

Asian Credit Daily

11 October 2024

Market Commentary:

- The SGD SORA OIS curve traded higher yesterday, with shorter tenors trading 1-3bps higher, and belly tenors and 10Y trading 3bps higher.
- Flows in SGD corporates were heavy, with flows in BNP 3.95% '35s, HSBC 5.25%-PERP, STANLN 5.3%-PERP, UBS 5.6%-PERP, TD 5.7%-PERP, CAPLSP 3.8% '31s, BNP 4.75% '34s, EREIT 6%-PERP, STSP 3.3%-PERP.
- According to Bloomberg, there is repayment pressure on bonds from a minimum of 83 Chinese companies, amounting to a total of USD54.7bn. This includes RMB328.73bn worth of notes and USD8.19bn of offshore bonds.
- On Wednesday, Guotai Junan Securities Co (HKG:2611) and Haitong Securities jointly announced their merger through a share swap deal. Under this agreement, Guotai Junan will issue A shares and H shares to Haitong shareholders at a ratio of 0.62 to 1. Additionally, Guotai Junan plans to raise RMB10bn yuan by issuing shares to its controlling shareholder.
- Starting Thursday, the People's Bank of China (PBOC) has announced that its swap facility will begin accepting applications from securities, funds, and insurance companies to access its funds. The initial size of the facility is RMB500bn (USD70.6bn), and it can be expanded further based on the prevailing circumstances. The purpose of this facility is to provide support to eligible brokerages, funds, and insurance firms by allowing them to use various assets like bonds, stock ETFs, CSI 300 constituent shares, etc., as collateral. In exchange, they can obtain high-grade liquid assets such as treasury bonds and central bank bills from the PBOC.
- In Europe, industrial companies are facing the highest level of credit stress since September 2020 according to the Weil European Distress. The index tracks financial market conditions and company performance with Germany experiencing the most stress amongst European countries with higher stress driven by weaker Chinese demand and higher investment pressures from geopolitics and high energy prices.
- Bloomberg Asia USD Investment Grade spreads widened by 1bps to 79bps while Bloomberg Asia USD High Yield spreads remained flat at 481bps. (Bloomberg, OCBC)
- There was no new Asiadollar mandate yesterday.

Credit Summary:

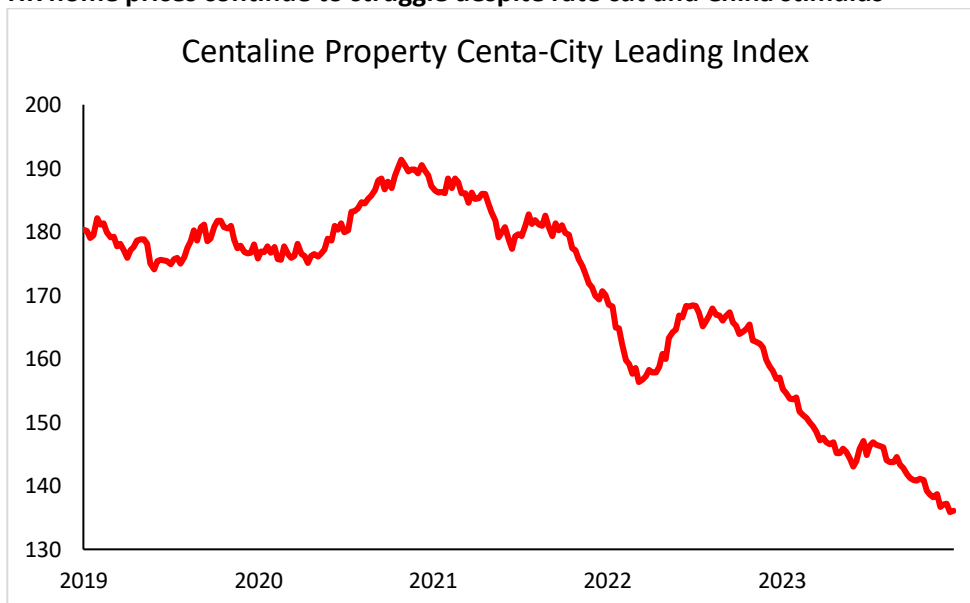
- **CK Asset Holdings Limited ("CKA"):** Per Yahoo Finance, CKA launched the first phase (128 units) of Blue Coast II project (558 units) in Wong Chuk Hang.
- **Wing Tai Holdings Ltd ("WINGTA"):** Uniqlo owner, Fast Retailing Co. ("Fast Retailing"), reported stronger-than-expected FY2024 (ended 31 August 2024) earnings and FY2025 guidance.

