

Daily Credit Snapshot

Market Commentary

- Looking ahead to the US nonfarm payrolls report on Friday. The Trump-Xi meeting produced an extension of the trade truce until 10 January, with reciprocal tariff reductions covering around USD30bn of non-sensitive goods. The two sides also agreed to establish a US-China Board of Trade to address market access issues, including agriculture, and to launch a dialogue on AI. China further committed to importing at least 10mn tonnes of US coal annually in 2027 and 2028, although issues surrounding rare earths and critical minerals remain unresolved. With the US midterm elections due in November, the larger market variable remains energy prices, as President Trump has warned of further military action if diplomatic efforts fail. On Friday, the S&P 500 rose 0.5% after a volatile week, while 10-year and 30-year US Treasury yields climbed to 5.23% and 5.49%, respectively, their highest levels since 2007 and 2004, amid a "strong economy, sticky inflation" narrative. August core capital goods orders rose 1.6% m/m, marking a fourth consecutive monthly increase, while the final University of Michigan one-year inflation expectations reading jumped from 4.0% to 4.6%. The Congressional Budget Office (CBO) has warned that the fiscal deficit and publicly held debt could rise to 14% and 222% of GDP, respectively, by 2056. Asian markets are likely to trade in a range as investors await a data-heavy week ahead. The RBA meets tomorrow and is widely expected to raise rates by 25bp to 4.60%, given persistent core inflation, resilient domestic demand, and Governor Bullock's warning that energy-related inflation risks may be materialising. Investors will be monitoring a series of key US releases, including JOLTS job openings, ADP employment, personal income and spending, and core PCE inflation (consensus: 0.3% m/m), culminating in Friday's nonfarm payrolls report (consensus: around 100k) and unemployment rate (consensus: 4.2%).
- The SGD SORA OIS curve traded higher last Friday with the shorter tenors trading 1bps higher, belly tenors trading 0-1bps higher, and 10Y tenor trading 2bps higher.
- Flows in SGD corporates were heavy, with flows in STANLN 4.3%-PERP, HSBC 5.25%-PERP, HSBC 5%-PERP, STTGDC 5.7%-PERP.
- US Investment Grade widened by 3bps to 80bps, and US High Yield spreads widened by 12bps to 294bps respectively. Bloomberg Global Contingent Capital spreads widened by 4bps to 212bps.
- Bloomberg Asia USD Investment Grade spread widened by 1bps to 55bps, and the Asia USD High Yield spreads widened by 15bps to 331bps. (Bloomberg, OCBC)

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Credit Summary:

Company	Ticker	Description
Westpac Banking Corp	WSTP	- The Australian Prudential Regulation Authority (“APRA”) has warned Australia's big four banks that risk management in SME lending falls short of standard, and that bankers must face consequences for policy breaches. This follows APRA's interviews with small business lenders in May and its audit of loan data across the major banks. Each bank has reportedly received a confidential APRA review flagging areas for improvement, according to sources cited by the Australian Financial Review (“AFR”). - According to two bank insiders speaking on condition of anonymity, APRA's feedback to WSTP was notably critical, raising internal concerns that the regulator may pursue further corrective action, potentially including a capital penalty such as increased capital requirements against small business loans. This comes after AFR reported that a leaked April internal audit revealed recurring control failures within WSTP's business and wealth division, including a 25.8% rate of credit approval limit breaches, error-ridden financial analysis, and poor fraud risk monitoring. - As reported by the AFR, national general manager of SME and small business, Anthony Mathews, outlined six key changes taking effect October 1, per a staff memo and presentation. A new compliance checklist ties breaches of risk parameters or customer oversight errors to lower performance ratings and reduced bonuses. This includes any application of the Consequent Management Framework (CMF), consisting of at-fault Juno (risk management system) incidents or conduct risk alerts, triggering a remuneration review. The unit will also track banker errors more closely over six-month periods, covering credit risk grading, risk tolerance breaches, and missed loan deadlines, with five or more conduct alerts in a quarter leading to a "less than expected" rating. (Australian Financial Review, Bloomberg, OCBC) Latest report: Credit Update – 26 August 2026
UBS Group AG	UBS	- UBS is reportedly evaluating options to relocate its headquarters outside Switzerland, potentially through a combination with a foreign bank, as it pushes back against the proposed increase in Swiss capital requirements. - Separately, Switzerland's Finance Minister indicated that relocating UBS's headquarters outside the country would likely be more costly than complying with the higher capital requirements. - We correct our 24 September commentary, which stated that the Council of States had supported a 90% CET1/10% AT1 mix. The upper house did not explicitly prescribe the composition of the remaining 10%; rather, lawmakers voted to require CET1 backing equivalent to 90% of UBS's investments in foreign subsidiaries. Nevertheless, the outcome remains an interim positive for UBS AT1s, as it substantially reduces the potential issuance overhang relative to the previously proposed 50% CET1/50% AT1 structure. (Semafor, Reuters, Bloomberg, OCBC) Latest report: Credit Update – 01 September 2026

