

Asian Credit Daily

17 October 2024

Market Commentary:

- The SGD SORA OIS curve traded lower yesterday, with shorter tenors trading 2-3bps lower, belly tenor and 10Y trading 3bps lower.
- Flows in SGD corporates were heavy, with flows in HSBC 5.25%-PERP, BNP 3.95% '35s, EREIT 6%-PERP, STANLN 5.3%-PERP, TD 5.7%-PERP, STTGDC 5.7%-PERP, INCINS 3.1% '50s.
- Taiwanese companies are experiencing the highest fundraising levels in nearly twenty years as chipmakers initiate expansion strategies to meet the increasing demand for artificial intelligence components. The rise in offerings from chipmakers and hardware manufacturers has contributed to a total of USD2.9bn in additional share sales by Taiwanese companies abroad this year, making it the highest since 2007 according to data compiled by Bloomberg. Additionally, the issuance of convertible bonds denominated in USD has surged to USD2.5bn.
- Bloomberg Asia USD Investment Grade spreads tightened by 1bps to 78bps while Bloomberg Asia USD High Yield spreads tightened by 4bps to 474bps. (Bloomberg, OCBC)
- There are no new Asiadollar mandates yesterday.

Credit Summary:

- **Industry Outlook - HKSAR Property, CK Asset Holdings Limited ("CKA"), Wing Tai Properties Ltd ("WTP"), Hongkong Land Holdings Ltd ("HKL") and The Hongkong Land Company Ltd ("HKCL"):** The Hong Kong Monetary Authority ("HKMA") relaxed mortgage restrictions to boost the struggling property market but the overall impact is likely modest.
- **Sembcorp Industries Ltd ("SCI"):** SCI, through its wholly-owned renewables subsidiary Sembcorp Green Infra Private Limited, has received the Letter of Award ("LOA") for a 150MW Inter State Transmission System ("ISTS") connected wind-solar hybrid power project from the Solar Energy Corporation of India Ltd ("SECI").

Industry Outlook – HKSAR Property

CK Asset Holdings Limited (“CKA”)

Wing Tai Properties Ltd (“WTP”)

Hongkong Land Holdings Ltd (“HKL”) and The Hongkong Land Company Ltd (“HKCL”)

- **The Hong Kong Monetary Authority (“HKMA”) relaxed mortgage restrictions to boost the struggling property market but the overall impact is likely modest.**
- The HKMA announced that official residential property prices declined by 6.2% y/y in 8M2024, with a cumulative correction of 26.6% from the peak in 2021. Meanwhile, the prices of offices, flatted factories and retail premises fell further in 8M2024 by 17.5%, 11.8% and 13.0% y/y respectively.
- With the new measures, homebuyers will be able to obtain a maximum loan-to-value (“LTV”) ratio of 70% for all properties, regardless of the value and whether it is for self-occupation. Meanwhile, the maximum debt servicing ratio (“DSR”) will increase to 50%.
- JLL’s chairman mentioned that the new measures are likely to have positive impacts on transaction volumes, though these measures alone may not be sufficient to reverse the downward trend in home prices.
- Chief executive of Centaline Property Group shared that the weaknesses in the housing market are not dragged primarily from difficulty in obtaining mortgages, but also from (1) potential further declines in property value, (2) high supply, (3) high interest rates, and (4) economic confidence and weak sentiments.
- Market’s response to the latest measures appear muted as the Hang Seng Index – Properties (composition members including major HK developers) fell ~1.8% as of writing today, erasing the gain of 1.9% on 16 October 2024. (Source: DimSum Daily, HKMA, Centaline Property Group, JLL, Bloomberg, OCBC)

Higher LTV ratio and DSR Limit

LTV Ratio	Previously	16-Oct-24	Difference
First time buyers			
Residential - Self use			
- ≤HKD30mn	70%	70%	-
- HKD30mn - HKD35mn	60-70%	70%	0 to 10%
- HKD35mn	60%	70%	10%
Residential - Rental purpose or company held	60%	70%	10%
Commercial and industrial properties	70%	70%	-
Second or more time buyers			
Residential - Self use			
- ≤HKD30mn	60%	70%	10%
- HKD30mn - HKD35mn	50-60%	70%	10 to 20%
- HKD35mn	50%	70%	20%
Residential - Rental purpose or company held	50%	70%	20%
Commercial and industrial properties	60%	70%	10%
DSR Limits	Previously	16-Oct-24	Difference
First time buyers			
Residential, commercial and industrial - Self Use	50%	50%	-
Rental purpose or company held	40%	50%	10%

