

Credit Week in Brief

16 April 2024

More activity in Asiadollar with Japan issuers highly active

- **Another all-time low of investment grade spreads:** The Bloomberg Asia USD HY Index average option adjusted spread was relatively flat at 587bps. The Bloomberg Asia USD IG Index average option adjusted spreads tightening even further last week, reaching 80bps at a point last week but ended the week 2bps tighter w/w to 82bps.
- **More normalized activity in Asiadollar last week:** Per Bloomberg league tables and OCBC estimates, there was USD3.1bn of primary market issuances from Asia ex-Japan issuers, normalizing from the previous week. Bulk of the issues were priced ahead of US CPI data. Melco Resorts Finance Ltd (“Melco Finance”) was the largest issuer last week, pricing USD750mn of 8NC3 senior unsecured bonds at 7.625%. Proceeds will go towards partial repayment on a revolving credit facility of a subsidiary and for general corporate purposes. Melco Finance in turn is a wholly-owned subsidiary of Melco Resorts & Entertainment Limited, a high yield gaming operator focused on Macau and the Philippines.
- **Chinese issuers were present in the market:** The China Development Bank (“CDB”, a state owned development finance institution) priced a USD500mn senior unsecured 3Y floating rate note last week while a separate EUR-denominated paper was also priced by the CDB on the same day. Far East Horizon Ltd (“FRESHK”, a financial services provider focusing on leasing in the Chinese market) priced USD500mn of 3Y senior unsecured bullet bond at T+215bps, tightening from an initial price guidance of T+250bps on the back of strong orderbook of more than USD2.85bn, inclusive of joint lead manager interest and SFC prop. There were three other Chinese local government funding vehicles who issued in the USD space last week.
- **Outside of China mainly from banks:** Shinhan Bank Co Ltd, South Korea’s second largest bank by total asset priced USD500mn of 10Y subordinated social bonds while Malayan Banking Bhd, Malaysia’s largest bank by total assets, priced USD100mn 5Y senior unsecured floating rate note.

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- Bumper issuances from Japan issuers in the USD market:** Mitsubishi UFJ Financial Group Inc. (“MUFG”, a global financial services group) was active in the USD market last week pricing a total of USD2.5bn (a USD900mn 6NC5 senior unsecured bond at T+82bps and a USD1.6bn 11NC10 senior unsecured bond at T+100bps). Additionally, Nippon Life Insurance Co, (“Nissay”, the largest life insurance company in Japan and major asset manager) priced USD1.32bn of 30NC10 subordinated bond last week. Australia-based issuers were not particularly active in the USD market last week.

Date	Issuer	Type	Currency	Size (mn)	Tenor	Pricing
08 Apr	ICBCIL Finance Co. Limited	Fixed	USD	100	3Y	5.2%
08 Apr	Shinhan Bank Co Ltd	Fixed	USD	500	10Y	T+140bps
08 Apr	Putian State-owned Assets Investment Co Ltd	Green, Fixed	USD	265	3Y	7.4%
08 Apr	Mitsubishi UFJ Financial Group Inc	Fixed	USD	900	6NC5	T+82bps
08 Apr	Mitsubishi UFJ Financial Group Inc	Fixed	USD	1,600	11NC10	T+100bps
09 Apr	Jinan Hi-Tech International (Cayman) Investment (Guarantor: Jinan Hi-tech Holding Group Co Ltd)	Fixed	USD	180	3Y	6.1%
09 Apr	China Development Bank	FRN	USD	500	3Y	SOFR+33bps
09 Apr	Far East Horizon Ltd (FRESHK)	Fixed	USD	500	3Y	6.7%
09 Apr	Melco Resorts Finance Ltd (MPEL)	Fixed	USD	750	8NC3	7.625%
09 Apr	Nippon Life Insurance Co (NIPLIF)	Fixed	USD	1,320	30NC10	5.95%
11 Apr	Huzhou Moganshan Hi-tech Group Co Ltd (HZMGSG) (Guarantor: Huzhou Moganshan State-owned Capital Holding Group Co.)	Fixed	USD	210	3Y	5.48%
12 Apr	Malayan Banking Berhad	FRN	USD	100	5Y	SOFR+90bps

Source: Bloomberg

- A major credit rating agency has downgraded China Vanke Co Ltd (“Vanke”) and Longfor Group Holdings (“Longfor”) to high yield, being the last of the Big Three rating agency to do so. For Vanke, the rating agency has cut the rating by three notches while for Longfor, the rating was cut by one notch. The outlook for both were placed at negative. On Sunday, Vanke hosted a call to dispel market rumours about its executives being barred from travelling overseas and told investors that it is making plans to resolve liquidity pressure and short-term operational difficulties. Vanke added that it will prioritise using its own resources to fix the issue

and existing financing facilities and is receiving support from financial institutions. Bloomberg subsequently reported that Vanke is preparing ~RMB130bn of assets for use as collateral to help with the fundraising of new bank loans.

