

Asian Credit Daily

9 October 2024

Market Commentary:

- The SGD SORA OIS curve traded lower yesterday, with shorter tenors trading 3-4bps lower, belly tenors trading 2-3bps lower, and 10Y trading 1bps lower.
- Flows in SGD corporates were heavy, with flows in STANLN 5.3%-PERP, HSBC 5.25%-PERP, BACR 7.3%-PERP, KREITS 3.15%-PERP.
- China's recent efforts to boost the housing market have shown positive results, as evidenced by reports of strong sales and buyer interest during the country's week-long holiday. However, it remains uncertain whether this upward trend will continue in the long term. According to the China Index Academy, average daily sales in 25 cities increased by 23% compared to the previous year's national day celebrations, after adjusting for seasonal variations. However, analysts believe that these figures may not fully capture the actual number of transactions, as online deals have not been included in the tally yet, per Bloomberg.
- Bloomberg Asia USD Investment Grade spreads remained flat at 79bps while Bloomberg Asia USD High Yield spreads widened by 9bps to 483bps. (Bloomberg, OCBC)

Credit Summary:

- **CapitaLand Ascott Trust ("ART"):** ART has divested a small property, Citadines Karasuma-Gojo Kyoto in Japan to an unrelated third party for ~JPY6.18bn (SGD53.1mn).
- **CapitaLand China Trust ("CLCT"):** CapitaLand China Trust Management Limited ("REIT Manager), as manager of CLCT announced that HSBC Institutional Trust Services (Singapore) Limited (in its capacity as trustee of CLCT) has priced CNH400mn (~SGD73.8mn) 2.90% bonds due October 2027.
- **Frasers Hospitality Trust ("FHREIT"):** The share swap between InterBev Investment Limited (wholly-owned subsidiary of Thai Beverage Public Company Limited ("ThaiBev") and TCC Assets Limited ("TCC") has resulted in the failure of the managed investment trust ("MIT") status of FHT Australia Trust to qualify for a preferential Australian withholding tax rate. This is expected to lead to a reduction in FHREIT's distributable income and additional deferred tax liabilities to be recognised in FY2024.
- **Singapore Telecommunications Ltd ("SingTel"):** Singtel's landline faced outage on 8 Oct, resulting in an islandwide disruption of Singtel's telecommunications network.

Credit Headlines:**CapitaLand Ascott Trust (“ART”)**

- ART has divested a small property, Citadines Karasuma-Gojo Kyoto in Japan to an unrelated third party for ~JPY6.18bn (SGD53.1mn). The property was divested at 40.1% above book value and an exit EBITDA yield of ~0.3% based on 2023 EBITDA.
- Net proceeds are JPY4.4bn (SGD37.8mn) with ART to recognise a net gain of JPY0.9bn (SGD8.0mn). Per ART, the divestment is in line with its active portfolio rejuvenation strategy where the divestment proceeds is targeted to be invested in higher-yielding investments. (Company, OCBC)

CapitaLand China Trust (“CLCT”)

- CapitaLand China Trust Management Limited (“REIT Manager), as manager of CLCT announced that HSBC Institutional Trust Services (Singapore) Limited (in its capacity as trustee of CLCT) has priced CNH400mn (~SGD73.8mn) 2.90% bonds due October 2027.
- The net proceeds will be used for general corporate and working capital purposes, investment or refinancing of existing borrowings. (Company)

Frasers Hospitality Trust (“FHREIT”)

- FHREIT is a stapled security comprising of a REIT and a business trust.
- The REIT Manager and Trustee-Manager (collectively, the Managers) announced an update on the managed investment trust (“MIT”) status of FHT Australia Trust (“FHT Australia”, a wholly-owned subsidiary of the FHREIT REIT) for the financial year ended 30 September 2024 (“FY2024”).
 - To qualify as a withholding MIT, several conditions must be met and among these, no foreign individual can directly or indirectly hold, control or have the right to acquire an interest of 10% or more in FHREIT REIT (and therefore FHT Australia) at any time during the income year.
 - However, per FHREIT, the share swap between InterBev Investment Limited (wholly-owned subsidiary of Thai Beverage Public Company Limited (“ThaiBev”) and TCC Assets Limited (“TCC”) has resulted in the failure to continue to satisfy the condition. Namely, the condition where a foreign individual cannot hold an effective interest of more than 10% in FHREIT REIT and an effective indirect interest of more than 10% in FHT Australia.
 - FHT Australia would not qualify as a withholding MIT for FY2024 and will not enjoy a preferential Australian withholding tax rate.
 - As at 24 November 2023, TCC and ThaiBev hold significant deemed interest in FHREIT.
 - The Managers preliminary review estimates the reduction of FHREIT’s distributable income for FY2024 to be ~SGD1.3mn, representing a ~2.5% reduction to FHREIT’s FY2023 distributable income. Additional deferred tax liability to be recognised for FY2024 is estimated at SGD22mn, representing a ~1.7% reduction in FHREIT’s net asset value per stapled security as at 30 September 2023. (Company)

