

Market Commentary

- The SGD swap curve traded lower yesterday, with shorter tenors trading at 2-5bps lower. Belly tenors traded 2bps lower while longer tenors traded 2-4bps lower.
- The Bloomberg Barclays Asia USD IG Bond Index average OAS remained mostly unchanged at 129bps, and the Bloomberg Barclays Asia USD HY Bond Index average OAS widened 1bps to 652bps. The HY-IG Index Spread widened 1bps to 523bps.
- There were heavy flows in SGD corporates yesterday including CS 5.625%-PERPs, KREITS 3.15%-PERPs, UBS 4.85%-PERPs, CAPLSP 3.65%-PERPs, SLHSP 3.5%'30s and ESRCAY 5.65%-PERPs.
- 10Y UST Yields gained 4bps to 1.74% on the back of President Joe Biden's infrastructure plan which is expected to include more than USD2.0tr of fiscal spending for the purpose of boosting economic productivity and growth. Meanwhile, ADP's private payroll data for March showed a gain of 517,000 jobs, well above the 176,000 added in February.

Credit Summary:

- **Industry Outlook: Singapore Residential Property:** Singapore private residential property prices rose 2.9% q/q as of 1Q2021, according to URA flash estimates.
- **Commonwealth Bank of Australia ("CBA") | Issuer Profile: Positive (2):** The Australian Securities and Investments Commission ("ASIC") has [announced the commencement of civil proceedings](#) against CBA for misleading conduct in connection with the charging of monthly access fees to customers when it was not entitled to do so.
- **Commerzbank AG ("CMZB") | Issuer Profile: Neutral (4):** Three further board members are expected to leave CMZB according to reports in German newspaper Frankfurter Allgemeine Zeitung.
- **Credit Suisse Group AG ("CS") | Issuer Profile: Neutral (4):** CS appears to be starting its clean-up activities following the developments with Greensill Capital ("GC") and Archegos Capital Management ("Archegos").
- **Julius Baer Group Ltd ("JBG") | Issuer Profile: Neutral (3):** Swiss Financial Market Supervisory Authority FINMA has lifted a restriction on JBG from pursuing large acquisitions.
- **Keppel Corporation Limited ("KEP") | Issuer profile: Neutral (4) and KrisEnergy Ltd ("KrisEnergy") | Issuer profile: Unrated:** KEP's ~40%-owned associate company KrisEnergy announced that based on its preliminary analysis, five of its key development wells at the Aspara Mini Phase 1A development ("Aspara") appear less productive than initial forecast.
- **Macquarie Group Limited ("MQG") | Issuer Profile: Neutral (3):** The Australian Prudential Regulation Authority has [announced action against MQG](#) for multiple material historical breaches of prudential and reporting standards.
- **Olam International Ltd ("Olam") | Issuer profile: Neutral (5):** Olam has secured a multi-tier AtSource-linked financing facility aggregating ~USD1.5bn (~SGD1.95bn).

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Credit Headlines

Industry Outlook: Singapore Residential Property

- Singapore private residential property prices rose 2.9% q/q as of 1Q2021, according to URA flash estimates. This signals an accelerating price increase from 4Q2020's price increase of 2.1% q/q and 3Q2020's price increase of 0.8% q/q.
- While the index is up strongly, gains are not evenly distributed. Prices in Core Central Region fell 0.3% q/q (4Q2020: +3.2% q/q) while Rest of Central Region was up 6.1% q/q (4Q2020: +4.4% q/q) and Outside Central Region was up 0.9% q/q (4Q2020: +1.8% q/q).
- We remain bullish on the property market in Singapore and expect prices to eventually end up near the upper end of our earlier estimates of 5-8% increase by end-2021.
- That said, as the price momentum looks strong (~12% annualised), we expect the government to look into tempering the pace of price increase.
- We will look to the release of the 1st quarter 2021 real estate statistics before we provide a further update. (URA, OCBC)

Commonwealth Bank of Australia ("CBA") | Issuer Profile: Positive (2)

