

Credit Research

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Market Commentary:

- The SGD SORA traded mostly higher yesterday, with shorter tenors trading 2-5bps higher, belly tenors trading 4bps higher, and the 10Y trading 4bps higher.
- Chinese property developer Country Garden Holdings Co. (“COGARD”) has won approval from creditors to extend its 4.50% yuan bond that was set to mature on 21 October although reportedly added a guarantee to ensure the approval following multiple voting delays.
- The Asian Pacific credit markets had a busy start to the week with heavy issues from two Korean issuers, while Asian insurer FWD Group Holdings decided to pull out from its proposed USD324mn 10Y Fixed 144a/RegS issuance.
- In Europe, UBS Group AG issued its first bond since the March acquisition of Credit Suisse Group AG, pricing USD4.5bn across three tenors.
- Flows in SGD corporates were heavy, with flows in AIA 5.1%-PERP, ACAFP 5.25% '33s, OCBCSP 4.5%-PERP, ANZ 4.5% '32s, STANLN 5.375%-PERP, and HSBC 5.3% '33s.
- Yesterday, Asia USD Investment Grade spreads remained stagnant at 124bps while the Asia USD High Yield spreads widened 2bps to 954bps, per Bloomberg.

Credit Summary:

- **Société Générale (“SocGen”)**: SocGen announced new financial and sustainability targets as part of its capital markets day yesterday with the aim to increase efficiency and capital strength through capital discipline and cost savings.
- **Singapore Post Ltd (“SingPost”)**: SingPost announced that the rate for standard regular mail will be increased by 20 cents to SGD0.51 (current: SGD0.31) to reflect the escalating costs of maintaining the postal service. The new rates are effective 9 October 2023.
- **Singapore Airlines Limited (“SIA”)**: SIA reported its August 2023 operating data. On a group airline basis, passenger load was 88.2% in August 2023, declining by 1.6 ppts versus the 89.8% in July 2023.

Asian Credit Daily

Credit Headlines:

Société Générale (“SocGen”)

- SocGen announced new financial and sustainability targets as part of its capital markets day yesterday with the aim to increase efficiency and capital strength through capital discipline and cost savings. Targets include:
 - Cost-to-income ratio below 60% in 2026 with gross savings of EUR1.7bn.
 - Group risk weighted assets (“RWA”) of above EUR420bn at end 2026 driven mostly by Basel IV and regulatory adjustments. Organic RWA growth is expected to be limited at ~1% CAGR over 2024-2026.
 - Group phased-in CET1 ratio to be above 12% in 1Q2025, around 13% at end 2025 and 13% at end 2026. SocGen’s CET1 ratio was at 13.1% as at 30 June 2023, about 330bps above its regulatory requirement of 9.73% as per the European Central Bank’s Supervisory Review and Evaluation Process (“SREP”).
 - Average annual revenue growth between 0% and 2% over 2022-2026
- Sustainability targets include
 - 80% reduction in upstream Oil & Gas exposure by 2030 vs. 2019; -50% reduction by 2025.
 - A EUR1bn investment fund for deals targeting low-carbon economy transition, nature-based solutions and impact-driven investments.
 - Allocating EUR100mn to reduce the gender pay gap and targeting more than 35% of women in senior leadership roles by 2026.
- Longer term growth is expected to come from megatrends including ESG, infrastructure, changing demographics and digital and technology through online banking business Boursorama using the three existing businesses of French Retail Banking, Global Banking & Investor Solutions and International Retail, Mobility & Leasing Services.
- In other news, SocGen is expecting a larger capital impact from a regulatory probe of its structured products business. The probe by the European Central Bank will lower SocGen’s common equity Tier 1 ratio by an additional 20 basis points from the previous expectation of 30bps. (Company, OCBC)

Singapore Post Ltd (“SingPost”)

- SingPost announced that the rate for standard regular mail will be increased by 20 cents to SGD0.51 (current: SGD0.31) to reflect the escalating costs of maintaining the postal service. The new rates are effective 9 October 2023.
- The last significant rate increment was nine years ago in 2014 when postage increased from 22 cents to 30 cents.
- For the full year results ended on 31 March 2023 (“FY2023”), SingPost recorded an operating loss of SGD15.9mn on its Post & Parcel segment amidst declined volumes domestically and internationally. Meanwhile, Domestic Post & Parcel (“DPP”) revenue fell 9.3% y/y to SGD224mn.
- For 1QFY2024, DPP revenue fell 5.3% y/y amidst lower volumes of letters & printed papers and eCommerce deliveries. (Company, OCBC)

