

Asian Credit Daily

3 June 2024

Market Commentary:

- The SGD SORA curve traded lower last Friday, with short tenors trading 0-1bps lower, belly tenors trading 0-1bps lower and 10Y trading 1bps lower.
- Flows in SGD corporates were moderate, with flows in DBSSP 3.98%-PERP.
- According to Korea Economic Daily, South Korea's financial watchdog plans to conduct on-site inspections on 10 savings banks that have a non-performing loan ("NPL") ratio exceeding 20%. In the first quarter, out of the 79 savings banks, 10 of them had an NPL ratio exceeding 20%, while 46 savings banks had an NPL ratio exceeding 10%. Additionally, Maeil Business Newspaper reported separately that financial regulators are considering relaxing merger and acquisition rules for savings banks in metropolitan areas.
- Bloomberg Asia USD Investment Grade traded flat at 76bps while Asia USD High Yield widened by 3bps to 505bps. (Bloomberg, OCBC)
- There were no notable bond issuers in the Asiadollar and Singdollar market last Friday.
- There are no Asiadollar mandates for today.

Credit Summary:

- **Fraser's Hospitality Trust ("FHREIT"):** Perpetual (Asia) Limited, in its capacity as trustee of FHREIT has entered into a SGD220mn revolving credit facility agreement with DBS Bank Ltd.
- **Qantas Airways Limited ("Qantas"):** Qantas and Perth Airport have reached a commercial agreement where Perth Airport will invest ~AUD3bn in new terminal facilities and a new parallel runway.
- **Lendlease Group ("LLC"):** LLC is cutting its FY2024 (ending June 2024) core operating profit after tax guidance from AUD450mn to AUD305mn, as the AUD1.3bn sale of 12 Communities projects is not able to complete by June 2024.
- **Sembcorp Industries Ltd ("SCI"):** SCI announced that its wholly-owned subsidiary of Sembcorp Development has added three Vietnam Singapore Industrial Parks ("VSIP") to its portfolio.
- **UBS Group AG ("UBS"):** UBS announced the completion of the merger of parent banks UBS AG and Credit Suisse AG on 31 May 2024. With the cessation of Credit Suisse AG as a separate legal entity, UBS AG has succeeded to all the rights and obligations of Credit Suisse AG, including Credit Suisse AG's outstanding debt instruments.

Key Market Movements

	3-Jun	1W chg (bps)	1M chg (bps)		3-Jun	1W chg	1M chg
iTraxx Asiax IG	97	5	-16	Brent Crude Spot (\$/bbl)	81.6	-1.8%	-1.6%
				Gold Spot (\$/oz)	2,327	-1.0%	1.1%
iTraxx Japan	51	2	-3	CRB Commodity Index	290	-1.2%	1.3%
iTraxx Australia	66	2	-6	S&P Commodity Index - GSCI	573	-1.4%	0.0%
CDX NA IG	51	1	-3	VIX	12.9	1.2%	-4.2%
CDX NA HY	107	0	1	US10Y Yield	4.49%	3bp	-2bp
iTraxx Eur Main	52	1	-3				
iTraxx Eur XO	294	5	-24	AUD/USD	0.666	0.0%	0.7%
iTraxx Eur Snr Fin	59	0	-5	EUR/USD	1.085	0.0%	0.9%
iTraxx Eur Sub Fin	105	1	-11	USD/SGD	1.350	-0.1%	-0.1%
				AUD/SGD	0.899	-0.1%	-0.7%
USD Swap Spread 10Y	-37	0	1	ASX200	7,762	-0.3%	1.7%
USD Swap Spread 30Y	-75	-1	1	DJIA	38,686	-1.0%	0.0%
				SPX	5,278	0.2%	2.9%
China 5Y CDS	62	1	-7	MSCI Asiax	671	-3.9%	-0.4%
Malaysia 5Y CDS	46	1	-2	HSI	18,535	-1.6%	0.3%
Indonesia 5Y CDS	73	0	-3	STI	3,349	0.9%	1.7%
Thailand 5Y CDS	43	1	-2	KLCI	1,597	-1.4%	0.4%
Australia 5Y CDS	13	0	-1	JCI	7,032	-2.0%	-1.4%
				EU Stoxx 50	4,984	-1.0%	1.3%

Source: Bloomberg

Credit Headlines:**Frasers Hospitality Trust (“FHREIT”)**

- Perpetual (Asia) Limited, in its capacity as trustee of FHREIT has entered into a SGD220mn revolving credit facility agreement with DBS Bank Ltd. (Company)

Qantas Airways Limited (“Qantas”)

- Qantas and Perth Airport have reached a commercial agreement where Perth Airport will invest ~AUD3bn in new terminal facilities and a new parallel runway. This will form part of a AUD5bn capital investment program by Perth Airport which will also include multi-storey carparks, major access roadworks and an airport hotel.
- Qantas and Jetstar will relocate all services to a new terminal in the Airport Central precinct. As part of the agreement, Qantas plans to build a new engineering hangar at the precinct.
- Per Qantas, the agreement resolves all outstanding commercial issues in dispute between Perth Airport and Qantas. In the past, both parties had been embroiled in long running disputes surrounding non-payment of airport charges and terminal usage. (Company, OCBC)

