

Credit Week in Brief

9 April 2024

Japan based issuers were active issuers in USD last week

- **Investment grade spreads tightened further:** The Bloomberg Asia USD HY Index average option adjusted spreads widened by 1bps w/w to 588bps. The Bloomberg Asia USD IG Index average option adjusted spreads reached a new all-time low, tightening even further by 2bps to 84bps.
- **Volume much lower in Asia ex-Japan:** In a shortened week last week with public holidays across key Asiadollar markets, there was hardly any primary market issuances from Asia ex-Japan issuers. Per Bloomberg league tables and OCBC estimates, there were only one new issue at USD115mn versus USD4.3bn in the previous week. The new issue was from CDBL Funding 2 (Guarantor: CDB Leasing International Co Ltd) in a 3Y senior unsecured floating rate note, priced at SOFR+90bps.
- **However, Japan issuers were highly active in the USD market:** This was led by Rakuten Group Inc (“Rakuten”) which priced USD2bn of 5Y NCL senior unsecured bond to yield 9.875%, tightening from the 10%-area. Demand was strong at more than USD8bn, allowing the deal to be upsized from USD1.25bn. Rakuten is known as a Japan e-commerce player, however the high yield company is involved in multiple technology and telecommunication businesses including launching Rakuten Mobile in 2020. Earlier in February 2024, Rakuten priced USD1.8bn of 3Y NCL senior unsecured bonds to yield 12.125%. Last week, Rakuten and Rakuten Bank, Ltd (separately listed in Tokyo, a digital bank with Rakuten as the key shareholder) announced that they have agreed to initiate discussions aimed at reorganising Rakuten’s fintech businesses. A full integration of the fintech businesses with Rakuten Bank into one group is being considered, aimed at improving collaboration and customer acquisition. The Development Bank of Japan Inc (“DBJ”) was also a key issuer, pricing USD1bn of 5Y floating rate notes, guaranteed by Japan. Australia-based issuers were not particularly active in the USD market last week.

Andrew Wong
Credit Research Analyst
WongVKAM@ocbc.com

Ezien Hoo
Credit Research Analyst
EzienHoo@ocbc.com

Wong Hong Wei
Credit Research Analyst
WongHongWei@ocbc.com

Chin Meng Tee
Credit Research Analyst
MengTeeChin@ocbc.com

Date	Issuer	Type	Currency	Size (mn)	Tenor	Pricing
03 Apr	CDBL Funding 2 (Guarantor: CDB Leasing International Co Ltd)	FRN	USD	115	3Y	SOFR+90bps
03 Apr	Development Bank of Japan Inc (DBJJP) (Guarantor: Unconditionally and irrevocably guaranteed by Japan)	FRN	USD	1,000	5Y	SOFR MS+55bps
03 Apr	Rakuten Group Inc (RAKUTN)	Fixed	USD	2,000	5NCL	9.875%

