

Credit Week in Brief

2 April 2024

Solid showing in Asiadollar despite the shortened week

- **Constructive trends are appearing in Asiadollar primary markets.** Firstly, the Bloomberg Asia USD HY Index average option adjusted spreads widened 11bps w/w to 587bps as at 28 March 2024 while the Bloomberg Asia USD IG Index average option adjusted spreads remained stable w/w at 86bps. We previously noted that this was its lowest level since inception in 2010 but within last week, it eked out a further 1bps fall to 85bps on Tuesday but overall the w/w movements could be signaling some sanity returning to credit spreads that may have been turbo charged by technicals rather than fundamentals.
- **Accelerating primary activity.** The tight investment grade spreads though are providing fuel for recent primary market activity which improved w/w despite the shortened week. USD4.30bn was priced in Asiadollar last week per Bloomberg league tables and OCBC estimates, up from 3.24bn priced last week, with a strong spread of issuers from Korea, India, China and India. Quality and quantity of issuers improves further when including two Reg S/ 144A issues from Australian biotechnology company CSL Ltd and Japanese owned aircraft leasing company SMBC Aviation Capital Ltd that priced USD1.5bn and USD1.25bn respectively in dual tranche deals with tenors from 5yr to 30yr. This takes total issuance to over USD7.0bn.

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Date	Issuer	Type	Currency	Size (mn)	Tenor	Pricing
25 Mar	Korea National Oil Corp ("KOROIL")	Fixed	USD	500	3Y	T+70bps
25 Mar	Korea National Oil Corp ("KOROIL")	FRN	USD	300	3Y	SOFR+83bps
25 Mar	Korea National Oil Corp ("KOROIL")	Fixed	USD	600	5Y	T+80bps
25 Mar	China Everbright Bank Co. Ltd. of Sydney	FRN	USD	100	3Y	SOFR+59bps
26 Mar	AIA Group Limited	Subordinated, Fixed	USD	1,000	10Y	T+125bps
26 Mar	Indiabulls Housing Finance Ltd (IHFLIN)	Social, Fixed	USD	350	3.25Y	9.7%
26 Mar	SMBC Aviation Capital Finance DAC (SMBCAC) (Guarantor: SMBC Aviation Capital Limited)	Fixed	USD	650	5Y	T+108bps
26 Mar	SMBC Aviation Capital Finance DAC (SMBCAC) (Guarantor: SMBC Aviation Capital Limited)	Fixed	USD	850	10Y	T+135bps
26 Mar	CSL Finance PLC (CSLAU) (Guarantors: CSL Ltd, CSLB Holdings Inc and CSL Finance Pty Ltd)	Fixed	USD	500	10Y	T+87bps
26 Mar	CSL Finance PLC (CSLAU) (Guarantors: CSL Ltd, CSLB Holdings Inc and CSL Finance Pty Ltd)	Fixed	USD	750	30Y	T+102bps
26 Mar	Korea Mine Rehabilitation & Mineral Resources Corp.	Fixed	USD	400	5Y	T+105bps
26 Mar	Joy Treasure Assets Holdings Inc. (Guarantor: China Orient Asset Management International Holding Limited)	Fixed	USD	200	3Y	Retap of ORIEAS 5.5% '27s
26 Mar	Ganzhou Jiankong Investment Holding Group Co., Ltd. (SBL Provider: Bank of Beijing Co Ltd/Nanchang)	Fixed	USD	50	3Y	5.5%
27 Mar	Bank Negara Indonesia	Fixed	USD	500	5Y	T+107bps

	Persero Tbk PT (BBNIIJ)					
28 Mar	Chengdu Tianfu New Area Investment Group Co Ltd	Fixed	USD	300	3Y	5.45%

