

Asian Credit Daily

11 December 2024

Market Commentary:

- The SGD SORA OIS curve traded higher yesterday, with shorter tenors trading flat to 1bps higher, belly tenors and 10Y trading 2bps higher.
- Flows in SGD corporates were moderate, with flows in BACR 5.4%-PERP, STANLN 5.3%-PERP, BNP 3.95% '35s.
- Issuance of Asiadollar bonds was sluggish as investors anticipated important US inflation data.
- Bloomberg Asia USD Investment Grade spreads remained flat at 76bps while Bloomberg Asia USD High Yield spreads tightened by 8bps to 450bps. (Bloomberg, OCBC)
- There were no new Asiadollar mandates yesterday.

Credit Summary:

- **Industry Outlook – Airlines:** The International Air Transport Association (“IATA”) announced its financial outlook for the global airline industry for 2025.
- **Industry Outlook - Financial Institutions, UBS Group AG (“UBS”), Barclays PLC (“Barclays”), DBS Group Holdings Ltd (“DBS”), Standard Chartered PLC (“StanChart”):** UBS is reportedly restructuring its US wealth management business, moving from two divisions to six with four regional units, one for international clients and a wealth advice centre.
- **AIMS APAC REIT (“AAREIT”):** AIMS APAC REIT Management Limited (the “REIT Manager”) as manager of AAREIT announced that HSBC Institutional Trust Services (Singapore) Limited, as trustee of AAREIT has entered into a sales and purchase agreement with Crown Worldwide Pte Ltd for the proposed divestment of 3 Toh Tuck Link (factory with ancillary office building) in Singapore at a sale price of ~SGD24.4mn.
- **Keppel Real Estate Investment Trust (“KREIT”):** Keppel REIT Management Limited, as REIT Manager of KREIT announced that the lease renewable of DBS Bank Ltd, a key tenant at Marina Bay Financial Centre (“MBFC”) in Singapore.
- **Keppel Infrastructure Trust (“KIT”):** Keppel Infrastructure Fund Management Pte Ltd (the “Trustee-Manager”), acting in its capacity as trustee-manager of KIT clarified that notwithstanding the approvals granted by the PUB, any and all rights and interest of the Trustee-Manager (and in turn the unitholders) derived from Keppel Marina East Desalination Plant remain at all times subject to the rights, powers, discretions and remedies of PUB, pursuant to the Water Purchase Agreement and/or the PU Act.

Credit Headlines:**Industry Outlook – Airlines**

- The International Air Transport Association (“IATA”) announced its financial outlook for the global airline industry for 2025. The IATA expects profitability to strengthen somewhat in 2025 amidst ongoing costs and supply chain challenges.
- Net profits are expected to be USD36.6bn in 2025 with net profit margin at 3.6%. 2024 net profit is expected at USD31.5bn with net profit margin at 3.3%.
- Average net profit per passenger is expected to be USD7.0 in 2025.
- The industry revenues are expected to be USD1.007 trillion, increasing 4.4% y/y and will be the first time revenue reaches the USD1.0 trillion mark. Expenses are expected to be at USD940bn.
- Passenger numbers are expected to reach 5.2bn in 2025, increasing by 6.7% y/y while cargo volumes are expected to reach 72.5mn tonnes, increasing by 5.8% y/y. (IATA)

Industry Outlook – Financial Institutions, UBS Group AG (“UBS”), Barclays PLC (“Barclays”), DBS Group Holdings Ltd (“DBS”), Standard Chartered PLC (“StanChart”)

- UBS is reportedly restructuring its US wealth management business, moving from two divisions to six with four regional units, one for international clients and a wealth advice centre.
 - The change is to improve UBS’s wealth management business performance and profitability with the US seen as a key growth engine going forward together with the larger US investment bank after the acquisition of Credit Suisse Group AG.
 - As part of the restructure, UBS will focus on both not quite ultra-wealthy clients as well as affluent clients with the creation of a new Ultra-High Net Worth Plus segment for clients with assets of more than USD50mn.
- Similarly, Barclays held a Private Bank and Wealth Management business deep dive yesterday where it shared plans to grow the mass affluent business in the UK including an increase in the number of advisers in its UK business by 50% over the next two years.
 - This is part of Barclays wider focus on growing its market share in the UK as part of its new three-year plan announced in February 2024 with recent acquisitions and divestments in line with management’s intention to allocate capital to better returning businesses that includes Barclays UK, UK Corporate Bank and Private Bank and Wealth Management.
- The above moves follow other recent announcements of Financial Institutions growing their Wealth Management businesses.
 - DBS is aiming to double fees from wealth management by 2027 while at its recent investor day, StanChart re-emphasised that the bank aims to attract USD200bn in new assets over the next five years and expand its relationship-manager team by 50% by 2028. StanChart is also doubling their investment in wealth management to USD1.5bn over two years with a focus towards affluent and international banking clients and a restructuring its mass retail client segment to drive further growth following record performance in Wealth Solutions. (Wall Street Journal, Reuters, BBG, Citywire, OCBC)