Source: Bloomberg

- A credit rating agency has withdrawn its investment grade issuer rating on Geely Automobile Holdings Limited (“Geely”) and assigned a high yield rating to the issuer. The downgrade in rating is driven by prolonged low profit margin, with the company continuing to invest in new developments (eg: electric vehicles). Geely is an automaker focused on the Chinese market.
- A jump in bad loans at some banks with declining contracted sales in March show how China’s property industry continues to struggle. According to data from the China Real Estate Information Corporation, quoted in the South China Morning Post (“SCMP”), sales at China’s 100 biggest developers fell 46% y/y in March 2024 to RMB358.3bn.
- Seazen Holdings Co., Ltd. may issue new bonds this month, guaranteed by state-owned China Bond Insurance. The target fundraising size was not disclosed.
- China Vanke Co., Ltd (“Vanke”) which lost its investment grade rating recently, saw its Shandong-based joint venture partners at the project level accusing the company and its Chairman of misuse of funds, usury, tax evasion and money laundering. Vanke has stated that the allegations are untrue. Per Vanke’s disclosures, its 2023 net profit fell by ~46% y/y.
- Country Garden Holdings Co. (“COGARD”) which defaulted on its USD bonds in October 2023 announced that it has engaged Linklaters as its principal legal advisor in respect of the offshore liability restructuring. KPMG Advisory (China) Limited, the principal financial advisor, has continued to work on preparing a cash flow model and the company has also earlier engaged Kroll to perform an independent recovery analysis. Separately, COGARD announced its unaudited operating figures for March 2024 which showed that contracted sales amounted to ~RMB4.3bn (falling ~83% y/y versus March 2023’s RMB25.01bn). Additionally, COGARD had also announced a delay in the publication of its annual report. Per company, COGARD needed to collect more information to make appropriate accounting estimates and judgements.
- The China Construction Bank (Asia) Corporation Limited has filed a winding-up petition (dated 5 April 2024) at the High Court of the HKSAR against Shimao Group Holdings Ltd (“Shimao”) This is in relation to a financial obligation amounting to ~HKD1.6bn. Shimao which defaulted in mid-2022 is in the midst of a debt restructuring of its USD bonds and has offered bondholders with four options in its recently announced Creditor Support Agreement. That said, we note that the company has not obtain support from key bondholders on the proposal.
- Per Bloomberg, the foreign currency bond sales of India-based companies had outpaced offshore loans for the first time since 2021 with Indian companies raising USD4.7bn via bonds versus USD2bn through bank loans in 1Q2024.
- In India corporate developments, Omar Davis a former banker who oversaw the restructuring of Vedanta Ltd (“Vedanta”), has reportedly left after less than a year at his role. Davis, president of strategy at Vedanta Resources Ltd, was working closely with stakeholders to oversee the revamp. Earlier in January 2024, the

group had reached an understanding to extend the maturities on three dollar bonds. (Bloomberg, Reuters, SCMP, Company, OCBC)

Little primary market issuances with flat weekly performance amidst higher SORA rates

- Last week, SGD55.5mn in new issue was priced (week prior: SGD575mn).
 - QNB Finance Ltd priced a SGD55.5mn 1.5Y senior unsecured issue at 4.08%.
- **SGD SORA yields traded mostly higher w/w** last Friday. The shorter tenors traded between -1 to +7 bps, belly tenors traded higher by 9 to 10bps and 10Y traded higher by 10bps. As at 05 April 2024, 10Y SORA was 3.11% (10Y UST:4.40%). The rising SGD SORA trend is directionally consistent with US Treasury yields, which 2-10Y rose in the range of 13 – 20bps w/w.
- **The SGD credit market stayed flat (+0.01%) w/w despite higher SGD SORA yields, lifted by Corporate Perpetuals, Tier 2 and AT1 bank capital instruments.** 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	0.11%
Non-Financial Corp Perp	0.14%
Tier 2s and Other Non-perp Sub	0.14%
Longer Tenors (>9Y)	-0.21%
Mid Tenors (>3Y to 9Y)	-0.07%
Short Tenors (>1Y to 3Y)	0.07%
Money Market (Up to 12 months)	0.08%

By Issuer Profile	Return w/w
POS (2)	0.10%
N (3)	0.10%
N (4)	0.03%
N (5)	0.21%

Source: Bloomberg, OCBC

Key headlines for Singapore Credit Market are as below:

- **CapitaLand Group Pte Ltd (“CAPL”) released its Annual Report 2023. Overall results and credit metrics are weaker y/y.** Revenue fell 6.9% y/y to SGD4.8bn, gross profit fell 11.4% y/y to SGD1.6bn, profit before tax fell 76.8% y/y to SGD479mn. Our calculated gross debt to EBITDA increased y/y to 18.0x (2022: 14.8x), EBITDA/Interest fell to 1.4x (2022: 1.9x) while net gearing rose 5 ppts y/y to 64%. Unrestricted cash of SGD4.95bn is sufficient to cover current borrowings of SGD2.97bn. Excluding CapitaLand Investment Ltd (“CLI”), we estimate that profit before tax has dwindled to just SGD5mn in 2023 (2022: SGD678mn). We estimate that CAPL standalone net gearing has risen above 80% (2022 above 70%, 2021: above 50%).
- **Industry Outlook – Singapore Property. There is only one bid for each Government Land Sales site.** The Urban Redevelopment Authority closed the tender for two sites, one at Zion Road and another at Upper Thomson Road yesterday.

