

Asian Credit Daily

9 December 2024

Market Commentary:

- The SGD SORA OIS curve traded lower last Friday, with shorter tenors trading 1-2bps lower, belly tenors trading 3bps lower and 10Y trading 4bps lower.
- Flows in SGD corporates were moderate, with flows in BACR 5.4%-PERP, HSBC 5.25%-PERP, SPOST 4.35%-PERP.
- Australia's banking regulator is moving forward with plans to eliminate the market for contingent convertible securities, becoming the first nation to do so following the total loss of these securities after Credit Suisse's collapse last year. The Australian Prudential Regulation Authority (APRA) announced on Monday its intention to phase out Additional Tier 1 capital instruments in favour of more cost-effective and dependable capital forms that can better absorb losses during periods of financial stress. APRA aims to finalize these changes by the end of next year, with the new framework set to take effect in January 2027.
- Bloomberg Asia USD Investment Grade spreads widened by 2bps to 77bps while Bloomberg Asia USD High Yield spreads widened by 7bps to 463bps. (Bloomberg, OCBC)
- There were no new Asiadollar mandates last Friday.

Credit Summary:

- **ANZ Group Holdings Ltd, Australia & New Zealand Banking Group Ltd ("ANZ"):** ANZ has announced that Chief Executive Officer ("CEO") Shayne Elliot will retire and be replaced by Nuno Matos on 3 July 2025.
- **CapitaLand China Trust ("CLCT"):** Mr Tan Tze Wooi ("Mr Tan") who served as CEO since 1 April 2017 will be redesignated as Non-Executive Non-Independent Director of CLCT.
- **Credit Agricole Group ("CAG"), Credit Agricole SA ("CASA"), Banco BPM SpA ("Banco BPM"), UniCredit SpA ("UniCredit"):** CASA has announced that it has entered into financial instruments to increase its ownership in Banco BPM by 5.2% from 9.9% to 15.1%.
- **Lendlease Global Commercial REIT ("LREIT"):** LREIT has entered today into SGD760mn facility agreements.
- **Sembcorp Industries Ltd ("SCI"):** SCI, through its wholly-owned subsidiary Sembcorp Power Pte Ltd, has signed a supply agreement with Tenaga Nasional Berhad ("TNB") to import 50MW of renewable energy issued with Renewable Energy Certificates from Peninsular Malaysia to Singapore using existing infrastructure.

Credit Headlines:

ANZ Group Holdings Ltd / Australia & New Zealand Banking Group Ltd (“ANZ”)

- ANZ has announced that Chief Executive Officer (“CEO”) Shayne Elliot will retire and be replaced by Nuno Matos on 3 July 2025. Mr Matos has more than 30 years’ experience across retail, commercial and wholesale banking, most recently as CEO of Wealth and Personal Banking at HSBC Holdings PLC (“HSBC”). Other roles at HSBC included CEO of HSBC Bank plc and HSBC Europe where he oversaw the transformation of its European business. Per comments from ANZ Chairman Paul O’Sullivan, Mr Matos’ experience in overseeing several business, risk and technology transformations will be a benefit as ANZ’s integrates Suncorp Bank and all customers re migrated to ANZ Plus, ANZ’s digital banking service.
- Mr Elliot’s retirement is somewhat expected given talk that ANZ’s board had commenced succession planning, and also given some of the governance issues that ANZ has faced this year with:
 1. The Australian Prudential Regulation Authority announcing a AUD250mn capital add-on in late August 2024 for ANZ over concerns about non-financial risk management practices, specifically within ANZ’s Markets business. In addition to the capital add-on, APRA is also requesting ANZ to (a) conduct an independent review of what caused the recent issues, risk governance in the Markets business, and assess the potential impacts across the broader bank; and (b) develop a remediation plan based on the independent review findings when released.
 2. ANZ announcing the misreporting of bond trading data to the Australian Office of Financial Management over 2022 and 2023.
 3. Management announcing disciplinary actions within its Markets business for culture and misconduct issues including dismissals and suspensions.
 4. In addition to these is an ongoing Australian Securities and Investment Commission (“ASIC”) investigation into ANZ’s execution of a 2023 government bond sale as risk manager and possible market manipulation. ASIC has indicated that this investigation will continue until the end of 2024 or early 2025.
- The recent AUD250mn add-on was combined with an already existing AUD500mn operational risk capital add-on that was applied in 2019 for deficiencies in risk governance with the total current operational risk capital add-on at AUD750mn. As there is yet to be any significant improvements in ANZ’s non-financial risk management in APRA’s view since 2019, ANZ is the only bank of the major banks that had capital add-ons applied in 2019 whose capital add-on has neither been removed or reduced. APRA however acknowledged earlier this year that ANZ is financially sound with strong capital and liquidity levels.
- Mr Elliot’s retirement adds to the noticeably high turnover in senior management within our coverage with several Chief Executive Officer changes already in 2024 (Commerzbank AG, HSBC Holdings PLC, National Australia Bank Ltd, Westpac Banking Corp), several previously announced and planned for 2025 (Julius Baer Group Ltd, ABN Amro Bank NV, DBS Group Holdings Ltd), and succession planning discussions commencing for the future (Australia & New Zealand Banking Group Ltd, UBS Group AG). Almost all have confirmed a continuation of current strategic directions given the solid to record earnings results achieved in the past one to two years. (Company, Bloomberg, OCBC)