- Meanwhile, Hang Seng Bank Ltd has filed a winding-up petition against Times China Holdings Ltd, a Chinese property developer in connection with financial obligations of ~USD173.2mn and HKD731.4mn (~USD93.4mn) respectively.
- Last week a major credit rating agency cut the sovereign credit rating of China to negative, citing risks to public finances as the economy faces increasing uncertainty in its shift to new growth models. This follows the rating action taken by another credit rating agency in December 2023. (Bloomberg, Reuters, Company, OCBC)

Higher rates impacted SGD credit market returns, WINGTA perp called

- Last week, The Great Eastern Life Assurance Co Ltd was the sole issuer in the SGD market, pricing SGD500mn 15NC10 Tier 2 at 3.928%.
- **SGD OIS SORA yields traded higher w/w** last Friday. The shorter tenors rose 5-14bps, the belly tenors rose 13-14bps while the 10Y traded 11bps higher. As of 12 April 2024, the SGD OIS SORA 10Y yield was 3.22%.
- The **SGD credit market declined 0.04% w/w** due to higher SGD OIS SORA yields. The weaker w/w performance was mainly contributed by decline in prices of mid tenor papers, in turn mainly due to movement in prices of HDB papers amidst movement in interest rates. Meanwhile, subordinated papers (AT1s, non-financial corporate perpetuals, Tier 2s) continue to outperform. 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	0.12%
Non-Financial Corp Perp	0.05%
Tier 2s and Other Non-perp Sub	0.10%
Longer Tenors (>9Y)	-0.02%
Mid Tenors (>3Y to 9Y)	-0.21%
Short Tenors (>1Y to 3Y)	0.00%
Money Market (Up to 12 months)	0.09%

By Issuer Profile	Return w/w
POS (2)	0.04%
N (3)	0.08%
N (4)	0.16%
N (5)	0.08%

Source: Bloomberg, OCBC

Key updates in the SGD credit market include:

- **Wing Tai Holdings Ltd (“WINGTA”) calling its perp**, in-line with our expectations. As mentioned in our publication [***Perpetual Series 9: 9 lives of perpetuals***](#) on 18 March 2024, we are Positive on corporate perpetuals as we believe more will be called. Even if the issuer does not redeem, higher distribution rates (upon reset) may attract demand from investors looking for yield.

- **Frasers Property Ltd (“FPL”) expected to record fair value losses** on its UK commercial property arising from weaker market sentiments, based on preliminary result of the valuations of its properties as at 31 March 2024. While the bottom-line would be impacted, we expect the credit impact to be manageable, with EU and UK properties assets representing just 6% of FPL’s total.
- **Mapletree Investments Pte Ltd (“MAPL”) is buying a SGD1.7bn portfolio of student accommodation** with 8,192 beds in the UK and Germany from Cuscaden Peak Investments, a wholly owned subsidiary of Cuscaden Peak Pte Ltd (“CPPL”). As of 31 March 2023, MAPL owns 19% effective interest in CPPL.
- **Keppel Ltd (“KEP”) provided answers on its strategy and progress at its AGM**, including (1) being on track to hit SGD200bn funds under management by end-2030 (end-2023: SGD55bn), (2) pivoting away from real estate and into energy transition, infrastructure, sustainable urban renewal and data centre, and (3) seeing fundraising and dealmaking environment to improvement in 2024. (Company, OCBC)

Key Market Movements

	16-Apr	1W chg (bps)	1M chg (bps)		16-Apr	1W chg	1M chg
iTraxx Asiax IG	112	9	12	Brent Crude Spot (\$/bbl)	90.7	1.4%	6.2%
				Gold Spot (\$/oz)	2,387	1.5%	10.5%
iTraxx Japan	50	3	3	CRB Commodity Index	298	0.1%	4.8%
iTraxx Australia	68	3	5	S&P Commodity Index - GSCI	597	0.2%	3.8%
CDX NA IG	57	6	8	VIX	19.2	26.6%	33.4%
CDX NA HY	105	-2	-1	US10Y Yield	4.61%	25bp	30bp
iTraxx Eur Main	60	6	7				
iTraxx Eur XO	335	32	34	AUD/USD	0.642	-3.1%	-2.1%
iTraxx Eur Snr Fin	67	5	8	EUR/USD	1.062	-2.2%	-2.3%
iTraxx Eur Sub Fin	124	11	17	USD/SGD	1.365	-1.5%	-1.9%
				AUD/SGD	0.877	1.7%	0.2%
USD Swap Spread 10Y	-39	-1	-3	ASX200	7,624	-2.6%	-0.6%
USD Swap Spread 30Y	-76	-2	-4	DJIA	37,735	-3.0%	-2.5%
				SPX	5,062	-2.7%	-1.1%
China 5Y CDS	73	4	6	MSCI Asiax	647	-2.1%	-0.8%
Malaysia 5Y CDS	47	5	9	HSI	16,332	-3.0%	-2.3%
Indonesia 5Y CDS	79	7	11	STI	3,144	-2.3%	-0.9%
Thailand 5Y CDS	46	2	5	KLCI	1,537	-1.2%	-1.0%
Australia 5Y CDS	15	-1	0	JCI	7,145	-0.8%	-3.2%
				EU Stoxx 50	4,984	-1.2%	0.0%

Source: Bloomberg

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