Source: Bloomberg

- One deal in high yield:** Amidst the volume of deals last week was one high yield deal with Indiabulls Housing Finance Ltd pricing a USD350mn 3.25Y fixed social bond at 9.7%, tightening from initial price guidance of 9.95% area. Proceeds will be used in accordance with the issuer’s sustainable financing framework and as permitted by the Reserve Bank of India (“RBI”) External Commercial Borrowings (“ECB”) guidelines.
- Drumming up support.** Away from the primary, Asiadollar developments were focused on improving sentiments towards China’s property sector. People's Bank of China governor Pan Gongsheng voiced confidence that China’s property market can have long-term healthy and stable development when speaking at the China Development Forum on Monday in Beijing. Mr Pan also added that recent property market fluctuations have had a limited impact on China’s financial system and that efforts to contain local debt risks are showing results. China’s financial regulator is also planning to revise the management measures for syndicated loans to strengthen the commercial loans market. They plan to (1) lower a single lead manager’s minimum underwriting threshold in a syndicated loan to 15% (from 20%), (2) lower the minimum distribution percentage to 30% (from 50%) and (3) allow banks to partially transfer outstanding syndicated loans principal and interest.
- In terms of company developments,** Country Garden Holdings Co Ltd (“COGARD”) has hired Kroll for liquidation analysis, though COGARD further clarified that the liquidation analysis is necessary to be submitted to the court during debt restructuring. In addition, a key creditor group of defaulted Chinese developer Shimao Group Holdings Ltd (“Shimao”) has not agreed to the proposals for the handling its offshore debt, signaling a future delay in negotiations. Shimao has offered four options for restructuring its offshore debt, of which none have been agreed to by the creditor group. (Bloomberg, OCBC)

Higher SGD primary issuance, SGD Bonds look attractive relatively

- Last week, SGD575mn in new issues were priced (week prior: SGD463mn).
 - **Wing Tai Holdings Ltd** priced a SGD100mn 5Y issue at 4.38%.
 - **Mapletree Logistics Trust** priced a SGD75mn 7Y green bond at 3.81%.
 - **Deutsche Bank AG** priced a SGD400mn 4NC3 senior non-preferred at 4.4%.
- **SGD OIS SORA yields traded higher w/w** last Friday. The shorter, belly and 10Y tenors traded 4-6bps higher. As of 29 March 2024, the SGD OIS SORA 10Y yield was 3.01%.
- The **SGD credit market gained 0.09% w/w** despite higher SGD OIS SORA yields. While mid and longer tenor papers delivered flattish to small returns, subordinated papers (AT1s, non-financial corporate perpetuals, Tier 2s) outperformed. For more information on the SGD tracker, please refer to our SGD Credit Outlook 2023 published on 4 January 2023.

Summary of Performance in the SGD Credit Market

By Tenor & Structure	Return w/w
AT1s	0.13%
Non-Financial Corp Perp	0.19%
Tier 2s and Other Non-perp Sub	0.24%
Longer Tenors (>9Y)	0.03%
Mid Tenors (>3Y to 9Y)	0.03%
Short Tenors (>1Y to 3Y)	0.03%
Money Market (Up to 12 months)	0.11%

By Issuer Profile	Return w/w
POS (2)	0.17%
N (3)	0.12%
N (4)	0.13%
N (5)	0.09%

Source: Bloomberg, OCBC

We published **SGD Bond Trade Ideas Special Interest Commentary**. Key highlights include:

- **SGD bonds provides attractive alternatives to USD issues such as SIASP 5.25% '34s.**
- **Fasten your seatbelt while SIA is rising.** Investors who missed the SIASP USD bond deal may consider better alternatives in the SGD space.
- **Bonds with yield uplift in SGD terms include** CAPITA 2.15% '32s, MCTSP 3.9% '34s, STHSP 2.48% '31s, SPSP 3.4% '32s, CHAIR 1.88% '31s, STANLN 4.5% '33s.

Other key updates include:

- **Seatrium Limited ("SMM" formerly known as Sembcorp Marine Ltd)** announced that several former key appointment holders at SMM Jurong Shipyard Pte Ltd have been charged with corruption offenses in relation to the company's Brazil operations. SMM is in discussion with the public prosecutor to pay a financial penalty of USD110mn (~SGD149mn) under a deferred prosecution agreement.