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Credit Headlines:

Singapore Airlines Limited (“SIA”)

- SIA reported its August 2023 operating data. On a group airline basis, passenger load was 88.2% in August 2023, declining by 1.6 ppts versus the 89.8% in July 2023. In August 2022, passenger load factor was 85.4%. Passenger load factor was 84.5% in January 2020 (before COVID-19 went global).
- Group passenger carried was 2.99 million for August 2023, versus 3.02 million for July 2023. Passenger capacity on a group airline basis was 13,586.9 seat-kilometres in August 2023, declining by 0.3% m/m.
- SIA cargo load factor was 51.2% in August 2023 versus 52.4% in July 2023 (August 2022: 54.2%). Cargo loads by million tonne-km declined by 2.7% m/m while capacity by million tonne-kilometres declined by 0.4% m/m. (Company, OCBC).

Key Market Movements:

	19-Sep	1W chg (bps)	1M chg (bps)		19-Sep	1W chg	1M chg
iTraxx Asiax IG	118	-1	-19	Brent Crude Spot (\$/bbl)	94.8	2.9%	11.8%
iTraxx SovX APAC	21	0	-1	Gold Spot (\$/oz)	1,932	1.0%	2.0%
iTraxx Japan	63	0	-5	CRB Commodity Index	289	1.1%	5.0%
iTraxx Australia	76	2	-13	S&P Commodity Index - GSCI	617	1.3%	6.0%
CDX NA IG	63	-1	-6	VIX	14.0	1.4%	-19.1%
CDX NA HY	103	0	1	US10Y Yield	4.31%	3bp	5bp
iTraxx Eur Main	69	-2	-9				
iTraxx Eur XO	389	-10	-42	AUD/USD	0.643	0.1%	0.3%
iTraxx Eur Snr Fin	79	-3	-10	EUR/USD	1.068	-0.7%	-1.9%
iTraxx Eur Sub Fin	144	-8	-19	USD/SGD	1.364	-0.2%	-0.5%
				AUD/SGD	0.877	-0.3%	-0.7%
USD Swap Spread 10Y	2	-2	-5	ASX200	7,207	0.0%	0.8%
USD Swap Spread 30Y	-44	0	-11	DJIA	34,624	-0.1%	0.4%
				SPX	4,454	-0.8%	1.9%
China 5Y CDS	71	0	-14	MSCI Asiax	619	0.0%	1.5%
Malaysia 5Y CDS	44	-1	-12	HSI	17,931	-0.9%	-0.1%
Indonesia 5Y CDS	80	2	-9	STI	3,263	1.5%	2.8%
Thailand 5Y CDS	45	0	-7	KLCI	1,458	0.3%	0.8%
Australia 5Y CDS	22	-1	-5	JCI	6,936	-0.4%	1.1%
				EU Stoxx 50	4,246	-0.2%	0.8%

Source: Bloomberg

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New Issues:

Date	Issuer	Description	Currency	Size (mn)	Tenor	Final Pricing	Initial Pricing
18-Sep-2023	LG Energy Solution Ltd	Green Fixed	USD	400	3-Year	T +100bps	T +140bps
18-Sep-2023	LG Energy Solution Ltd	Green Fixed	USD	600	5-Year	T+130bps	T +170bps
18-Sep-2023	Hyundai Capital America	Fixed	USD	700	3-Year	T +125bps	T +145bps
18-Sep-2023	Hyundai Capital America	Fixed	USD	800	5-Year	T +165bps	T +185bps
18-Sep-2023	Hyundai Capital America	Fixed	USD	500	7-Year	T +183bps	T + 210bps

Source: Bloomberg

Mandates: NBN Co. (“NBNAUS”) has mandated financial institutions to arrange a series of fixed income investor meetings starting 25 September on a potential offering of USD 5Y and/or 10Y Fixed 144A/Reg S senior unsecured notes issued under NBN's USD50b global medium term note program.

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