AIMS APAC REIT (“AAREIT”)

- AIMS APAC REIT Management Limited (the “REIT Manager”) as manager of AAREIT announced that HSBC Institutional Trust Services (Singapore) Limited, as trustee of AAREIT has entered into a sales and purchase agreement with Crown Worldwide Pte Ltd for the proposed divestment of 3 Toh Tuck Link (factory with ancillary office building) in Singapore at a sale price of ~SGD24.4mn. This is a small disposal compared to AAREIT’s total asset of SGD2.3bn as at 30 September 2024.
- The sales price represents a 32.5% premium to the property’s valuation as at 31 March 2024.
- The net proceeds may be reinvested to support AAREIT’s growth initiatives including potential new acquisitions, asset enhancement initiatives or future redevelopment projects. (Company)

Keppel Real Estate Investment Trust (“KREIT”)

- Keppel REIT Management Limited, as REIT Manager of KREIT announced that the lease renewable of DBS Bank Ltd, a key tenant at Marina Bay Financial Centre (“MBFC”) in Singapore. DBS will continue a six year lease commencing on 22 December 2024.
- KREIT owns a 33.3%-stake in MBFC.
- KREIT disclosed in its 3Q2024 business update that by committed attributable gross rent, DBS is KREIT’s second largest tenant contributing 4.5%. (Company, OCBC)

Keppel Infrastructure Trust (“KIT”)

- Keppel Infrastructure Fund Management Pte Ltd (the “Trustee-Manager”), acting in its capacity as trustee-manager of KIT clarified that notwithstanding the approvals granted by the PUB, any and all rights and interest of the Trustee-Manager (and in turn the unitholders) derived from Keppel Marina East Desalination Plant remain at all times subject to the rights, powers, discretions and remedies of PUB, pursuant to the Water Purchase Agreement and/or the PU Act.
- As we raised previously, based on our past observations of developments in the sector, the adherence to operations, maintenance and financial standing is of utmost important in maintaining the valuation of water-related assets as we expect the concession awarding party (in this case the PUB) to have rights to takeover the asset in scenario of non-adherence.
- KIT is in the progress of buying an economic interest in the Keppel Marina East Desalination Plant. (Company, OCBC)

New Issues:

Date	Issuer	Description	Currency	Size (mn)	Tenor	Final Pricing
10 Dec	Anhui Xihu Investment Holding Group Co Ltd	Fixed	USD	121	3Y	7.5%
10 Dec	Cagamas Global PLC (guarantor: Cagamas Bhd)	Fixed	SGD	150	2Y	3%

Key Market Movements

	11-Dec	1W chg (bps)	1M chg (bps)		11-Dec	1W chg	1M chg
iTraxx Asiax IG	69	-3	-1	Brent Crude Spot (\$/bbl)	72.6	0.4%	1.1%
				Gold Spot (\$/oz)	2,699	1.9%	3.1%
iTraxx Japan	52	--	1	CRB Commodity Index	290	1.6%	4.1%
iTraxx Australia	64	-1	0	S&P Commodity Index - GSCI	539	0.7%	1.6%
CDX NA IG	47	0	0	VIX	14.2	6.6%	-5.3%
CDX NA HY	109	0	0	US10Y Yield	4.24%	6bp	-7bp
iTraxx Eur Main	54	-2	0				
iTraxx Eur XO	293	-3	3	AUD/USD	0.639	-0.7%	-2.9%
iTraxx Eur Snr Fin	60	-2	1	EUR/USD	1.053	0.2%	-1.2%
iTraxx Eur Sub Fin	107	-4	2	USD/SGD	1.341	0.2%	-0.5%
				AUD/SGD	0.857	0.9%	2.4%
USD Swap Spread 10Y	-49	-2	-2	ASX200	8,356	-1.3%	1.1%
USD Swap Spread 30Y	-82	-3	-3	DJIA	44,248	-1.0%	-0.1%
				SPX	6,035	-0.2%	0.6%
China 5Y CDS	61	-2	-1	MSCI Asiax	725	0.9%	-1.2%
Malaysia 5Y CDS	43	-1	3	HSI	20,343	3.0%	-0.4%
Indonesia 5Y CDS	72	-1	3	STI	3,793	-0.2%	1.4%
Thailand 5Y CDS	39	0	2	KLCI	1,602	-0.7%	-0.4%
Australia 5Y CDS	11	1	-2	JCI	7,521	2.7%	3.5%
				EU Stoxx 50	4,952	1.5%	2.0%

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!