

Asian Credit Daily

19 July 2024

Market Commentary:

- The SGD SORA OIS curve traded higher yesterday, with short tenors trading flat to 3-4bps higher, belly and 10Y tenors trading 4bps higher.
- Flows in SGD corporates were heavy, with flows in HSBC 5.25%-PERP, UBS 5.6%-PERP, TD 5.7%-PERP, ARTSP 3.07%-PERP, HSBC 4.75% '34s.
- China Vanke Co. Ltd (“Vanke”) announced that it will be obtaining bank loans totaling RMB14.73bn (USD2bn), which will be guaranteed by two of its wholly owned units. Shenzhen Jiuzhou Real Estate Development Co., a subsidiary of Vanke, has provided a guarantee for a RMB12bn loan, while Chongqing Xipan Real Estate Co., has offered a guarantee for a RMB2.73bn loan.
- Bloomberg Asia USD Investment Grade remain unchanged at 83bps, and Bloomberg Asia USD High Yield tightened by 3bps to 489bps. (Bloomberg, OCBC)

Credit Summary:

- **Frasers Hospitality Trust (“FHREIT”):** Frasers Hospitality Trust Asset Management Pte. Ltd. as manager of Frasers Hospitality Real Estate Investment Trust (the FHREIT REIT Manager) and Frasers Hospitality Trust Management Pte Ltd (Trustee-Manager of Frasers Hospitality Business Trust) announced the entry into multiple agreements.
- **Keppel Ltd (“KEP”):** KEP through its infrastructure division signed a memorandum of understanding (“MOU”) with Sojitz, a Tokyo-based investment and general trading company, to pursue decarbonisation and clean energy business opportunities in the Asia-Pacific region.
- **Shangri-La Asia Ltd (“SHANG”):** SHANG has priced RMB1bn (~USD138mn) of unsecured panda bonds in two parts. This includes a RMB600mn 3Y bond at 2.27% and RMB400mn 5Y bond at 2.5%.
- **Westpac Banking Corporation (“Westpac”):** The Australian Prudential Regulation Authority (“APRA”) announced that it will halve the AUD1bn capital add on for Westpac.

Credit Headlines:**Frasers Hospitality Trust (“FHREIT”)**

- Frasers Hospitality Trust Asset Management Pte. Ltd. as manager of Frasers Hospitality Real Estate Investment Trust (the FHREIT REIT Manager) and Frasers Hospitality Trust Management Pte Ltd (Trustee-Manager of Frasers Hospitality Business Trust) announced the entry into:
 - A renewal master lease agreement between an indirect wholly owned subsidiary of the REIT as lessor and an indirect wholly-owned subsidiary of Frasers Property Limited (“FPL”), as lessees in respect of the Ibis Styles London Gloucester Road for a further 10Y period from 14 July 2024.
 - A renewal master lease agreement between an indirect wholly-owned subsidiary of the REIT as lessor and PI Hotel as lessee in respect of Park International Hotel London pursuant to the exercise by PI Hotel of its option to renew the term (bringing the total extension for a further 10Y period from 14 July 2024).
 - A new master lease arrangement between Apex Group Trust (Japan) Company Limited (trustee of a Japanese trust which the REIT holds all the beneficial interest) as lessor and an indirect wholly-owned subsidiary of FPL as lessee, in respect of the ANA Crowne Plaza Kobe for a further 5Y period commencing from 14 July 2024.
 - A corporate guarantee made between Apex Group Trust (Japan) Company Limited, as trustee acting for the benefit of the Kobe hotel lessor and beneficiary under the new corporate guarantee and FPL as guarantor under the new corporate guarantee. Per FHREIT, the terms of the new corporate guarantee are on substantially the same terms and conditions as the existing corporate guarantee dated 14 July 2014. (Company)

Keppel Ltd (“KEP”)

- KEP through its infrastructure division signed a memorandum of understanding (“MOU”) with Sojitz, a Tokyo-based investment and general trading company, to pursue decarbonisation and clean energy business opportunities in the Asia-Pacific region.
- Both companies will identify and develop projects in bioenergy and resource recovery. In addition, they will invest in and operate energy solutions.
- Separately, Reuters reported that the extension of a multilateral deal by Singapore to import hydropower from Laos is stuck due to disagreements over how the energy will be transmitted through Malaysia and Thailand (the Lao PDR-Thailand-Malaysia-Singapore Project). The power retail arm of KEP and Electricite du Laos (EDL) has reportedly signed a renewal agreement but has yet to sign arrangements with Thailand and Malaysia. That said, the respective regulators and utilities as well as KEP have not made official announcements with regards to these news reports. (Business Times, Reuters)

Shangri-La Asia Ltd (“SHANG”)

- SHANG has priced RMB1bn (~USD138mn) of unsecured panda bonds in two parts. This includes a RMB600mn 3Y bond at 2.27% and RMB400mn 5Y bond at 2.5%.
- Earlier in June 2024, SHANG had issued an inaugural panda bond amounting to RMB1bn (~USD138mn) with a 3Y tenor. (Informa Global Markets)

Westpac Banking Corporation (“Westpac”)