City Developments Ltd	CITSP	• CITSP released the outcome of its strategic review “GET+”, a three-year roadmap for over 2027–29. This includes SGD5bn of new investments, SGD6bn of divestments and double assets under management from SGD5bn to SGD10bn. By capital management, CITSP is targeting net gearing (including fair value of investment properties) of 55% (end-1H2026: 75%), dividend payout of at least 35% of reported PATMI, unlock more than SGD1bn of PATMI from divestment gains. In addition, CITSP expects more than SGD6bn of cash inflows from its existing development projects. The roadmap was released after review by advisory firm Teneo (commencement: September 2025) and audit of investor perceptions. <u>The plan in detail</u> • Investment (SGD5bn) by sector and geography includes: ○ Geography: Singapore (60%), China and Japan (30%) and other markets (10%). As Singapore accounts for 49% of assets as of end-June 2026 (including fair value), this implies that the portfolio will tilt further towards Singapore, with CITSP looking to sustain its market share in Singapore. This should also increase the allocation towards China (13% of assets) and Japan (not disclosed, but likely single digit % in asset allocation which includes rental housing and Japanese hotels). ○ Sectors: Residential, commercial, hospitality and living are the focused sectors. We think Singapore residential will be a key focus, with CITSP intending to add land through government land sales, collective sales, off-market deals and redevelopment. Meanwhile, CITSP still intend to target upper-tier cities in China through land tenders and off-market deals and partnership. Within the Living sector, CITSP intends to grow in Singapore and Japan, with 926 units and 2,246 units currently respectively. • Divestments (SGD6bn) by sector includes: ○ Commercial (SGD2.7bn): CITSP is looking to exit its 50% stake in 330 Collins Street, Melbourne when market conditions allow. In 2022, the property was acquired together with HTree City Australia for AUD236mn. At the current AUDSGD FX rates of ~0.90, assuming property valuation stayed unchanged in AUD, 50% of the property value is worth ~SGD105mn. In addition, CITSP will monitor three Central London assets worth 1.1mn sq ft for disposals. Given SGD2.7bn in divestment target, <u>we think this could imply that certain assets in Singapore may be disposed to meet this target.</u> ○ Hospitality (SGD1.8bn): CITSP holds 54 hotels directly, valued at ~SGD8.6bn. CITSP intends to divest 20% (~SGD1.8bn), which are mature, non-core or underperforming assets. ○ Legacy Residential & Others (SGD1.2bn): CITSP intends to exit its UK legacy portfolio, comprising 3 development sites and unsold units in 2 completed residential projects with carrying value of ~SGD0.8bn. CITSP also intends to exit its Australian legacy assets (~SGD0.22bn). ○ Living (SGD0.3bn): CITSP intends to exit Australia (563 units). • Another SGD6bn from property development sales. CITSP is projecting more than SGD6bn cash inflows, over 2027–29, supported by future cash collections from contracted sales in Singapore (Union Square Residences, Newport Residences, The Orie, Zyon Grand) 5 unlaunched projects in Singapore (Lucerne Grand, Tanjong Rhu Road, Peck Hay Road, and the Solano Grand EC and Wynwood Grand EC) and 2 projects in China (Xintiandi, Shanghai, and Hong Leong Larimar Center, Suzhou). • Fund management to double to SGD10bn. SGD5bn today counts 100% of CDL Hospitality Trusts (SGD3.5bn) and IREIT Global (SGD1.2bn), but only SGD0.3bn of
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		private funds. We think CITSP may originate assets / undertake new acquisitions, bringing in third-party capital and earn recurring fees. • Targeting to cut reported net gearing by 20ppts to 55%: With SGD1bn in net divestment (SGD6bn divestment less SGD5bn invested), we estimate this cut reported net gearing to ~72%, assuming no further fair value gains. Assuming ~SGD6bn cash inflow from property development sales (assuming ~SGD3-4bn after construction and other outlay), and retained profit and expanded equity base, we think ~55% target is plausible. • GET+ is a step in the right direction, though execution risks remain. Under GET+, CITSP has clearly articulated its strategy to reduce net gearing. This is unlike the initial Growth, Enhancement and Transformation ("GET") strategy, with its reported net gearing increasing since 2018. We think land purchases in Singapore can be opportunistic, depending on projects available for tender and competition. Separately, divestments can be subject to market conditions (i.e. outside of management's control). (Company, OCBC) Latest report: Credit update - 16 April 2026
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New Issues:

- APAC and DM IG issuance were both zero yesterday (prior day zero and USD1.77bn).

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	80	5	0	Brent Crude Spot (\$/bbl)	107.2	6.9%	20.1%
US HY Credit Spread	294	27	26	Gold Spot (\$/oz)	4,191	-3.5%	-5.9%
Global Contingent Capital Credit Spread	212	12	7	CRB Commodity Index	419	-0.2%	3.0%
Asia IG Credit Spread	55	1	-3	S&P Commodity Index - GSCI	738	-0.0%	4.5%
Asia HY Credit Spread	331	8	-2	VIX	14.9	0.4%	3.0%
				US10Y Yield	5.21%	26bp	49bp
iTraxx Asiax IG	70	0	4				
iTraxx Japan	62	8	6	AUD/USD	0.703	-1.3%	-1.9%
iTraxx Australia	72	0	5	EUR/USD	1.139	-0.7%	-1.7%
CDX NA IG	58	2	8	USD/SGD	1.278	-0.2%	-0.3%
CDX NA HY	107	-1	-1	AUD/SGD	0.898	1.2%	1.6%
iTraxx Eur Main	61	3	10				
iTraxx Eur XO	294	9	47	ASX200	8,680	-0.6%	-4.5%
iTraxx Eur Snr Fin	66	5	13	DJIA	51,829	0.3%	-3.2%
iTraxx Eur Sub Fin	108	7	20	SPX	7,743	1.2%	0.4%
				MSCI Asiax	1,150	0.2%	0.9%
USD Swap Spread 10Y	-38	-1	-1	HSI	24,666	-1.5%	-3.6%
USD Swap Spread 30Y	-67	-1	1	STI	5,745	1.2%	0.8%
				KLCI	1,672	0.3%	-3.1%
China 5Y CDS	34	0	-2	JCI	6,181	-3.2%	-5.2%
Malaysia 5Y CDS	35	-1	2	EU Stoxx 50	6,303	1.1%	-2.8%
Indonesia 5Y CDS	88	1	4				
Thailand 5Y CDS	40	-2	0				
Australia 5Y CDS	15	-0	1				

Prices shown above are based on the latest available price or the previous market close

Source: Bloomberg

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