CapitaLand China Trust (“CLCT”)

- **Change of CEO:** Mr Tan Tze Woon (“Mr Tan”) who served as CEO since 1 April 2017 will be redesignated as Non-Executive Non-Independent Director of CLCT. Mr Chan Kin Leong Garry (“Mr Chan”) who was appointed Deputy CEO on 1 September 2024 will be appointed as CEO and Executive Non-Independent Director. The changes will take place on 1 January 2025.
- **Change as part of succession plan:** According to CLCT, the change is part of the regular succession and leadership renewal process.
- **Potential changes to CLCT going forward?** While CLCT has not announced any changes to its mandate or strategy, Mr. Chan brings over 20 years of experience in investment, asset management, and capital markets. Notably, in 2024, CLCT has stopped labeling its Business Park and Logistics Park segments as “New Economy” and has moved away from its previous goal of reducing retail exposure to 30% of the portfolio. We think this

allows CLCT to repositioning itself and explore a new strategic direction going forward. (Company, OCBC)

Credit Agricole Group (“CAG”) / Credit Agricole SA (“CASA”) / Banco BPM SpA (“Banco BPM”) / UniCredit SpA (“UniCredit”)

- CASA has announced that it has entered into financial instruments to increase its ownership in Banco BPM by 5.2% from 9.9% to 15.1%. CASA will further apply to increase its ownership further to 19.99% as part of the regulatory approval process with the Italian Authority to increase its ownership in Banco BPM above 10%. CASA is already the largest investor in Banco BPM.
- Per CASA’s press release:
 - The move is consistent with CASA’s long-term strategic ownership in Banco BPM.
 - The transaction will not have a significant impact on CASA’s CET1 capital position (11.7% on a phased in basis as at 30 September 2024, 310bps above its Supervisory Review and Evaluation Process (“SREP”) requirements for CET1).
 - CASA does not intend to launch a tender offer for Banco BPM shares.
- CASA’s move follows UniCredit’s unsolicited ~EUR10bn bid for Banco BPM in late November that is possibly a reaction to recent consolidation within Italy’s banking sector with Banco BPM, Italy’s third largest bank, reportedly a long-term target for UniCredit, Italy’s second largest bank behind Intesa Sanpaolo SpA. The Italian government’s initial reactions to UniCredit’s unsolicited bid were not supportive despite plans for domestic banking sector consolidation with Deputy Prime Minister Matteo Salvini reportedly opposing such concentration from a UniCredit and Banco BPM tie up. Banco BPM itself has recently taken an ownership stake in Banca Monte dei Paschi di Siena SpA from the government and also offered to buy asset manager Anima Holding SpA .
- According to Bloomberg, the Italian government has informally endorsed CASA’s move to increase its ownership stake following discussions between CASA and the government prior to the entering into the financial instruments. (Company, Bloomberg, OCBC)

Lendlease Global Commercial REIT (“LREIT”)

- **LREIT has entered today into SGD760mn facility agreements** for:
 - SGD420mn senior unsecured sustainability-linked term and revolving credit facilities; and
 - SGD200mn senior unsecured sustainability-linked accordion facility; and
 - SGD140mn senior unsecured sustainability-linked term and revolving credit facilities.
- Per LREIT, these facilities will be applied towards refinancing the existing financial indebtedness of LREIT and financing the payment of any fees and expenses in relation to the Facilities and/or the general corporate purposes of LREIT and its subsidiaries.
- **We believe these new facilities will be used to refinance the existing SGD680mn facilities maturing by FY2026 (30 June 2026) instead of redeeming SGD200mn LREIT 5.25%-PERP (callable and reset in April 2025):**
 - SGD360mn term loan maturing by June 2025.
 - SGD290mn term loan maturing by June 2026.
 - SGD15mn drawn revolving loan maturing by June 2026.
 - SGD15mn undrawn revolving loan maturing by June 2026. (Company, OCBC)

