

Asian Credit Daily

9 April 2024

Market Commentary:

- The SGD SORA curve traded higher yesterday, with short tenors trading 3-7bps higher, belly tenors trading 7-8bps higher and 10Y trading 7bps higher.
- Flows in SGD corporates were heavy, with flows in HSBC 4.75% '34s, BPCEGP 5% '34s, BNP 4.75% '34s, UBS 5.75%-PERP, HSBC 5.3% '34s, DB 5% '26s, BNP 5.9%-PERP, DB 4.4% '28s.
- Country Garden Holdings Co.'s ("COGARD") contracted sales for March were down 83% y/y to RMB4.3bn (USD590mn), following an 85% y/y decline in February. This follows its announcement last week that it has insufficient information to report its annual results and the suspension of its shares from trading. The poor sales are worsening COGARD's already weak financial position with the company reportedly continuing to use the government's property funding program with 272 projects eligible for financing support.
- In other government support news, Seazen Holdings Co., Ltd. may issue new bonds this month, guaranteed by state-owned China Bond Insurance.
- Finally in the US, office vacancies reached a new record of 19.8% in 1Q2024 according to Moody's Analytics, up from 19.6% in 4Q2023. That said, Moody's Analytics expects some stability for US commercial real estate in 2Q2024.
- Bloomberg Asia USD Investment Grade spreads remained flat at 84bps while Asia USD High Yield spreads widened by 3bps to 588bps, respectively.

Credit Summary:

- **Keppel Infrastructure Trust ("KIT"):** KIT has issued a circular with regards to an (1) Equity fundraising for the proposed issuance of up to ~1.06bn of new units in KIT (representing ~18.9% of the existing number of issued units as at 14 March 2024).
- **Mapletree Logistics Trust ("MLT") and Mapletree Investments Pte Ltd ("MAPL"):** MAPL, the single largest equity holder of MLT who is also MLT's sponsor, has reduced its deemed stake in MLT to ~25.8%. Immediately before the transaction, MAPL held a deemed ~31.7% stake in MLT.
- **Singapore Telecommunications Ltd ("SingTel"):** Following the movement in share price earlier today, SingTel reiterates that there is "no impending deal to divest Optus", which "remains a strategic and integral part of the Singtel Group".

Key Market Movements

	3-Apr	1W chg (bps)	1M chg (bps)		3-Apr	1W chg	1M chg
iTraxx Asiax IG	105	1	4	Brent Crude Spot (\$/bbl)	89.0	3.1%	6.5%
				Gold Spot (\$/oz)	2,281	3.9%	7.9%
iTraxx Japan	46	0	-4	CRB Commodity Index	294	1.8%	6.2%
iTraxx Australia	64	-1	1	S&P Commodity Index - GSCI	591	1.9%	4.6%
CDX NA IG	53	1	2	VIX	14.6	10.8%	11.4%
CDX NA HY	107	-1	0	US10Y Yield	4.35%	16bp	17bp
iTraxx Eur Main	56	1	2				
iTraxx Eur XO	307	9	11	AUD/USD	0.651	-0.4%	0.0%
iTraxx Eur Snr Fin	64	0	0	EUR/USD	1.077	-0.6%	-0.8%
iTraxx Eur Sub Fin	117	1	1	USD/SGD	1.352	-0.3%	-0.6%
				AUD/SGD	0.880	0.1%	-0.6%
USD Swap Spread 10Y	-37	-1	-3	ASX200	7,793	-0.2%	0.6%
USD Swap Spread 30Y	-74	-2	-3	DJIA	39,170	-0.4%	0.2%
				SPX	5,206	-0.2%	1.3%
China 5Y CDS	73	1	7	MSCI Asiax	661	1.5%	3.0%
Malaysia 5Y CDS	44	2	5	HSI	16,932	2.6%	2.1%
Indonesia 5Y CDS	75	3	6	STI	3,248	0.4%	3.6%
Thailand 5Y CDS	45	1	2	KLCI	1,548	0.6%	0.6%
Australia 5Y CDS	15	0	0	JCI	7,237	-1.9%	-1.0%
				EU Stoxx 50	5,042	0.2%	3.0%

