

Asian Credit Daily

19 June 2024

Market Commentary:

- The SGD SORA curve traded higher yesterday, with short tenors trading 2-3bps higher, belly tenors trading 2bps higher and 10Y trading 1bps higher.
- Flows in SGD corporates were heavy, with flows in HSBC 5.25%-PERP, MFCCN 4.275% '34s, BNP 5.9%-PERP, UBS 5.75%-PERP, SRENVX 3.125% '35s, STTGDC 5.7%-PERP, UOBSP 5.25%-PERP, BNP 4.75% '34s, BPCEGP 5% '34s, UBS 4.85%-PERP, BACR 8.3%-PERP.
- Chinese firms are participating in the largest wave of Japanese yen bond issuance by borrowers from Japan since 1986. According to data from Bloomberg, Chinese borrowers have issued JPY131bn (USD831mn) of debt in 2024, marking the highest amount since JPY135bn during the same period in 1986. However, this figure is significantly smaller compared to the USD26.1bn worth of dollar notes sold by Chinese companies this year.
- Bloomberg Asia USD Investment Grade widened by 1bps to 81bps, while Asia USD High Yield widened by 5bps to 500bps. (Bloomberg, OCBC)

Credit Summary:

- **Singapore Airlines Ltd ("SIA"):** SIA reported its May 2024 operating data. On a group airline basis, passenger load was 86.1% in May 2024, decreasing by 1.1 ppts versus the 87.2% in April 2024. In May 2023, passenger load factor was 88.0%. Passenger load factor was 84.5% in January 2020 (before COVID-19 went global).
- **Singapore Telecommunications Ltd ("SingTel"):** A KKR-led consortium of KKR (on behalf of funds managed by it) and SingTel will invest SGD1.75bn in STT Telemedia Global Data Centres ("STTGDC").
- **Industry Outlook – Financial Institutions:** The European Union is delaying the implementation of the Fundamental Review of the Trading Book ("FRTB") standards within Basel III for one year until 2026.

Credit Headlines:**Singapore Airlines Ltd (“SIA”)**

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- Group passenger carried was 3.23 million in May 2024, versus 3.17 million in April 2024 (May 2023: 2.83 million). Passenger capacity on a group airline basis was 14,534.0 million seat-kilometres in May 2024, increasing by 12.6% y/y.
- SIA cargo load factor was 56.5% in May 2024 versus 58.6% in April 2024 (May 2023: 53.2%). In May 2024, cargo load by million tonne-km increased by 18.5% y/y while capacity by million tonne-kilometres increased by 11.7% y/y. Per SIA, cargo loads increased on the back of strong e-commerce demand and some demand spillover from disruptions in sea freight.
- On the passenger front, per SIA, demand for air travel remained robust across all route regions.
- Separately, in May 2024, an SIA flight was involved in a severe turbulence incident. Investigations are ongoing and final tally for the compensation is not yet available, although SIA has offered a compensation to affected passengers. For example, passengers who sustained minor injuries have been offered USD10,000. (Company, OCBC)

Singapore Telecommunications Ltd (“SingTel”)Buying into ST Telemedia Global Data Centres

- **Investing up to SGD684mn in STT GDC:** A KKR-led consortium of KKR (on behalf of funds managed by it) and SingTel will invest SGD1.75bn in STT Telemedia Global Data Centres (“STTGDC”). There is also warrants, which if exercised in full, will result in the consortium investing an additional SGD1.24bn. For SingTel, its share of the initial investment will be SGD400mn (or SGD684mn including warrants if exercised in full).
- **To capture growth opportunity:** SingTel is taking part as it sees ‘tremendous growth opportunity’ in the data centre business, with rapid digitalization combined with artificial intelligence expected to accelerate global demand for data centre services.
- **Transaction not prejudicial to SingTel and its minority shareholders:** Temasek Holdings Pte Ltd is deemed to be a controlling shareholder of SingTel while STT GDC is considered to be an associate of Temasek (with Temasek holding more than 30% interest). While the transaction constitutes an ‘interested person transaction’, Ernst & Young Corporate Finance Pte Ltd and the audit committee of SingTel opines that the transaction is not prejudicial to the interest of the company and its minority shareholders.

Data centre in Malaysia

- **Develop and operate an AI-ready data centre in Malaysia:** SingTel announced that its subsidiary Nxera MY Pte Ltd (“Nxera MY”) has entered into a conditional joint venture agreement with TM DC Educity Sdn Bhd (indirect wholly owned subsidiary of Telekom Malaysia Bhd) to develop and operate a data centre campus in Johor, Malaysia. Nxera MY is a wholly-owned subsidiary of Nxera Investment Holdings Pte Ltd, the holding company for SingTel’s regional data centre business.
- **Nxera to hold 49% stake:** Under the joint venture agreement, Nxera MY will hold 49% stake, with TM DC Educity Sdn Bhd holding the remaining 51% in the company.

