

Asian Credit Daily17 July 2024

Market Commentary:

- The SGD SORA curve traded lower yesterday, with short tenors trading 6-7bps lower, belly tenors trading 6-7bps lower and 10Y trading 7bps lower.
- Flows in SGD corporates were heavy, with flows in HSBC 5.25%-PERP, UBS 5.6%-PERP, TD 5.7%-PERP, HSBC 5.3% '34s, BPCEGP 5% '34s, BNP 5.9%-PERP, HSBC 4.5% '29s, HSBC 4.75% '34s, CAPLSP 3.8% '31s.
- Peking University Founder Group Corp. has been granted permission to proceed with a final appeal regarding a court ruling related to its obligations on "keepwell" bonds. The court of final appeal's decision in this case could potentially provide clarity on the future viability of keepwell bonds and their usefulness.
- Bloomberg Asia USD Investment Grade widened by 1bps to 83bps, while Bloomberg Asia USD High Yield remain unchanged at 498bps. (Bloomberg, OCBC)

Credit Summary:

- **Singapore Telecommunications Ltd ("SingTel"):** SingTel supports the amalgamation of Intouch Holdings PCL ("Intouch") and Gulf Energy Development PCL ("GULF") into a new company ("NewCo").

Credit Headlines:**Singapore Telecommunications Ltd (“SingTel”)**

- **To support amalgamation of Intouch and GULF:** SingTel supports the amalgamation of Intouch Holdings PCL (“Intouch”) and Gulf Energy Development PCL (“GULF”) into a new company (“NewCo”). The NewCo will be a leading digital and energy infrastructure player in Southeast Asia and is expected to become one of the largest and most liquid listed companies in Thailand. The transaction is expected to complete by 2Q2025.
- **Changes in stakes and gains for SingTel with amalgamation:** Currently, SingTel holds 24.99% stake while GULF holds 47.37% stake in Intouch. In turn, Intouch holds 40.44% stake in Advanced Info Service PCL (“AIS”). On completion of the amalgamation, SingTel is expected to receive ~9.1% of all NewCo shares and a special cash dividend of THB3.64bn (~SGD0.14bn) from Intouch. SingTel will book an estimated SGD0.4bn gain from the amalgamation.
- **Tender offer by SingTel and others for AIS:** With the amalgamation, Intouch, GULF and GULF’s major shareholder Mr. Sarath Ratanavadi are required to conduct a voluntary tender offer (“VTO”) for shares of AIS. SingTel, which owns 23.3% direct stake in AIS, intends to participate in the VTO as a joint offeror, to acquire shares in AIS at THB216.3 per share. Should AIS shares be tendered in acceptance of the VTO, the first 5% of all AIS shares will be allocated to SingTel, with the next 5% allocated to GULF. SingTel can acquire a maximum of 10% in AIS, and if so SingTel’s direct stake will be increased to ~33.3% and the aggregate consideration for the transaction will be THB64.33bn (~SGD2.38bn). SingTel intends to fund this via internal cash and loans.
- **Rationale and impact on SingTel:** SingTel may increase its direct stake in AIS, which it sees as a strong brand and business, with growth potential due to rapid digitalization and 5G adoption in Thailand while the industry may return to a more sustainable structure. The exercise also helps to remove Intouch as the intermediary holding company of SingTel’s indirect stake in AIS, thereby reducing HoldCo-OpCo subordination. (Company, OCBC)

New Issues:

Date	Issuer	Description	Currency	Size (mn)	Tenor	Final Pricing	Initial Pricing
16 Jul	China Cinda 2020 I Management Ltd (Guarantor: China Cinda HK Holdings Co Ltd)	Fixed	USD	500	3Y	T+115bps	T+165bps area
16 Jul	China Cinda 2020 I Management Ltd (Guarantor: China Cinda HK Holdings Co Ltd)	Fixed	USD	500	5.5Y	T+143bps	T+195bps area
16 Jul	Housing & Development Board	Green, Fixed	SGD	965	2Y	3.244%	NA

Mandates:

- SAEL Limited is planning to issue USD senior secured green bond with 7Y door-to-door tenor.
- PT Sorik Marapi Geothermal Power is planning to issue a USD 7NC3 bond.
- SM Investments Corp. is planning to issue a USD 5Y senior note.
- Mitsubishi HC Finance America LLC (Guarantor: Mitsubishi HC Capital Inc) is planning to issue a USD senior unsecured 5.25Y Fixed bond.
- HKSAR government is planning to issue a USD, EUR, CNH senior unsecured Green Fixed notes.

Key Market Movements

	17-Jul	1W chg (bps)	1M chg (bps)		17-Jul	1W chg	1M chg
iTraxx Asiax IG	93	1	-7	Brent Crude Spot (\$/bbl)	83.7	-1.7%	-0.7%
				Gold Spot (\$/oz)	2,482	4.7%	7.0%
iTraxx Japan	50	1	-5	CRB Commodity Index	286	-1.4%	-2.5%
iTraxx Australia	62	1	-9	S&P Commodity Index - GSCI	564	-1.5%	-2.3%
CDX NA IG	48	-1	-5	VIX	13.2	5.4%	3.5%
CDX NA HY	107	0	1	US10Y Yield	4.17%	-11bp	-11bp
iTraxx Eur Main	52	0	-11				
iTraxx Eur XO	287	-3	-42	AUD/USD	0.674	-0.1%	1.9%
iTraxx Eur Snr Fin	59	-1	-14	EUR/USD	1.090	0.7%	1.6%
iTraxx Eur Sub Fin	106	0	-25	USD/SGD	1.343	0.4%	0.6%
				AUD/SGD	0.905	0.5%	-1.2%
USD Swap Spread 10Y	-43	-1	-4	ASX200	8,074	3.3%	4.8%
USD Swap Spread 30Y	-78	0	-2	DJIA	40,954	4.2%	5.6%
				SPX	5,667	1.6%	3.5%
China 5Y CDS	61	4	-6	MSCI Asiax	715	0.4%	3.2%
Malaysia 5Y CDS	41	0	-7	HSI	17,697	1.3%	-1.3%
Indonesia 5Y CDS	73	2	-5	STI	3,489	0.8%	5.8%
Thailand 5Y CDS	40	1	-5	KLCI	1,632	0.8%	1.5%
Australia 5Y CDS	13	0	0	JCI	7,236	-0.7%	7.4%
				EU Stoxx 50	4,948	0.9%	1.4%

Source: Bloomberg

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