Source: Bloomberg

Credit Headlines:**Keppel Infrastructure Trust (“KIT”)**

- KIT has issued a circular with regards to an (1) Equity fundraising for the proposed issuance of up to ~1.06bn of new units in KIT (representing ~18.9% of the existing number of issued units as at 14 March 2024). The equity fundraising will comprise an equity private placement or an equity private placement with a preferential offering and (2) The amendment of the Capacity Tolling Agreement in relation to Keppel Merlimau Cogen Pte Ltd (“KMC”, 51%-owned by KIT), the amendment of the operations and maintenance contract between KMC and Keppel Ltd’s Infrastructure Division which form interested person transactions and the issuance of shares in the capital of KMC from time to time.
- Per KIT’s illustration, assuming an issue price of SGD0.471 per new equity unit, KIT is expected to raise net proceeds of up to SGD490.4mn.
- KIT sponsor, Keppel Infrastructure Holdings Pte. Ltd. (“KIHPL”, a wholly owned subsidiary of Keppel Ltd) intends to take part in the equity placement to maintain its percentage unitholding in KIT, subject to approvals. Assuming there is a preferential offering, KIHPL also intends to subscribe for its pro rata entitlement under the preferential offering.
- In February 2024, KIT announced that it is proposing to buy a ~98.6% interest (subject to completion adjustments) in Ventura Motors Pty Ltd (“Ventura”), the largest bus service business in Australia’s State of Victoria.
 - The enterprise value of the transaction is ~AUD600mn (~SGD540mn) while the purchase consideration is ~AUD328.2mn (~SGD295.3mn). Including other amounts payable, fees and expenses, the total acquisition costs is estimated at SGD570.6mn. This includes existing debt at Ventura which will be paid down at completion, though excludes earn out payments that may kick in subject to certain targets being met.
- The proposed acquisition of Ventura itself is not subject to equity holders approval.
- The equity fundraising may take place before or after the completion of the acquisition of Ventura (targeted completion in 2Q2024).
 - In the event that the fundraising happens after completion, the Trustee-Manager intends to partly or fully repay the amounts which may be drawn down on an existing bridge facility of up to SGD450mn and/or replenish working capital and internal cash which were used to fund the total acquisition costs with the proceeds from the equity fundraising.
 - In the event that the equity fundraising takes place before completion, the Trustee-Manager intends to partly finance the total acquisition cost with proceeds from the equity fundraising. (Company)

Mapletree Logistics Trust (“MLT”) and Mapletree Investments Pte Ltd (“MAPL”)

- MAPL, the single largest equity holder of MLT who is also MLT’s sponsor, has reduced its deemed stake in MLT to ~25.8%. Immediately before the transaction, MAPL held a deemed ~31.7% stake in MLT.
- Aranda Investments Pte Ltd (“Aranda”) has emerged as a substantial equity holder of MLT with a 5.93%-stake. Aranda is an indirect wholly-owned subsidiary of Temasek Capital (Private) Limited (“Temasek Capital”). We note that as of February 2022, Temasek Capital is in turn a wholly-owned subsidiary of Temasek Holdings (Private) Limited (“Temasek”). We see this change as credit neutral to MLT as our view on MLT has historically been underpinned by the standalone credit strength of MLT.
- That said, MAPL historically consolidates its stake in MLT as a subsidiary. There is no update yet whether this will change following the reduction in its MLT stake.
- We note that MAPL records another listed Singapore REIT which it sponsors as an associate, rather than as a subsidiary. MAPL owns a ~27%-stake in this Singapore REIT. (Company, OCBC)

Singapore Telecommunications Ltd (“SingTel”)

- **No impending deal:** Following the movement in share price earlier today, SingTel reiterates that there is “no impending deal to divest Optus”, which “remains a strategic and integral part of the Singtel Group”.
- **Other possibilities remain open at a later date surrounding Optus:** As mentioned in the Asian Credit Daily published on 14 March 2024, while there is no impending deal, the other possibilities include (1) sale of Optus at a later date and (2) sale of partial interest in Optus or a business segment under Optus. (Company, OCBC)

Mandates:

- There are no Asiadollar mandates today.
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