- Zion Road site: A joint venture between City Developments Ltd (“CDL”) and Mitsui Fudosan put in the sole bid of SGD1.1bn (SGD1,202 psf ppr) for the site which could yield 1,170 residential units (including 435 serviced apartments). **It remains to be seen if government would accept the Zion Road bid.** We note that the bid is 30.6% lower than similar plots in the area.
- Upper Thomson Road site: A joint venture between GuocoLand and Hong Leong Holdings put in the sole bid of SGD780mn (SGD904.60 psf ppr) for the 940-unit site.
- **Olam Group Limited (“OG”)** announced that its global agribusiness unit (focusing on food, feed and fibre), Olam Agri, has obtained a commodity Murabaha facility from a diversified group of global investors (including the UAE, Malaysia, Singapore and Hong Kong) totaling USD625mn. The facility is initially guaranteed by OG which will transfer to Olam Agri post the planned IPO and demerger of Olam Agri. Olam Global Agri Pte. Ltd. and Olam Global Agri Treasury Pte. Ltd. are the purchasers with a tenor of three years. (Company)
- **Keppel Infrastructure Trust (“KIT”)** has issued a circular with regards to an equity fundraising for the proposed issuance of up to ~1.06bn of new units (expected net proceeds of ~SGD490mn) in KIT (representing ~18.9% of the existing number of issued units as at 14 March 2024). KIT’s 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. This equity fundraising will be used to partly fund the acquisition of a 98.6%-stake in Ventura Motors Pty Ltd (“Ventura”), the largest bus service business in Australia’s State of Victoria. The total acquisition costs are estimated at SGD570.6mn. The equity fundraising may take place before or after the completion of the acquisition of Ventura (targeted completion in 2Q2024).
- **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% (Previously: 31.7%)**. 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.
- **Singapore Telecommunications Ltd (“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

	9-Apr	1W chg (bps)	1M chg (bps)		9-Apr	1W chg	1M chg
iTraxx Asiax IG	105	0	4	Brent Crude Spot (\$/bbl)	90.8	2.1%	10.6%
				Gold Spot (\$/oz)	2,341	2.7%	7.3%
iTraxx Japan	46	0	-2	CRB Commodity Index	297	1.8%	7.5%
iTraxx Australia	66	1	5	S&P Commodity Index - GSCI	599	2.6%	7.1%
CDX NA IG	51	-1	2	VIX	15.2	11.3%	3.1%
CDX NA HY	107	0	0	US10Y Yield	4.43%	8bp	35bp
iTraxx Eur Main	54	-2	1				
iTraxx Eur XO	300	-8	4	AUD/USD	0.660	1.3%	-0.2%
iTraxx Eur Snr Fin	62	-2	2	EUR/USD	1.086	0.8%	-0.6%
iTraxx Eur Sub Fin	113	-4	2	USD/SGD	1.348	0.3%	-1.3%
				AUD/SGD	0.890	-1.0%	-1.1%
USD Swap Spread 10Y	-38	0	-3	ASX200	7,817	-0.9%	-0.4%
USD Swap Spread 30Y	-75	0	-2	DJIA	38,893	-1.7%	0.4%
				SPX	5,202	-0.8%	1.5%
China 5Y CDS	71	-2	5	MSCI Asiax	656	-0.6%	0.6%
Malaysia 5Y CDS	44	1	5	HSI	16,733	1.2%	2.3%
Indonesia 5Y CDS	74	-1	5	STI	3,226	-0.7%	2.5%
Thailand 5Y CDS	45	0	2	KLCI	1,560	0.8%	1.3%
Australia 5Y CDS	15	0	0	JCI	7,287	0.0%	-1.3%
				EU Stoxx 50	5,046	-0.7%	1.7%

Source: Bloomberg

Macro Research

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

Tommy Xie Dongming
Head of Greater China Research
XieD@ocbc.com

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

Herbert Wong
Hong Kong & Macau Economist
HerbertWong@ocbc.com

Lavanya Venkateswaran
Senior ASEAN Economist
LavanyaVenkateswaran@ocbc.com

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

Jonathan Ng
ASEAN Economist
JonathanNg4@ocbc.com

Ong Shu Yi
ESG Analyst
ShuyiOng1@ocbc.com

FX/Rates Strategy

Frances Cheung, CFA
Rates Strategist
FrancesCheung@ocbc.com

Christopher Wong
FX Strategist
ChristopherWong@ocbc.com

Credit Research

Andrew Wong
Credit Research Analyst
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

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