Credit Headlines:

CK Asset Holdings Limited (“CKA”)

- Per Yahoo Finance, CKA launched the first phase (128 units) of Blue Coast II project (558 units) in Wong Chuk Hang. The net price after discount is HKD21,500 psf (~SGD3,600), 2% cheaper than the price of Blue Coast I (HKD22,000) launched in April 2024.
- As a reference, Blue Coast I (642 units) recorded strong contracted sales of HKD10.8bn in March 2024.
- It is expected that both Blue Coast I and II (first phase) will be recording losses of ~22% as CKA previously indicated the cost psf is HKD28,000, though the actual losses may be lesser as it could be a marketing incentive to attract homebuyers.
- Per The Standard, **CKA forecasts that home prices in HKSAR have reached their lowest point but will not rebound sharply.** The launch price of Blue Coast II is 2% lower compared with other projects in the same district.
- **The latest CKA view is different from the comments made by the chairman, Victor Li, two months ago during the earnings release,** where Mr Li said that when the property market turns around, it will turn around very quickly.
- **We are not overly concerned even if the launch price is below the cost as the cash inflow is expected to improve credit metrics of CKA.** (Source: Yahoo Finance, Company, The Standard, OCBC, Centaline Property, Bloomberg)

HK home prices continue to struggle despite rate cut and China stimulus



Source: Centaline Property, Bloomberg

Wing Tai Holdings Ltd (“WINGTA”)

- Uniqlo owner, Fast Retailing Co. (“Fast Retailing”), reported stronger-than-expected FY2024 (ended 31 August 2024) earnings and FY2025 guidance.
- **Mixed results from Uniqlo Malaysia and Singapore:** Fast Retailing reported that “Malaysia, Thailand, the Philippines, Indonesia, Vietnam, India, and Australia reported strong performances with higher revenue and profit”. However, “Singapore reported lower revenue and a large decline in profits. Sales struggled in the face of declining consumer appetite for apparel and insufficient marketing efforts to kickstart a recovery in consumer demand. The large decline in profit was due to an increase in the SG&A ratio caused by the dip in revenue and competitive increases in salary levels.”
- Uniqlo store numbers in Singapore and Malaysia increased y/y to 30 (from 29) and 58 (from 54) respectively as at 31 August 2024.

- WINGTA owns 45% and 49% stakes of Uniqlo in Malaysia and Singapore respectively under a joint venture structure. As a reference, Uniqlo is a major earnings contributor to WINGTA, contributing 49% of WINGTA's FY2023 underlying net profit.
- **We believe the mixed results of Uniqlo in Singapore and Malaysia are likely a neutral event to WINGTA.** (Company, OCBC)

New Issues:

Date	Issuer	Description	Currency	Size (mn)	Tenor	Final Pricing	Initial Pricing
10 Oct	Junfeng International Co Ltd (keepwell Provider: Yantai Guofeng Investment Holdings Group Co Ltd)	Fixed	USD	270	3Y	5.6%	6.2% area

Key Market Movements

	11-Oct	1W chg (bps)	1M chg (bps)		11-Oct	1W chg	1M chg
iTraxx Asiax IG	72	0	-29	Brent Crude Spot (\$/bbl)	79.0	1.2%	11.8%
				Gold Spot (\$/oz)	2,635	-0.7%	4.9%
iTraxx Japan	50	-1	-2	CRB Commodity Index	291	-0.2%	7.9%
iTraxx Australia	65	0	-1	S&P Commodity Index - GSCI	559	0.7%	9.5%
CDX NA IG	52	-1	0	VIX	20.9	2.1%	18.3%
CDX NA HY	107	0	1	US10Y Yield	4.06%	9bp	41bp
iTraxx Eur Main	57	-1	-1				
iTraxx Eur XO	309	-3	-2	AUD/USD	0.674	-0.8%	1.0%
iTraxx Eur Snr Fin	65	-1	-1	EUR/USD	1.093	-0.4%	-0.7%
iTraxx Eur Sub Fin	116	-2	0	USD/SGD	1.306	-0.1%	-0.2%
				AUD/SGD	0.880	0.7%	-1.1%
USD Swap Spread 10Y	-47	0	0	ASX200	8,211	0.7%	2.8%
USD Swap Spread 30Y	-82	0	0	DJIA	42,454	1.1%	3.9%
				SPX	5,780	1.4%	4.1%
China 5Y CDS	63	1	0	MSCI Asiax	755	-2.3%	11.3%
Malaysia 5Y CDS	39	1	-1	HSI	21,252	-3.9%	24.2%
Indonesia 5Y CDS	69	1	-3	STI	3,585	-0.1%	1.5%
Thailand 5Y CDS	35	0	-3	KLCI	1,640	0.6%	0.0%
Australia 5Y CDS	12	0	0	JCI	7,480	-0.8%	-3.6%
				EU Stoxx 50	4,970	1.0%	4.3%

Source: Bloomberg

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