- The Australian Securities and Investments Commission ("ASIC") has [announced the commencement of civil proceedings](#) against CBA for misleading conduct in connection with the charging of monthly access fees to customers when it was not entitled to do so.
- This conduct occurred between 1 June 2010 and 11 September 2019 and resulted in AUD55mn in fees being charged on one million customers although per ASIC's press release a court can only impose a penalty for the period between 1 April 2015 and 11 September 2019 where AUD11.5mn in incorrect monthly access fees were charged. A key fault is inadequate and improperly configured systems and processes as well as manual staff errors with the main charge that CBA had misleadingly represented that they were contractually entitled to charge the fees when this was not the case.
- CBA has reportedly paid around AUD66mn as at December 2020 in remediation to almost 1 million customers who were overcharged following the receipt of complaints and while it has co-operated fully with ASIC's investigation it does not agree with the conclusions of the amount of contraventions and will defend the proceedings. CBA stated that it has completed its remediation to customers affected by this. We will continue to monitor the development. (Company, ASIC, Bloomberg, OCBC)

Commerzbank AG ("CMZB") | Issuer Profile: Neutral (4)

- Three further board members are expected to leave CMZB according to reports in German newspaper Frankfurter Allgemeine Zeitung. These are Victoria Ossadnik, Rainer Hillebrand and Tobias Guldemann.
- This follows the nomination of Helmut Gottschalk, former supervisory board chairman of DZ Bank AG, as the new chairman of its supervisory board and the unexpected resignation of Supervisory Board Member Andreas Schmitz. (Bloomberg, Frankfurter Allgemeine Zeitung, OCBC)

Asian Credit Daily**Credit Headlines****Credit Suisse Group AG (“CS”) | Issuer Profile: Neutral (4)**

- CS appears to be starting its clean-up activities following the developments with Greensill Capital (“GC”) and Archegos Capital Management (“Archegos”).
- CS has begun court action against Liberty Commodities that trades non-ferrous metals and steel and owes significant amounts to the supply chain funds. CS has instructed administrators to file wind-up orders against Liberty Commodities Limited at a London insolvency court. Liberty Commodities is part of GFG Alliance and reportedly owes GC GBP3.6bn following its insolvency when GC could no longer fund them when the supply chain funds were closed down.
- Separately, CS has also announced that it will make a further cash repayment in early to mid-April to investors in the supply chain funds from maturing receivables. The amount is expected to be USD1.5bn and adds to the USD3.1bn in cash CS has returned so far under the USD10bn in total exposures under the four funds.
- In our recent credit update, we mentioned the potential for long lasting and permanent changes for CS (either by regulatory force or management desire) on investor, shareholder and regulator concerns. CS has reportedly re-established a special crisis committee including current Chairman Urs Rohner and the heads of the audit and risk committees and there will no doubt be scrutiny on senior management at CS particularly in the risk oversight function and not just those directly involved in the troubled exposures. CEO Thomas Gottstein will also face scrutiny however he has only been in the role for 12 months and it is likely that he will stay to avoid another round of management upheaval that happened earlier in 2020 following a spying scandal that [saw previous CEO Tidjane Thiam step down](#). For now, the Chief Investment Officer at Harris Associates LP, CS’ third largest shareholder, has voiced his support for Mr Gottstein, instead directing his ire at current Chairman Urs Rohner who he thinks should have left a year ago during the spy scandal. Mr Rohner is leaving though at the end of April and will be replaced by Antonio Horta-Osorio, former CEO of Lloyd’s Banking Group Plc.
- While the financial impact remains uncertain, we expect lingering questions on CS’ risk appetite and risk management competency and potential regulatory actions and reputational impacts to affect the quality and quantity of earnings and hence capital position going forward. With further volatility on CS likely, we have turned Neutral on CS 5.625% 'PERPc24s although the sell-off has generated decent value for investors willing to be exposed to potential price volatility. (Bloomberg, OCBC)

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Credit Headlines

Julius Baer Group Ltd (“JBG”) | Issuer Profile: Neutral (3)

- Swiss Financial Market Supervisory Authority FINMA has lifted a restriction on JBG from pursuing large acquisitions. This restriction was put in place in February 2020 when FINMA found anti-money laundering shortcomings at JBG in connection with transactions involving PDVSA and FIFA. These shortcomings occurred between 2009 and 2018.
- The restriction was in place as FINMA felt that any large acquisition could impact operational risk or organisation complexity at a time when it was felt that JBG was not in full compliance with anti-money laundering laws.
- We expect that CEO Philipp Rickenbacher’s growth plans include potential mergers & acquisitions subject to fit and cost with adequate financial capacity given recent results enabled JBG to be above or in-line with its medium-term financial targets. (FINMA, OCBC)

