

Asian Credit Daily

12 December 2024

Market Commentary:

- The SGD SORA OIS curve traded higher yesterday, with shorter tenors trading 2-3bps higher, belly tenors and 10Y trading 3bps higher.
- Flows in SGD corporates were moderate, with flows in TMGSP 4.65% '29s, BACR 5.4%-PERP.
- Thailand introduced a new series of debt-relief measures aimed at assisting millions of retail borrowers and small businesses facing challenges in repaying loans. This move represents the government's latest effort to address the highest household debt levels in Southeast Asia.
- Bloomberg Asia USD Investment Grade spreads remained flat at 76bps while Bloomberg Asia USD High Yield spreads tightened by 4bps to 446bps. (Bloomberg, OCBC)
- There were no new Asiadollar mandates yesterday.

Credit Summary:

- **Industry Outlook - Financial Institutions, Société Générale ("SocGen"), Commerzbank AG ("CMZB"), Credit Agricole Group ("CAG") / Credit Agricole SA ("CASA"):** CAG, CASA, SocGen and CMZB have announced the results of the European Central Bank's 2023 Supervisory Review and Evaluation Process ("SREP") with unchanged requirements.
- **National Australia Bank Ltd ("NAB"):** NAB has entered into an agreement to sell its remaining 20% stake in MLC Life Insurance to Nippon Life Insurance ("Nippon") for AUD500mn.

Credit Headlines:**Industry Outlook – Financial Institutions, Société Générale (“SocGen”), Commerzbank AG (“CMZB”), Credit Agricole Group (“CAG”) / Credit Agricole SA (“CASA”)**

- CAG, CASA, SocGen and CMZB have announced the results of the European Central Bank’s 2023 Supervisory Review and Evaluation Process (“SREP”) with unchanged requirements.
 - CAG’s minimum CET1 ratio remains at 9.8% from 1 January 2025, including Pillar 1 and Pillar 2 capital requirements. CASA’s minimum requirement is 8.7%. CAG’s phased in CET1 capital ratio was 17.4% as at 30 September 2024 (17.3% on a fully loaded basis). CASA’s phased in CET1 capital ratio was 11.7% as at 30 September 2024.
 - SocGen’s minimum CET1 ratio also remains stable at 10.22% from 1 January 2025. SocGen’s CET1 capital ratio as at 30 September 2024 was 13.2% (13.2% on a fully loaded basis) and ~300bps above its regulatory requirement.
 - CMZB’s minimum regulatory requirement remains at 10.31% from 1 January 2025. CMZB’s CET1 ratio at 14.82% as at 30 September 2024 was 451bps above its maximum distributable amount and SREP requirements) and is close to its raised CET1 ratio target of ~15%. (Company, OCBC)

National Australia Bank Ltd (“NAB”)

- NAB has entered into an agreement to sell its remaining 20% stake in MLC Life Insurance to Nippon Life Insurance (“Nippon”) for AUD500mn.
 - This is part of a larger transaction by Nippon that announced the acquisition of the remaining ~77% stake in Resolution Life Group Holdings that it does not own for USD8.2bn.
 - Nippon owns the other 80% stake in MLC Life Insurance and is contemplating the merger of MLC Life Insurance and Resolution Life Australasia to form a new primary life insurer that will be a top three life insurer by market share in Australia according to the Australian Financial Review.
- The sale will not have a material impact on NAB’s cash earnings although NAB is expected to recognize a gain on sale upon completion. The proposed sale is also expected to result in a ~10bps increase in NAB’s level 2 APRA compliant CET1 capital ratio that was 12.35% as at 30 September 2024. On a proforma basis including AUD600mn in expected on-market share buybacks, the ratio was 12.21%. NAB’s CET1 capital ratio remains above the 11-11.5% target range.
- As part of the transaction, NAB has also agreed to provide up to AUD150mn in contingent Tier 1 capital support to the new primary life insurer that will be available for a three-year period post completion of the acquisition of Resolution Life Group Holdings.
- NAB’s sale of its stake in MLC Life Insurance is subject to certain conditions, including completion of the Resolution Life Acquisition by Nippon and regulatory approvals. The transaction is expected to complete in the second half of calendar year 2025. (Company, AFR, Bloomberg, OCBC)

New Issues:

Date	Issuer	Description	Currency	Size (mn)	Tenor	Final Pricing
11 Dec	Industrial & Commercial Bank of China Ltd/London	FRN	USD	100	3Y	SOFR+58bps
11 Dec	Cagamas Global PLC (guarantor: Cagamas Bhd)	Fixed	SGD	100	2Y	3%

Key Market Movements

	12-Dec	1W chg (bps)	1M chg (bps)		12-Dec	1W chg	1M chg
iTraxx Asiax IG	70	-1	-2	Brent Crude Spot (\$/bbl)	73.6	2.0%	2.3%
				Gold Spot (\$/oz)	2,706	2.8%	4.2%
iTraxx Japan	52	0	1	CRB Commodity Index	294	2.9%	5.1%
iTraxx Australia	64	0	0	S&P Commodity Index - GSCI	545	2.0%	2.8%
CDX NA IG	47	-1	-1	VIX	13.6	1.0%	-7.7%
CDX NA HY	109	0	0	US10Y Yield	4.28%	11bp	-14bp
iTraxx Eur Main	53	-1	-2				
iTraxx Eur XO	291	-2	-6	AUD/USD	0.641	-0.7%	-1.9%
iTraxx Eur Snr Fin	59	-1	-1	EUR/USD	1.050	-0.8%	-1.1%
iTraxx Eur Sub Fin	106	0	-1	USD/SGD	1.343	-0.3%	-0.4%
				AUD/SGD	0.861	0.3%	1.5%
USD Swap Spread 10Y	-49	-1	1	ASX200	8,341	-1.6%	1.0%
USD Swap Spread 30Y	-82	-3	-1	DJIA	44,149	-1.9%	0.5%
				SPX	6,084	0.0%	1.7%
China 5Y CDS	61	-1	-2	MSCI Asiax	722	0.5%	0.6%
Malaysia 5Y CDS	43	0	2	HSI	20,190	3.2%	1.7%
Indonesia 5Y CDS	72	0	1	STI	3,798	-0.6%	2.3%
Thailand 5Y CDS	39	0	2	KLCI	1,604	-0.7%	-0.3%
Australia 5Y CDS	11	1	-2	JCI	7,432	1.6%	1.5%
				EU Stoxx 50	4,959	0.8%	4.5%

Source: Bloomberg

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