Sembcorp Industries Ltd (“SCI”)

- SCI, through its wholly-owned subsidiary Sembcorp Power Pte Ltd, has signed a supply agreement with Tenaga Nasional Berhad (“TNB”) to import 50MW of renewable energy issued with Renewable Energy Certificates from Peninsular Malaysia to Singapore using existing infrastructure.
- This is part of an inaugural pilot supply of green electricity for cross border energy trading via the Energy Exchange Malaysia platform. (Company)

New Issues:

Date	Issuer	Description	Currency	Size (mn)	Tenor	Final Pricing
06 Dec	Qingdao Pingdu Holdings Group Co. Ltd.	Social, Fixed	USD	216	3Y	6.9%
06 Dec	Trade and Development Bank of Mongolia LLC	Fixed	USD	200	3Y	8.5%
06 Dec	Allgreen Treasury Pte. Ltd. (guarantor: Allgreen Properties Ltd)	FRN	SGD	150	5Y	6M Compounded SORA+80bps

Key Market Movements

	9-Dec	1W chg (bps)	1M chg (bps)		9-Dec	1W chg	1M chg
iTraxx Asiax IG	70	-3	0	Brent Crude Spot (\$/bbl)	71.3	-0.7%	-3.4%
				Gold Spot (\$/oz)	2,644	0.2%	1.0%
iTraxx Japan	53	-1	2	CRB Commodity Index	286	-0.2%	1.7%
iTraxx Australia	64	-2	0	S&P Commodity Index - GSCI	531	-0.8%	-1.3%
CDX NA IG	47	0	0	VIX	12.8	-5.5%	-14.5%
CDX NA HY	109	0	0	US10Y Yield	4.15%	-4bp	-16bp
iTraxx Eur Main	53	-3	-1				
iTraxx Eur XO	290	-11	0	AUD/USD	0.640	-1.2%	-2.7%
iTraxx Eur Snr Fin	59	-5	0	EUR/USD	1.055	0.5%	-1.0%
iTraxx Eur Sub Fin	104	-9	0	USD/SGD	1.343	0.2%	-0.6%
				AUD/SGD	0.859	1.4%	2.1%
USD Swap Spread 10Y	-48	-1	0	ASX200	8,407	-0.5%	1.3%
USD Swap Spread 30Y	-80	-1	-1	DJIA	44,643	-0.6%	1.5%
				SPX	6,090	1.0%	1.6%
China 5Y CDS	63	-1	1	MSCI Asiax	721	1.7%	-2.6%
Malaysia 5Y CDS	43	-2	3	HSI	19,738	1.0%	-4.8%
Indonesia 5Y CDS	72	-2	3	STI	3,789	1.0%	1.7%
Thailand 5Y CDS	39	-1	2	KLCI	1,608	0.8%	-0.8%
Australia 5Y CDS	10	0	-3	JCI	7,383	3.8%	1.3%
				EU Stoxx 50	4,978	3.6%	3.6%

