

## Asian Credit Daily

18 July 2024

### Market Commentary:

- The SGD SORA OIS curve traded mixed yesterday, with short tenors trading flat to 2bps higher, belly tenors trading flat to 1bps lower and 10Y trading 1bps lower.
- Flows in SGD corporates were heavy, with flows in HSBC 5.25%-PERP, TD 5.7%-PERP, UBS 5.75%-PERP, STTGDC 5.7%-PERP, UBS 5.6%-PERP.
- Allianz SE has offered to buy at least 51% in Income Insurance Limited in a SGD2.2bn cash deal. Ares Management Corp. is nearing the completion of a deal to acquire a majority stake in the HKD10.2bn project loan supporting the development of luxury apartments known as The Corniche in Hong Kong. In April, Ares had initially proposed purchasing the loan at a rate of 95 cents on the dollar, as reported by Bloomberg News.
- Bloomberg Asia USD Investment Grade remain unchanged at 83bps, and Bloomberg Asia USD High Yield tightened by 6bps to 492bps. (Bloomberg, OCBC)

### Credit Summary:

- **Fraser and Neave Ltd (“FNN”) & Frasers Property Ltd (“FPL”):** Thai Beverage PCL (“Thai Bev”) has proposed a share swap with TCC Assets Ltd (“TCC”).
- **HSBC Holdings PLC (“HSBC”):** HSBC has announced the appointment of current Chief Financial Officer Georges Elhedery as Chief Executive Officer effective from 2 September 2024.

**Credit Headlines:****Fraser and Neave Ltd (“FNN”)****Fraser Property Ltd (“FPL”)**

- **Thai Bev swapping FPL for FNN stakes with TCC:** Thai Beverage PCL (“Thai Bev”) has proposed a share swap with TCC Assets Ltd (“TCC”). This will include the transfer of all 28.78% stake that Thai Bev holds in FPL, while TCC will transfer to Thai Bev its 41.3% shareholding in FNN. The swap will be executed at a ratio of approximately 1.88 FPL shares for each FNN shares, at a negotiated price of SGD1.89 per FPL share and SGD3.55 per FNN share.
- **Thai Bev to become major shareholder of FNN, while TCC will hold most of FPL:** Following the swap, Thai Bev will not hold any interest in FPL, while its stake in FNN will increase to 69.61% (from 28.31%). In turn, TCC’s stake in FNN will decrease from 58.9% to 17.6%, while its stake in FPL will increase from 58.1% to 86.69%.
- **Rationale for Thai Bev:** According to Thai Bev, the purposes are to (1) entrench its position as a stable and sustainable ASEAN leader and cement its pure-play status by exiting the property business, (2) strengthen the collective potential of Thai Bev’s non-alcoholic beverage segment and FNN’s beverage and food brands to expand its reach in Southeast Asia and (3) enhance its operational synergies and financial strength, with pro forma accretion to earnings and improvement in debt to EBITDA ratio.
- **No material change in ultimate controlling shareholder:** The controlling shareholder of FPL remains the same (TCC). While Thai Bev has emerged as the controlling shareholder of FNN, we do not see a significant change in the ultimate controlling shareholder. As of 30 September 2023, Mr. Charoen Sirivadhanabhakdi and the estate of the late Khunying Wanna Sirivadhanabhakdi have a deemed interest of 65.85% in Thai Bev. (Company, OCBC)