Singapore Telecommunications Ltd (“SingTel”)

- Singtel's landline faced outage on 8 Oct, resulting in an islandwide disruption of Singtel's telecommunications network.
- This outage had a significant impact on residential, corporate, and public services, including emergency hotlines like 999 and 995, as well as customer services for major banks such as DBS, OCBC, and UOB, rendering them unreachable.
- The disruption lasted more than three hours before services gradually resumed between 6pm to 7pm.
- A Singtel spokesperson stated that this was an isolated incident and there is no evidence to suggest it was a cyber-related event. They assured that Singtel is actively working with their partners to investigate the root cause and prevent such incidents from occurring again.

- The Infocomm Media Development Authority ("IMDA") regards any disruption to public telecommunications services seriously and has stated that they will conduct an investigation into the incident, as quoted by an IMDA spokeswoman. (The Business Times, OCBC)

New Issues:

Date	Issuer	Description	Currency	Size (mn)	Tenor	Final Pricing	Initial Pricing
08 Oct	Norinchukin Bank/The	Green, Fixed	USD	500	5Y	T+123bps	T+155bps area
08 Oct	Korea Development Bank/The	WNG, Fixed	USD	1000	3Y	SOFR MS+60bps	SOFR MS+62bps area
08 Oct	BNP Paribas SA	Tier 2	SGD	550	10.5NC5.5	3.95%	4.2% area

Mandates:

- The Hong Kong Mortgage Corp. is planning to issue HKD, CNH and USD Reg S senior unsecured, Fixed, social notes under the MTN program.
- Export-Import Bank of Korea is planning to issue USD 3Y Fixed bond.

Key Market Movements

	9-Oct	1W chg (bps)	1M chg (bps)		9-Oct	1W chg	1M chg
iTraxx Asiax IG	73	1	-25	Brent Crude Spot (\$/bbl)	77.7	5.1%	8.1%
				Gold Spot (\$/oz)	2,622	-1.4%	4.6%
iTraxx Japan	51	-2	-1	CRB Commodity Index	287	0.3%	6.6%
iTraxx Australia	66	0	0	S&P Commodity Index - GSCI	551	1.8%	7.0%
CDX NA IG	53	-1	1	VIX	21.4	11.2%	10.1%
CDX NA HY	107	0	1	US10Y Yield	4.01%	23bp	31bp
iTraxx Eur Main	58	-1	3				
iTraxx Eur XO	314	-2	14	AUD/USD	0.674	-2.0%	1.2%
iTraxx Eur Snr Fin	66	-1	3	EUR/USD	1.097	-0.7%	-0.6%
iTraxx Eur Sub Fin	118	-4	6	USD/SGD	1.304	-0.9%	0.2%
				AUD/SGD	0.879	1.2%	-1.1%
USD Swap Spread 10Y	-46	0	1	ASX200	8,217	0.2%	2.9%
USD Swap Spread 30Y	-82	0	0	DJIA	42,080	-0.2%	3.1%
				SPX	5,751	0.7%	5.1%
China 5Y CDS	62	1	2	MSCI Asiax	754	-3.1%	10.8%
Malaysia 5Y CDS	38	0	0	HSI	20,927	-6.8%	21.7%
Indonesia 5Y CDS	69	0	-2	STI	3,593	0.2%	2.8%
Thailand 5Y CDS	35	-1	-3	KLCI	1,642	0.2%	-0.6%
Australia 5Y CDS	12	0	0	JCI	7,557	-1.1%	-1.9%
				EU Stoxx 50	4,949	-0.1%	3.6%

Source: Bloomberg

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