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<u>Second or more time buyers</u>			
Residential, commercial and industrial - Self Use	40%	50%	10%
Rental purpose or company held	40%	50%	10%

Source: HKMA, OCBC

Sembcorp Industries Ltd (“SCI”)

- SCI, through its wholly-owned renewables subsidiary Sembcorp Green Infra Private Limited, has received the Letter of Award (“LOA”) for a 150MW Inter State Transmission System (“ISTS”) connected wind-solar hybrid power project from the Solar Energy Corporation of India Ltd (“SECI”). The build-own-operate project is part of a 600MW bid issued by the SECI.
- Subject to the execution of a power purchase agreement (“PPA”) and upon completion of the project, power output from the project will be sold to SECI under a 25Y long term PPA.
- The project will be funded through a mixture of internal funds and debt. (Company)

New Issues:

Date	Issuer	Description	Currency	Size (mn)	Tenor	Final Pricing	Initial Pricing
16 Oct	Sekisui House Ltd	Fixed	USD	500	Long 5Y	T+88bps	T+125bps area
16 Oct	Sekisui House Ltd	Fixed	USD	500	10Y	T+113bps	T+150bps area
16 Oct	Muthoot Finance Ltd	Fixed	USD	400	4.5Y	99.996 to Yield 6.375%	6.7% area
16 Oct	Philippine National Bank	Sustainability, Fixed	USD	300	5Y	T+102bps	T+130bps area
16 Oct	Sembcorp Financial Services Pte Ltd (guarantor: Sembcorp Industries Ltd)	Green, Fixed	SGD	350	12Y	3.65%	3.9% area
16 Oct	Cagamas Global PLC (guarantor: Cagamas Bhd)	Fixed	SGD	105	1Y	3.25%	NA
16 Oct	Banco Santander SA	Fixed, Senior Non-Preferred	SGD	300	6NC5	3.6%	3.8% area

Key Market Movements

	17-Oct	1W chg (bps)	1M chg (bps)		17-Oct	1W chg	1M chg
iTraxx Asiax IG	72	1	-23	Brent Crude Spot (\$/bbl)	74.6	-2.6%	2.5%
				Gold Spot (\$/oz)	2,669	2.4%	3.4%
iTraxx Japan	51	1	0	CRB Commodity Index	283	-3.6%	2.2%
iTraxx Australia	66	1	4	S&P Commodity Index - GSCI	537	-2.0%	2.5%
CDX NA IG	51	-1	2	VIX	20.6	-3.6%	20.4%
CDX NA HY	108	0	0	US10Y Yield	4.03%	-4bp	41bp
iTraxx Eur Main	56	-1	4				
iTraxx Eur XO	304	-5	18	AUD/USD	0.669	-0.4%	-0.9%
iTraxx Eur Snr Fin	64	-1	3	EUR/USD	1.089	-0.4%	-2.2%
iTraxx Eur Sub Fin	113	-3	6	USD/SGD	1.309	-0.1%	-1.0%
				AUD/SGD	0.876	0.3%	-0.1%
USD Swap Spread 10Y	-47	-1	-1	ASX200	8,301	1.4%	2.2%
USD Swap Spread 30Y	-81	0	0	DJIA	42,740	1.6%	2.7%
				SPX	5,815	1.1%	3.2%
China 5Y CDS	64	1	6	MSCI Asiax	748	0.0%	7.5%
Malaysia 5Y CDS	40	1	2	HSI	20,419	-2.4%	17.2%
Indonesia 5Y CDS	69	-1	1	STI	3,608	0.4%	1.1%
Thailand 5Y CDS	36	1	1	KLCI	1,635	0.0%	-1.1%
Australia 5Y CDS	13	0	1	JCI	7,647	1.9%	-2.1%
				EU Stoxx 50	4,947	0.0%	2.5%

Source: Bloomberg

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