Initial commitment of MYR564mn for the partnership: The joint venture partners have agreed to commit MYR1.15bn as initial capital for the company (Nxera’s pro rata commitment being MYR564mn) over a period of 5 years. Part of the use of proceeds will be for the MYR178.2mn acquisition of a plot of freehold land in Mukim, Pulai in Johor Bahru, for the development of a data centre facility. (Company, OCBC)

Industry Outlook – Financial Institutions

- The European Union is delaying the implementation of the Fundamental Review of the Trading Book (“FRTB”) standards within Basel III for one year until 2026. This is due to a similar delay by US regulators in implementing these regulations for determining capital requirements for market price risks.
- The regulations include, amongst others, stricter separation of positions between the trading and banking book, standardised approaches for market price risks, and revised regulations on the use of internal models.
- These are expected to increase capital requirements for Financial Institutions once implemented, hence a synchronised delay to ensure no region’s banks are disadvantaged by implementing stricter capital requirements first. Per Bloomberg, the implementation of the full package of Basel III standards would increase capital requirements for European banks by 9.9% and more for US banks. (Reuters, Bloomberg, KPMG, OCBC)

New Issues:

Date	Issuer	Description	Currency	Size (mn)	Tenor	Final Pricing	Initial Pricing
18 Jun	Hyundai Capital America	Fixed	USD	750	2Y	T+78bps	T+105bps area
18 Jun	Hyundai Capital America	Fixed	USD	750	3Y	T+90bps	T+115bps area
18 Jun	Hyundai Capital America	FRN	USD	750	3Y	SOFR+104bps	SOFR Equiv
18 Jun	Hyundai Capital America	Fixed	USD	750	5Y	T+110bps	T+135bps area
18 Jun	Hyundai Capital America	Fixed	USD	750	7Y	T+120bps	T+145bps area
18 Jun	Korea Development Bank/The	Fixed	USD	1,000	3Y	SOFR MS+56bps	SOFR MS+56bps area
18 Jun	Bank of China Limited, Panama Branch	FRN, Sustainability	USD	300	2Y	SOFR+52bps	SOFR+95bps area
18 Jun	Bank of China Limited Hungarian branch	FRN, Sustainability	USD	500	3Y	SOFR+55bps	SOFR+100bps area
18 Jun	Eight SPVs of Continuum Green Energy India Pvt	Fixed, Green	USD	650	9NC3	7.5%	7.625% area
18 Jun	Guotai Junan Holdings Limited (Guarantor: Guotai Junan Securities Co., together with its subsidiaries, the "Group")	FRN	USD	400	3Y	SOFR+65bps	SOFR+115bps area
18 Jun	MGM China Holdings Ltd	Fixed	USD	500	7NC3	7.125%	7.25% - 7.5%
18 Jun	UBS Group AG	Fixed	SGD	500	PerpNC5.5	5.6%	5.85% area

Mandates:

- Changchun Urban Development & Investment Holdings Group Co. is planning to issue USD-denominated Regulation S (Cat 1) registered form senior unsecured fixed rate bonds.

Key Market Movements

	19-Jun	1W chg (bps)	1M chg (bps)		19-Jun	1W chg	1M chg
iTraxx Asiax IG	100	4	10	Brent Crude Spot (\$/bbl)	85.3	3.3%	1.6%
				Gold Spot (\$/oz)	2,331	0.3%	-3.9%
iTraxx Japan	54	2	6	CRB Commodity Index	296	1.0%	0.7%
iTraxx Australia	71	4	8	S&P Commodity Index - GSCI	582	1.6%	-0.9%
CDX NA IG	52	3	4	VIX	12.3	-4.3%	2.6%
CDX NA HY	107	0	-1	US10Y Yield	4.22%	-9bp	-20bp
iTraxx Eur Main	61	7	10				
iTraxx Eur XO	320	27	34	AUD/USD	0.667	0.0%	0.0%
iTraxx Eur Snr Fin	70	9	13	EUR/USD	1.074	-0.6%	-1.1%
iTraxx Eur Sub Fin	126	16	23	USD/SGD	1.351	-0.3%	-0.2%
				AUD/SGD	0.901	-0.3%	-0.2%
USD Swap Spread 10Y	-40	-2	-6	ASX200	7,775	0.8%	-0.5%
USD Swap Spread 30Y	-77	-2	-6	DJIA	38,835	0.2%	-2.9%
				SPX	5,487	2.1%	3.5%
China 5Y CDS	68	4	9	MSCI Asiax	696	1.2%	-0.9%
Malaysia 5Y CDS	48	1	3	HSI	18,177	1.3%	-7.0%
Indonesia 5Y CDS	78	6	8	STI	3,314	0.2%	0.0%
Thailand 5Y CDS	45	3	3	KLCI	1,604	-0.4%	-0.8%
Australia 5Y CDS	13	0	-4	JCI	6,718	-2.9%	-8.2%
				EU Stoxx 50	4,915	-1.0%	-2.9%

Source: Bloomberg

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