**HSBC Holdings PLC (“HSBC”)**

- HSBC has announced the appointment of current Chief Financial Officer Georges Elhedery as Chief Executive Officer effective from 2 September 2024. He will replace current Chief Executive Officer Noel Quinn who unexpectedly announced that he will be retiring after almost 5 years when HSBC announced its 1Q2024 results at the end of April. Mr Quinn will step down in early September 2024 but remain available to HSBC until 30 April 2025 for the transition.
- Mr Elhedery was officially appointed as Chief Financial Officer in January 2023 and was previously head of Global Banking and Markets. At the time, the move was part of succession planning according to comments from Mr Quinn.
- Given the internal appointment, no major changes in HSBC’s current strategy are expected with HSBC’s current pivot towards higher return businesses and regions, mostly in Asia, paying off. Most recently it was reported that HSBC was considering the sale of its German wealth management unit and funds administration business.
- HSBC’s 1Q2024 results announced end April were influenced by its strategic actions with profit before tax of USD12.7bn in 1Q2024 reflecting a USD4.8bn gain on completion of the Canadian banking business disposal (including fair value gains on the hedging of the sale proceeds) and a USD1.1bn impairment following the classification of HSBC’s Argentinian business as held for sale. Prior period comparisons are also affected by the 1Q2023 USD2.1bn impairment reversal related to the sale of retail banking operations in France, and a USD1.5bn gain on the acquisition of Silicon Valley Bank UK Limited. On an underlying basis, revenue performance appears solid on higher customer activity in Wealth and Personal Banking while Global Banking and Markets performance benefited from higher trading income and solid performance in Equities and Securities Financing. This offset lower net interest income due to higher deposit costs with the net interest margin down 6bps y/y to 1.63% in 1Q2024.
- HSBC will announce its 2Q2024 and 1H2024 results on 31 July 2024. (Company, Bloomberg, OCBC)

**New Issues:**

Date	Issuer	Description	Currency	Size (mn)	Tenor	Final Pricing	Initial Pricing
17 Jul	Ningbo Yincheng Group Co Ltd	Sustainable, Fixed	USD	200	3Y	5.38%	5.8% area
17 Jul	Smic SG Holdings Pte (Guarantor: SM Investments Corp)	Fixed	USD	500	5Y	T+135bps	T+170bps area
17 Jul	Woori Bank	AT1	USD	550	PerpNC5	6.375%	6.75% area
17 Jul	Hong Kong Government International Bond	Green, Fixed	USD	1000	3Y	T+12bps	T+40bps area
17 Jul	Mitsubishi HC Finance America LLC (Guarantor: Mitsubishi HC Capital Inc)	Fixed	USD	500	5.25Y	T+110bps	T+135bps area

**Mandates:**

- There were no new Asiadollar mandates yesterday.

**Key Market Movements**

	18-Jul	1W chg (bps)	1M chg (bps)		18-Jul	1W chg	1M chg
iTraxx Asiax IG	95	5	-4	Brent Crude Spot (\$/bbl)	85.4	0.0%	0.1%
				Gold Spot (\$/oz)	2,466	2.1%	5.9%
iTraxx Japan	49	1	-4	CRB Commodity Index	286	-1.3%	-3.3%
iTraxx Australia	63	2	-8	S&P Commodity Index - GSCI	568	-1.0%	-2.4%
CDX NA IG	49	0	-3	VIX	14.5	12.7%	17.7%
CDX NA HY	107	0	1	US10Y Yield	4.17%	-4bp	-6bp
iTraxx Eur Main	53	1	-8				
iTraxx Eur XO	291	3	-28	AUD/USD	0.674	-0.3%	1.2%
iTraxx Eur Snr Fin	61	1	-10	EUR/USD	1.094	0.6%	1.8%
iTraxx Eur Sub Fin	109	3	-17	USD/SGD	1.340	0.2%	0.8%
				AUD/SGD	0.903	0.5%	-0.4%
USD Swap Spread 10Y	-43	1	-3	ASX200	8,033	1.8%	3.3%
USD Swap Spread 30Y	-78	1	-1	DJIA	41,198	3.7%	6.1%
				SPX	5,588	-0.8%	1.8%
China 5Y CDS	63	7	-5	MSCI Asiax	711	-1.3%	2.3%
Malaysia 5Y CDS	42	2	-6	HSI	17,809	-0.1%	-0.6%
Indonesia 5Y CDS	74	4	-3	STI	3,468	-0.2%	5.0%
Thailand 5Y CDS	40	1	-5	KLCI	1,632	0.5%	1.6%
Australia 5Y CDS	13	0	0	JCI	7,298	0.0%	8.4%
				EU Stoxx 50	4,891	-1.4%	-0.5%

Source: Bloomberg

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