- The Australian Prudential Regulation Authority (“APRA”) announced that it will halve the AUD1bn capital add on for Westpac. This capital add-on was imposed in two equal phases in 2019 to reflect (1) higher operational risk identified in the bank’s Risk Governance Self-Assessment as well as (2) governance concerns stemming from a higher operating risk profile due to proceedings by Australia’s financial crimes intelligence agency (‘AUSTRAC’) against Westpac for alleged systemic breaches under the Anti-Money Laundering and Counter-Terrorism Financing Act. These surfaced in late November 2019.
- As a consequence of those proceedings, Westpac also entered into a Court Enforceable Undertaking with APRA in December 2020 with a plan to correct its operational risk and governance shortcomings and APRA’s decision to lower the capital add-on to AUD500mn reflects progress under its program to address the Court Enforceable Undertaking.
- In the 1HFY2024 results for the 6 months ended 31 March 2024 announced on 6 May 2024, Westpac’s CET1 capital ratio of 12.55% as at 31 March 2024 was up 17bps from 12.38% as at 30 September 2023 (12.28% as at 31 March 2023). The CET1 capital ratio remained above the Australian Prudential Regulation Authority’s (“APRA”) ‘Unquestionably Strong’ benchmark and the bank’s revised 11.0-11.5% preferred capital range with a buffer of AUD4.7bn against the top of the range. On an internationally comparable basis, Westpac’s CET1 ratio improves to 18.55% as at 31 March 2024. (APRA, Company, OCBC)

New Issues:

Date	Issuer	Description	Currency	Size (mn)	Tenor	Final Pricing	Initial Pricing
18 Jul	Hanwha Aerospace Co Ltd	Floating	USD	140	3Y	SOFR+105bps	NA
18 Jul	Industrial & Commercial Bank of China Ltd of London	Floating	USD	100	3Y	SOFR+48ps	NA

Mandates:

- There were no new Asiadollar mandates yesterday.

Key Market Movements

	19-Jul	1W chg (bps)	1M chg (bps)		19-Jul	1W chg	1M chg
iTraxx Asiax IG	96	6	-2	Brent Crude Spot (\$/bbl)	84.7	-0.4%	-0.5%
				Gold Spot (\$/oz)	2,430	0.8%	4.4%
iTraxx Japan	51	2	-2	CRB Commodity Index	286	-1.7%	-3.4%
iTraxx Australia	64	2	-6	S&P Commodity Index - GSCI	567	-1.3%	-2.7%
CDX NA IG	50	2	-2	VIX	15.9	23.3%	29.5%
CDX NA HY	107	0	0	US10Y Yield	4.19%	1bp	-3bp
iTraxx Eur Main	54	3	-9				
iTraxx Eur XO	291	7	-36	AUD/USD	0.670	-1.2%	0.4%
iTraxx Eur Snr Fin	61	3	-11	EUR/USD	1.089	-0.1%	1.4%
iTraxx Eur Sub Fin	110	6	-20	USD/SGD	1.344	-0.2%	0.5%
				AUD/SGD	0.901	1.0%	0.1%
USD Swap Spread 10Y	-43	0	-3	ASX200	7,940	-0.2%	2.2%
USD Swap Spread 30Y	-79	0	-1	DJIA	40,665	2.3%	4.7%
				SPX	5,545	-0.7%	1.0%
China 5Y CDS	65	9	-1	MSCI Asiax	708	-1.7%	0.4%
Malaysia 5Y CDS	42	2	-4	HSI	17,778	-0.3%	-3.5%
Indonesia 5Y CDS	75	5	-1	STI	3,471	-0.8%	5.1%
Thailand 5Y CDS	41	2	-3	KLCI	1,634	0.9%	2.1%
Australia 5Y CDS	13	0	0	JCI	7,321	0.3%	8.8%
				EU Stoxx 50	4,870	-2.1%	-0.3%

Source: Bloomberg

Macro Research

Selena Ling

Head of Research & Strategy
lingssselena@ocbc.com

Herbert Wong

Hong Kong & Taiwan Economist
herberhtwong@ocbc.com

Jonathan Ng

ASEAN Economist
jonathanng4@ocbc.com

Tommy Xie Dongming

Head of Asia Macro Research
xied@ocbc.com

Lavanya Venkateswaran

Senior ASEAN Economist
lavyanavenkateswaran@ocbc.com

Ong Shu Yi

ESG Analyst
shuyiong1@ocbc.com

Keung Ching (Cindy)

Hong Kong & Macau Economist
cindyckeung@ocbc.com

Ahmad A Enver

ASEAN Economist
ahmad.enver@ocbc.com

FX/Rates Strategy

Frances Cheung, CFA

Head of FX & Rates Strategy
francescheung@ocbc.com

Christopher Wong

FX Strategist
christopherwong@ocbc.com

Credit Research

Andrew Wong

Head of Credit Research
wongvkam@ocbc.com

Ezien Hoo

Credit Research Analyst
ezienhoo@ocbc.com

Wong Hong Wei

Credit Research Analyst
wonghongwei@ocbc.com

Chin Meng Tee

Credit Research Analyst
mengteechin@ocbc.com

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