	3	2.39%
19 Nov	Australia & New Zealand Banking Group Ltd	FRN	USD	300	2	SOFR+ 50bps
19 Nov	Australia & New Zealand Banking Group Ltd/New York NY	Fixed	USD	1,200	2	T + 40bps
19 Nov	Australia & New Zealand Banking Group Ltd/New York NY	Fixed	USD	750	5	T + 55bps
19 Nov	Boston Scientific Corp	Fixed	USD	500	10	T + 85bps
19 Nov	Boston Scientific Corp	Fixed	USD	1,000	3	T + 62bps
19 Nov	Boston Scientific Corp	Fixed	USD	750	5	T + 72bps
19 Nov	Boston Scientific Corp	Fixed	USD	750	7	T + 80bps
19 Nov	Citigroup Inc	Social, Fixed	USD	3,000	4NC3	T + 82bps
19 Nov	Citigroup Inc	Social, Fixed	USD	3,000	8NC7	T + 102bps
19 Nov	Citigroup Inc	Social, FRN	USD	500	4NC3	SOFRFLATbps

19 Nov	Saturn Funding Trust	Fixed, Secured	USD	4,366	Long 3	7.666%
19 Nov	Smurfit Westrock Financing DAC (guarantor: Multiple Guarantors)	Green, Fixed	USD	600	Long 10	T + 107bps
19 Nov	Smurfit Westrock Financing DAC (guarantor: Multiple Guarantors)	Green, Fixed	USD	900	30	T + 115bps

Mandates:

- There were no notable mandates today.

Key Market Movements

	Last Price	1W chg (bps)	1M chg (bps)		Last Price	1W chg	1M chg
US IG Credit Spread	92	6	7	Brent Crude Spot ($/bbl)	92.7	-3.3%	-14.8%
US HY Credit Spread	344	32	15	Gold Spot ($/oz)	3,555	-8.5%	-13.8%
Global Contingent Capital Credit Spread	243	13	6	CRB Commodity Index	372	-4.3%	-10.9%
Asia IG Credit Spread	73	6	10	S&P Commodity Index - GSCI	657	-4.3%	-12.0%
Asia HY Credit Spread	396	49	23	VIX	28.4	52.1%	64.3%
				US10Y Yield	5.01%	-13bp	-10bp
iTraxx Asiax IG	72	2	-3				
iTraxx Japan	68	-1	-2	AUD/USD	0.668	-1.4%	-4.6%
iTraxx Australia	73	2	-4	EUR/USD	1.099	-0.3%	-2.2%
CDX NA IG	62	3	-0	USD/SGD	1.290	-0.2%	-1.0%
CDX NA HY	105	-1	-1	AUD/SGD	0.862	1.2%	3.9%
iTraxx Eur Main	62	3	-3				
iTraxx Eur XO	307	16	-18	ASX200	8,593	-5.4%	-2.5%
iTraxx Eur Snr Fin	70	3	-4	DJIA	49,097	-6.1%	-6.5%
iTraxx Eur Sub Fin	116	6	-7	SPX	7,176	-5.5%	-7.0%
				MSCI Asiax	966	-5.3%	-7.5%
USD Swap Spread 10Y	-41	-2	-2	HSI	22,340	-5.5%	-6.4%
USD Swap Spread 30Y	-66	-3	-3	STI	4,977	-4.9%	-7.9%
				KLCI	1,551	-2.0%	-3.1%
China 5Y CDS	34	-0	-4	JCI	5,130	-4.0%	-2.8%
Malaysia 5Y CDS	35	1	-2	EU Stoxx 50	6,114	-4.5%	-0.1%
Indonesia 5Y CDS	100	2	-0				
Thailand 5Y CDS	35	-0	-5				
Australia 5Y CDS	18	1	1				

Prices shown above are based on the latest available price or the previous market close *Source: Bloomberg*

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