

Asian Credit Daily8 October 2024

Market Commentary:

- The SGD SORA OIS curve traded higher yesterday, with shorter tenors trading 17-21bps higher, belly tenors trading 16-20bps higher, and 10Y trading 14bps higher.
- Flows in SGD corporates were heavy, with flows in HSBC 5.25%-PERP, STANLN 5.3%-PERP, EREIT 6%-PERP, TEMASE 2.8% '71s, BNP 4.75% '34s, KITSP 4.9%-PERP, UBS 5.6%-PERP.
- According to data compiled by Bloomberg, the total issuance of sustainable debt in Asia has reached USD299.8bn this year, marking a 6.1% increase compared to the same period last year. In the past two weeks alone, there has been an additional USD10.7bn in issuance, contributing to this growth (not including structured finance).
- Bloomberg Asia USD Investment Grade spreads remained flat at 79bps while Bloomberg Asia USD High Yield spreads tightened by 8bps to 474bps. (Bloomberg, OCBC)

Credit Summary:

- **Commerzbank AG (“CMZB”), UniCredit SpA (“UniCredit”):** CMZB’s strategic planning process for beyond 2027 has been brought forward according to comments by Chief Executive Officer Bettina Orlopp in an interview with German business daily Handelsblatt.

Credit Headlines:**Commerzbank AG (“CMZB”), UniCredit SpA (“UniCredit”)**

- CMZB’s strategic planning process for beyond 2027 has been brought forward according to comments by Chief Executive Officer Bettina Orlopp in an interview with German business daily Handelsblatt. This is so that management have a medium to longer term comparison scenario as an independent bank in discussions with UniCredit around a potential tie up or takeover.
- Other points raised by Ms Orlopp include:
 - The need for a longer-term plan given that a merger would take years to complete.
 - CMZB’s primary option at the moment being implementation of its Planning Strategy 2027 that was recently updated as part of its regular annual strategy review and confirmed by CMZB’s Supervisory Board. As a recap, the review confirmed CMZB’s solid growth potential with expectations for higher and faster returns through 2027 compared to the prior review and remains on schedule.
 - Claims from UniCredit Chief Executive Officer Andrea Orcel that CMZB would benefit from a tie-up given UniCredit’s higher profitability being more influenced by the relative differences in where UniCredit operates with lower wage costs and higher returns compared to CMZB.
 - A merger being unlikely to lead to higher European financial market integration given that CMZB would likely just be merged with UniCredit’s existing German business, the former HypoVereinsbank, resulting in “consolidation within Germany”.
 - High execution risk from likely complex bank system integration and potential client attrition where clients either have lending from both CMZB and UniCredit in Germany or would seek to diversify their funding sources.
 - Similarly, the consolidation of exposures into a combined CMZB/UniCredit entity may result in German businesses receiving lower loans to avoid any single borrower concentration risks. This potential reduction in credit to the German economy would also be influenced by having decision makers that are not based in Germany.
 - Higher refinancing costs and lower business from a potential S&P ratings downgrade given CMZB’s rating is noticeably higher than UniCredit’s. (Bloomberg, Handelsblatt, OCBC)

New Issues:

Date	Issuer	Description	Currency	Size (mn)	Tenor	Final Pricing	Initial Pricing
07 Oct	Shinhan Bank Co Ltd	Green, Covered FRN	USD	400	5Y	SOFR+85bps	SOFR+87bps area (+/-2)
07 Oct	Kodit Global 2024-2 Co. (Guarantor: Korea Credit Guarantee Fund)	FRN	USD	200	3Y	SOFR+85bps	SOFR+110bps area
07 Oct	Toyota Motor Credit Corp	FRN	USD	1000	1.5Y	SOFR+45bps	SOFR+70bps area
07 Oct	Toyota Motor Credit Corp	Fixed	USD	1250	3Y	T+47bps	T+75bps area
07 Oct	Toyota Motor Credit Corp	Fixed	USD	750	7Y	T+72bps	T+100bps area

Mandates:

- Norinchukin Bank/The is planning to issue USD 5Y Green, Fixed note.

Key Market Movements

	8-Oct	1W chg (bps)	1M chg (bps)		8-Oct	1W chg	1M chg
iTraxx Asiax IG	72	2	-25	Brent Crude Spot (\$/bbl)	80.4	9.3%	13.2%
				Gold Spot (\$/oz)	2,641	-0.9%	5.4%
iTraxx Japan	51	-1	-1	CRB Commodity Index	294	3.0%	10.0%
iTraxx Australia	64	2	-1	S&P Commodity Index - GSCI	567	6.3%	10.9%
CDX NA IG	54	-1	2	VIX	22.6	35.3%	1.2%
CDX NA HY	107	0	1	US10Y Yield	4.01%	28bp	30bp
iTraxx Eur Main	58	-2	3				
iTraxx Eur XO	313	-3	13	AUD/USD	0.677	-1.7%	1.6%
iTraxx Eur Snr Fin	66	-2	3	EUR/USD	1.098	-0.8%	-0.5%
iTraxx Eur Sub Fin	118	-5	6	USD/SGD	1.303	-1.1%	0.2%
				AUD/SGD	0.882	0.6%	-1.3%
USD Swap Spread 10Y	-46	0	2	ASX200	8,204	-0.1%	2.4%
USD Swap Spread 30Y	-82	0	2	DJIA	41,954	-0.9%	4.0%
				SPX	5,696	-1.2%	5.3%
China 5Y CDS	62	1	2	MSCI Asiax	777	1.7%	12.9%
Malaysia 5Y CDS	38	0	0	HSI	23,100	12.0%	32.4%
Indonesia 5Y CDS	69	-2	-2	STI	3,599	0.5%	4.2%
Thailand 5Y CDS	35	0	-3	KLCI	1,635	-1.3%	-1.1%
Australia 5Y CDS	12	0	0	JCI	7,504	-0.3%	-2.8%
				EU Stoxx 50	4,970	-0.6%	4.9%

Source: Bloomberg

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