Lendlease Group (“LLC”)

- LLC is cutting its FY2024 (ending June 2024) core operating profit after tax guidance from AUD450mn to AUD305mn, as the AUD1.3bn sale of 12 Communities projects is not able to complete by June 2024. Australian Competition and Consumer Commission will only announce the outcome of its review by 4 July 2024.
- LLC’s net gearing as at 30 June 2024 is expected to be ~17%-20% versus the previous guidance of ~15-16%. (Company, OCBC)

Sembcorp Industries Ltd (“SCI”)

- SCI announced that its wholly-owned subsidiary of Sembcorp Development has added three Vietnam Singapore Industrial Parks (“VSIP”) to its portfolio.
- The investment licenses for VSIP Thai Binh, VSIP Quang Ngai II and Becamex-VSIP Binh Thuan were awarded to companies held by Vietnam Singapore Industrial Park Joint Venture Company (“VSIP JV Co”). VSIP JV Co is SCI’s 49.3%-owned joint venture company with Vietnam state-owned enterprise Becamex IDC Corporation.
- SCI’s effective stake in the three new projects range from 24.6% to 49.3%. (Company)

UBS Group AG (“UBS”)

- UBS announced the completion of the merger of parent banks UBS AG and Credit Suisse AG on 31 May 2024. With the cessation of Credit Suisse AG as a separate legal entity, UBS AG has succeeded to all the rights and obligations of Credit Suisse AG, including Credit Suisse AG’s outstanding debt instruments.
- Credit Suisse AG clients have also become UBS AG clients although the migration of these clients onto UBS platforms will happen over time and after an interim period using existing Credit Suisse AG platforms and tools.
- Per UBS’s statement, completion of this merger is expected to “unlock the next phase of cost, capital, funding and tax benefits from the second half of 2024.” The merger is one of UBS’s key short-term priorities as part of its ongoing integration of Credit Suisse Group AG.
- The next priority will be the move to a single Intermediate Holding Company in the United States on 7 June 2024 with the merger of Credit Suisse (Schweiz) AG and UBS Switzerland AG to be completed in 3Q2024. Both are subject to regulatory approval. (Company, OCBC)

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
Cindyckung@ocbcwh.com

Herbert Wong
Hong Kong & Macau
HerberhtWong@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

This publication is solely for information purposes only and may not be published, circulated, reproduced, or distributed in whole or in part to any other person without our prior written consent. This publication should not be construed as an offer or solicitation for the subscription, purchase or sale of the securities/instruments mentioned herein. Any forecast on the economy, stock market, bond market and economic trends of the markets provided is not necessarily indicative of the future or likely performance of the securities/instruments. Whilst the information contained herein has been compiled from sources believed to be reliable and we have taken all reasonable care to ensure that the information contained in this publication is not untrue or misleading at the time of publication, we cannot guarantee and we make no representation as to its accuracy or completeness, and you should not act on it without first independently verifying its contents. The securities/instruments mentioned in this publication may not be suitable for investment by all investors. Any opinion or estimate contained in this report is subject to change without notice. We have not given any consideration to, and we have not made any investigation of the investment objectives, financial situation or particular needs of the recipient or any class of persons, and accordingly, no warranty whatsoever is given and no liability whatsoever is accepted for any loss arising whether directly or indirectly as a result of the recipient or any class of persons acting on such information or opinion or estimate. This publication may cover a wide range of topics and is not intended to be a comprehensive study or to provide any recommendation or advice on personal investing or financial planning. Accordingly, they should not be relied on or treated as a substitute for specific advice concerning individual situations. Please seek advice from a financial adviser regarding the suitability of any investment product taking into account your specific investment objectives, financial situation, or particular needs before you make a commitment to purchase the investment product. OCBC Bank, its related companies, their respective directors and/or employees (collectively "Related Persons") may or might have in the future interests in the investment products or the issuers mentioned herein. Such interests include effecting transactions in such investment products, and providing broking, investment banking and other financial services to such issuers. OCBC Bank and its Related Persons may also be related to, and receive fees from, providers of such investment products. This report is intended for your sole use and information. By accepting this report, you agree that you shall not share, communicate, distribute, deliver a copy of or otherwise disclose in any way all or any part of this report or any information contained herein (such report, part thereof and information, "Relevant Materials") to any person or entity (including, without limitation, any overseas office, affiliate, parent entity, subsidiary entity or related entity) (any such person or entity, a "Relevant Entity") in breach of any law, rule, regulation, guidance or similar. In particular, you agree not to share, communicate, distribute, deliver or otherwise disclose any Relevant Materials to any Relevant Entity that is subject to the Markets in Financial Instruments Directive (2014/65/EU) ("MiFID") and the EU's Markets in Financial Instruments Regulation (600/2014) ("MiFIR") (together referred to as "MiFID II"), or any part thereof, as implemented in any jurisdiction. No member of the OCBC Group shall be liable or responsible for the compliance by you or any Relevant Entity with any law, rule, regulation, guidance or similar (including, without limitation, MiFID II, as implemented in any jurisdiction).