Keppel Corporation Limited (“KEP”) | Issuer profile: Neutral (4) and KrisEnergy Ltd (“KrisEnergy”) | Issuer profile: Unrated

- KEP’s ~40%-owned associate company KrisEnergy announced that based on its preliminary analysis, five of its key development wells at the Aspara Mini Phase 1A development (“Aspara”) appear less productive than initial forecast. The wells were expected to provide cashflow to fund on-going operations of KrisEnergy.
- Given the significantly lower estimated ultimate recovery and cashflow from Aspara, material uncertainty exists over KrisEnergy’s ability to complete its current restructuring exercise and to continue as a going concern.
- A third-party petroleum engineering consultant, Netherland, Sewell & Associates, Inc. (“NSAI”), will be independently assessing the ultimate recovery from the current five development wells. NSAI’s initial review is expected to conclude in April 2021.
- In our view, this development heightens the risk of an outright default at KrisEnergy. Based on Bloomberg data, KrisEnergy has an aggregate of ~SGD470mn of bonds outstanding. KEP is also a bondholder of the KRISSP 0% ‘24s.
- As at 31 December 2020, the equity interest and warrants which KEP holds in KrisEnergy has been written down to zero though KEP still records (1) SGD35.1mn from the KrisEnergy zero-coupon notes, (2) SGD77.2mn in loan receivable where KEP had lent money to KrisEnergy for project financing purposes and (3) SGD29.2mn recorded as contract assets (construction contract for a production barge).
- Additionally, KEP is economically exposed to a revolving credit facility which a bank has extended to KrisEnergy. As at 31 December 2020, this amounted to SGD247.3mn. In the event that KrisEnergy defaults, we expect that KEP will need to “make-whole” the bank lender. This economic exposure is an off-balance sheet item of KEP. We have factored in the possibility of a default of KrisEnergy into our issuer profile for KEP. (Company, OCBC)

Asian Credit Daily**Credit Headlines****Macquarie Group Limited (“MQG”) | Issuer Profile: Neutral (3)**

- The Australian Prudential Regulation Authority has [announced action against MQG](#) for multiple material historical breaches of prudential and reporting standards including the incorrect treatment of specific intra-group funding arrangements for calculating capital and related entity exposure metrics, as well as breaches of APRA’s reporting standards on liquidity between 2018 and 2020.
- The action will result in increased liquidity and operational risk capital requirements although MQG’s capital and liquidity positions remain sound according to APRA. Instead, the action is meant to reflect questions raised about risk management practices across MQG’s intra-group structure and accuracy in calculating and reporting key prudential ratios.
- Actions include an additional operational capital overlay of AUD500mn, a 15% add-on to the net cash outflow component of its Liquidity Coverage Ratio calculation, and a 1% adjustment to the available stable funding component of its Net Stable Funding Ratio calculation.
- APRA will also increase supervision of MQG and do not rule out further action as they continue to investigate. MQG has acknowledged APRA’s announcement and actions and indicated these issues have since been addressed. MQG reportedly postponed its GBP issuance due to this development. This development does not alter our fundamental view and MQG’s Neutral (3) issuer profile. (Company, Bloomberg, APRA, OCBC)

Olam International Ltd (“Olam”) | Issuer profile: Neutral (5)

- Olam has secured a multi-tier AtSource-linked financing facility aggregating ~USD1.5bn (~SGD1.95bn). AtSource is Olam’s proprietary sustainability insights platform for the agricultural supply chain. 18 bank lenders participated in this financing facility which consists of a multi-year revolving credit facility of USD950mn (~SGD1.3bn) and a 3Y term loan facility of USD500mn (~SGD673mn).
- Proceeds from this facility will be used to procure agricultural raw materials using AtSource.
- The co-borrower is an Olam wholly-owned subsidiary Olam Treasury Pte Ltd. (Company)