Source: Bloomberg

Macro Research

Selena Ling
Head of Research & Strategy
lingssselena@ocbc.com

Tommy Xie Dongming
Head of Asia Macro Research
xied@ocbc.com

Keung Ching (Cindy)
Hong Kong & Macau Economist
cindyckeung@ocbc.com

Herbert Wong
Hong Kong & Taiwan Economist
herberhtwong@ocbc.com

Lavanya Venkateswaran
Senior ASEAN Economist
lavyanavenkateswaran@ocbc.com

Ahmad A Enver
ASEAN Economist
ahmad.enver@ocbc.com

Jonathan Ng
ASEAN Economist
jonathannq4@ocbc.com

Ong Shu Yi
ESG Analyst
shuyionq1@ocbc.com

FX/Rates Strategy

Frances Cheung, CFA
Head of FX & Rates Strategy
francescheung@ocbc.com

Christopher Wong
FX Strategist
christopherwong@ocbc.com

Credit Research

Andrew Wong
Head of Credit Research
wongvkam@ocbc.com

Ezien Hoo, CFA
Credit Research Analyst
ezienhoo@ocbc.com

Wong Hong Wei, CFA
Credit Research Analyst
wonghongwei@ocbc.com

Chin Meng Tee, CFA
Credit Research Analyst
mengteechin@ocbc.com

This report is solely for information purposes and general circulation only and may not be published, circulated, reproduced or distributed in whole or in part to any other person without our prior written consent. This report should not be construed as an offer or solicitation for the subscription, purchase or sale of the securities/instruments mentioned herein or to participate in any particular trading or investment strategy. Any forecast on the economy, stock market, bond market and economic trends of the markets provided is not necessarily indicative of the future or likely performance of the securities/instruments. Whilst the information contained herein has been compiled from sources believed to be reliable and we have taken all reasonable care to ensure that the information contained in this report is not untrue or misleading at the time of publication, we cannot guarantee and we make no representation as to its accuracy or completeness, and you should not act on it without first independently verifying its contents. The securities/instruments mentioned in this report may not be suitable for investment by all investors. Any opinion or estimate contained in this report is subject to change without notice. We have not given any consideration to and we have not made any investigation of the investment objectives, financial situation or particular needs of the recipient or any class of persons, and accordingly, no warranty whatsoever is given and no liability whatsoever is accepted for any loss arising whether directly or indirectly as a result of the recipient or any class of persons acting on such information or opinion or estimate. This report may cover a wide range of topics and is not intended to be a comprehensive study or to provide any recommendation or advice on personal investing or financial planning. Accordingly, it should not be relied on or treated as a substitute for specific advice concerning individual situations. Please seek advice from a financial adviser regarding the suitability of any investment product taking into account your specific investment objectives, financial situation or particular needs before you make a commitment to purchase the investment product. In the event that you choose not to seek advice from a financial adviser, you should consider whether the investment product mentioned herein is suitable for you. Oversea-Chinese Banking Corporation Limited ("OCBC Bank"), Bank of Singapore Limited ("BOS"), OCBC Investment Research Private Limited ("OIR"), OCBC Securities Private Limited ("OSPL") and their respective related companies, their respective directors and/or employees (collectively "Related Persons") may or might have in the future, interests in the investment products or the issuers mentioned herein. Such interests include effecting transactions in such investment products, and providing broking, investment banking and other financial or securities related services to such issuers as well as other parties generally. OCBC Bank and its Related Persons may also be related to, and receive fees from, providers of such investment products. There may be conflicts of interest between OCBC Bank, BOS, OIR, OSPL or other members of the OCBC Group and any of the persons or entities mentioned in this report of which OCBC Bank and its analyst(s) are not aware due to OCBC Bank's Chinese Wall arrangement. This report is intended for your sole use and information. By accepting this report, you agree that you shall not share, communicate, distribute, deliver a copy of or otherwise disclose in any way all or any part of this report or any information contained herein (such report, part thereof and information, "Relevant Materials") to any person or entity (including, without limitation, any overseas office, affiliate, parent entity, subsidiary entity or related entity) (any such person or entity, a "Relevant Entity") in breach of any law, rule, regulation, guidance or similar. In particular, you agree not to share, communicate, distribute, deliver or otherwise disclose any Relevant Materials to any Relevant Entity that is subject to the Markets in Financial Instruments Directive (2014/65/EU) ("MiFID") and the EU's Markets in Financial Instruments Regulation (600/2014) ("MiFIR") (together referred to as "MiFID II"), or any part thereof, as implemented in any jurisdiction. No member of the OCBC Group shall be liable or responsible for the compliance by you or any Relevant Entity with any law, rule, regulation, guidance or similar (including, without limitation, MiFID II, as implemented in any jurisdiction).

The information provided herein may contain projections or other forward looking statements regarding future events or future performance of countries, assets, markets or companies. Actual events or results may differ materially. Past performance figures are not necessarily indicative of future or likely performance.

Privileged / confidential information may be contained in this report. If you are not the addressee indicated in the message enclosing the report (or responsible for delivery of the message to such person), you may not copy or deliver the message and/or report to anyone. Opinions, conclusions and other information in this document that do not relate to the official business of OCBC Bank, BOS, OIR, OSPL and their respective connected and associated corporations shall be understood as neither given nor endorsed.

Co.Reg.no.: 193200032W

Follow our podcasts by searching 'OCBC Research Insights' on Telegram!