- Events at SMM should have minimal implication on **Keppel Ltd (“KEP”)**, with KEP holding only ~2% stake in SMM. As a recap, in 1Q2023, KEP sold Keppel Offshore & Marine Ltd (“KOM”) to SMM. In December 2022, KOM had already reached a global resolution with authorities in the US, Brazil and Singapore in relation to Operation Car Wash with penalty amounts paid.
- **UBS Group AG (“UBS”)** sold USD8bn in senior secured financing facilities to Apollo Global Management and affiliates (“Apollo”), booking a net gain of USD300mn while Credit Suisse Group AG losses deepened to USD900mn (from original expectations of USD600mn). This is a result of renegotiation of a previous deal signed by CS for the sale of a significant portion of its Securitized Products Group and related financing businesses to Apollo. According to UBS CEO Sergio Ermotti, the deal allows UBS to free up capital and reduce complexity. Separately, UBS will nearly double its previously announced rental space in Hong Kong when it moves to a new 460k sq ft building in 2026.
- **Keppel Ltd (“KEP”) and Keppel Infrastructure Trust (“KIT”)** proposed to enter into an agreement to amend and extend the Capacity Tolling Agreement (“CTA”) for the Keppel Merlimau Cogen plant by 10 years from 2030 to 2040. KEP owns 49% stake while KIT owns 51% stake in the plant. If this is approved, the contracted cashflows will generate up to ~SGD1.1bn in capacity payments for the plant over the period, and allow the existing loan on the plant to be restructured and resume distributions to KIT.
- **Joint venture by 5 developers for Jurong Lake District white site:** The joint venture partners are CapitalLand Development (“CLD”, subsidiary of CapitalLand Group Pte Ltd), City Development Ltd, Frasers Property Ltd, Mitsubishi Estate Co Ltd and Mitsui Fudosan (Asia) Pte Ltd submitted two joint bids for a master developer site. The site is large, including 146k sqm of office space, 1,700 dwelling units and 73k sqm of GFA for other purposes. That said, the credit impact is likely manageable with each developer taking a partial (instead of full) stake in the project, with the project expected to complete over 10-15Y.
- **Singapore property prices rose 1.5% q/q in 1Q2024**, with increase in all segments including Outside Central Region (+0.4% q/q), Rest of Central Region (+0.2% q/q), Core Central Region (+3.1% q/q), Landed property (+3.4% q/q). Transaction volumes fell ~20% q/q to 3,482 units though this is higher by 16% y/y. The current pace of price increase of 1.5% is slightly ahead of our expectations that prices would increase between 3% and 5% in 2024. (Company, URA, OCBC)

Key Market Movements

	2-Apr	1W chg (bps)	1M chg (bps)		2-Apr	1W chg	1M chg
iTraxx Asiax IG	102	-1	2	Brent Crude Spot (\$/bbl)	87.8	1.2%	5.1%
				Gold Spot (\$/oz)	2,249	3.2%	6.4%
iTraxx Japan	45	-1	-5	CRB Commodity Index	292	2.3%	5.5%
iTraxx Australia	64	-1	1	S&P Commodity Index - GSCI	584	1.6%	3.4%
CDX NA IG	52	-1	1	VIX	13.7	4.5%	4.1%
CDX NA HY	107	0	0	US10Y Yield	4.30%	7bps	12bps
iTraxx Eur Main	54	-1	1				
iTraxx Eur XO	298	-4	1	AUD/USD	0.649	-0.7%	-0.4%
iTraxx Eur Snr Fin	63	-1	0	EUR/USD	1.073	-0.9%	-1.1%
iTraxx Eur Sub Fin	114	-3	-1	USD/SGD	1.353	-0.5%	-0.7%
				AUD/SGD	0.878	0.2%	-0.4%
USD Swap Spread 10Y	-37	-1	-3	ASX200	7,897	1.6%	2.6%
USD Swap Spread 30Y	-73	-1	-2	DJIA	39,567	0.2%	1.2%
				SPX	5,244	0.2%	2.1%
China 5Y CDS	72	1	6	MSCI Asiax	655	0.1%	2.1%
Malaysia 5Y CDS	43	2	4	HSI	16,541	-1.9%	0.2%
Indonesia 5Y CDS	74	2	4	STI	3,235	1.2%	3.2%
Thailand 5Y CDS	45	1	2	KLCI	1,544	0.4%	0.4%
Australia 5Y CDS	16	0	0	JCI	7,205	-2.0%	-1.5%
				EU Stoxx 50	5,083	0.6%	4.2%

Source: Bloomberg

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