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Key Market Movements

	1-Apr	1W chg (bps)	1M chg (bps)		1-Apr	1W chg	1M chg
iTraxx Asiax IG	65	0	5	Brent Crude Spot (\$/bbl)	63.00	1.69%	-1.08%
iTraxx SovX APAC	28	0	1	Gold Spot (\$/oz)	1,707.82	-1.11%	-1.00%
iTraxx Japan	49	0	2	CRB	184.96	-1.57%	-2.33%
iTraxx Australia	64	0	5	GSCI	467.41	-1.44%	-1.10%
CDX NA IG	54	-4	1	VIX	19.4	-8.49%	-16.92%
CDX NA HY	109	0	0	CT10 (%)	1.748%	11.44	33.06
iTraxx Eur Main	52	-3	4				
iTraxx Eur XO	252	-19	5	AUD/USD	0.759	0.08%	-2.39%
iTraxx Eur Snr Fin	60	-2	1	EUR/USD	1.173	-0.28%	-2.64%
iTraxx Eur Sub Fin	118	6	0	USD/SGD	1.345	0.30%	-1.24%
iTraxx Sovx WE	6	0	-1	AUD/SGD	1.020	0.24%	1.19%
USD Swap Spread 10Y	4	1	-4	ASX 200	6,810	0.28%	0.30%
USD Swap Spread 30Y	-22	2	3	DJIA	32,982	1.73%	4.59%
US Libor-OIS Spread	13	1	3	SPX	3,973	2.15%	1.82%
Euro Libor-OIS Spread	-5	0	0	MSCI Asiax	864	1.74%	-4.29%
				HSI	28,378	1.72%	-3.65%
China 5Y CDS	35	1	6	STI	3,178	1.16%	6.90%
Malaysia 5Y CDS	45	0	6	KLCI	1,584	-0.87%	1.06%
Indonesia 5Y CDS	88	0	14	JCI	5,986	-2.77%	-5.57%
Thailand 5Y CDS	40	0	3	EU Stoxx 50	3,919	2.26%	5.74%
Australia 5Y CDS	15	1	-12				

Source: Bloomberg

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New Issues

- Chengdu Jiaozi Financial Holding Group Co Ltd priced a USD200mn 5-year senior unsecured bond at 2.6%, tightening from IPT of 3.1% area.
- Logan Group Co Ltd priced a USD300mn 4.25NC2.25 bond at 4.5%, tightening from IPT of 4.7% area.
- Ooredoo International Finance Ltd (Guarantor: Ooredoo QPSC) priced a USD1.0bn 10-year senior unsecured bond at MS+100bps, tightening from MS+130bps area.
- Pioneer Reward Limited priced a USD100mn re-tap of its HTSC 1.3%'24s at T+100bps.
- ReNew Wind Energy Pvt, Ostro Jaisalmer Pvt, Ostro Urja Wind Pvt, Ostro Madhya Wind Pvt, Badoni Power Pvt, AVP Powerinfra Pvt, Prathamesh Solarfarms Ltd., Ostro Anantapur Pvt, ReNew Wind Energy Delhi Pvt and Ostro Mahawind Power Pvt (Guarantor: ReNew Power Pvt Ltd) priced a USD585mn 7.25NC2.5 green bond at 4.5%, tightening from IPT of 4.75%.

Date	Issuer	Size	Tenor	Pricing
31-Mar-21	Chengdu Jiaozi Financial Holding Group Co Ltd	USD200mn	5-year	2.6%
31-Mar-21	Logan Group Co Ltd	USD300mn	4.25NC2.25	4.5%,
31-Mar-21	Ooredoo International Finance Ltd (Guarantor: Ooredoo QPSC)	USD1.0bn	10-year	MS+100bps
31-Mar-21	Pioneer Reward Limited	USD100mn	HTSC 1.3%'24s	T+100bps
31-Mar-21	ReNew Wind Energy Pvt, Ostro Jaisalmer Pvt, Ostro Urja Wind Pvt, Ostro Madhya Wind Pvt, Badoni Power Pvt, AVP Powerinfra Pvt, Prathamesh Solarfarms Ltd., Ostro Anantapur Pvt, ReNew Wind Energy Delhi Pvt Ostro Mahawind Power Pvt (Guarantor: ReNew Power Pvt Ltd)	USD585mn	7.25NC2.5	4.5%

Source: OCBC, Bloomberg

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