

Asian Credit Daily

21 June 2024

Market Commentary:

- The SGD SORA curve traded higher yesterday, with short tenors trading 1-2bps higher, belly tenors trading 2bps higher and 10Y trading 3bps higher.
- Flows in SGD corporates were heavy, with flows in UBS 5.6%-PERP, HSBC 5.25%-PERP, HSBC 5.25% '32s, ESRCAY 5.65%-PERP, SINTEC 4.1%-PERP, STTGDC 5.7%-PERP, OCBCSP 4.05%-PERP, UBS 4.85%-PERP, GESP 3.928% '39s, MAPLSP 3.688% '36s.
- Amidst an unprecedented surge in bond issuance and with borrowing costs reaching historically low levels, Wuxi Industry Development Group Co. ("Wuxi"), which is owned by the Wuxi city government near Shanghai, is contemplating the possibility of issuing a 50Y note, which would be the longest corporate debt maturity in the country if successfully executed. Wuxi has reportedly approached underwriters to gauge investor interest for a potential RMB1bn (USD138mn) domestic bond sale with a 50Y tenor.
- Bloomberg Asia USD Investment Grade spreads remained stable at 81bps while Bloomberg Asia USD High Yield spreads tightened by 4bps to 496bps. (Bloomberg, OCBC)

Credit Summary:

- **Olam Group Limited ("OG"):** Olam Agri Holdings Limited ("Olam Agri", ~64.6%-owned subsidiary of OG) is proposing to acquire Namoi Cotton Limited ("Namoi").
- **PARAGON REIT ("SPHR"):** SPHR is divesting The Rail Mall for SGD78.5mn. This is higher than the valuation of SGD62mn as at 31 December 2023.
- **Singapore Post Ltd ("SingPost"):** SingPost appointed Merrill Lynch Markets Australia Pty Limited as financial advisor to the board to formulate options for the group's Australia business.
- **Keppel Real Estate Investment Trust ("KREIT"):** Keppel REIT Management Limited, in its capacity as manager of Keppel REIT, announced that Keppel REIT MTN Pte. Ltd., a wholly-owned subsidiary of HSBC Institutional Trust Services (Singapore) Limited (in its capacity as trustee of KREIT), has priced AUD175mn of floating rate green bonds due in June 2027.

Credit Headlines:**Olam Group Limited (“OG”)**

- Olam Agri Holdings Limited (“Olam Agri”, ~64.6%-owned subsidiary of OG) is proposing to acquire Namoi Cotton Limited (“Namoi”). Olam Agri has lodged a Second Supplementary Bidder’s Statement with the Australian Securities and Investments Commission in relation to the offer.
- Per Olam Agri, the publication of a Statement of Issues which outlines preliminary competition concerns by the Australian Competition and Consumer Commission (“ACCC”) is not unexpected and represents a preliminary view by the ACCC of its review of the proposed acquisition of Namoi by Olam Agri.
- Olam Agri adds that there are good reasons why the proposed acquisition will not substantially lessen competition and will continue to engage with the ACCC in relation to its inquiries and to address its potential concerns. The ACCC has indicated that it anticipates making a final decision on 22 August 2024. (Company)

PARAGON REIT (“SPHR”)

- **Sale of The Rail Mall:** SPHR is divesting The Rail Mall for SGD78.5mn. This is higher than the valuation of SGD62mn as at 31 December 2023. The Rail Mall is a strip mall with 43 shop units with net lettable area of 49,886 sq ft and it is adjacent to the Rail Corridor nature trail.
- **To unlock value and potentially pare down debt:** The property is sold to unlock value in the portfolio. We think the net proceeds from the divestment could be used to repay outstanding debt obligations. We note that SGD300mn SPHRSP 4.1% PERP is callable on 30 August 2024. While the potential remains for SPHR to acquire, in February 2024 SPHR has declined an offer from its sponsor to acquire The Seletar Mall for SGD550mn.
- **Portfolio mix remains largely unchanged:** The Rail Mall accounts for ~2% of total assets, with total assets of SGD4.27bn as at 31 December 2023. The core assets which are Paragon and The Clementi Mall accounts for ~80% of SPHR’s net property income and assets under management. (Company, OCBC)

Singapore Post Ltd (“SingPost”)

- SingPost appointed Merrill Lynch Markets Australia Pty Limited as financial advisor to the board to formulate options for the group’s Australia business. As mentioned in the previous strategic review announced on 19 March 2024, SingPost will focus in Logistics in Australia.
- Per SingPost, this appointment will help “to achieve scale in Australia by exploring near term partnerships that contribute to growth, providing equity to deleverage acquisition debt and establishing an independent valuation benchmark, as well as continuing to pursue appropriate M&A opportunities and seek future liquidity options to maximise value”. (Company, OCBC)

Keppel Real Estate Investment Trust (“KREIT”)

- Keppel REIT Management Limited, in its capacity as manager of Keppel REIT, announced that Keppel REIT MTN Pte. Ltd., a wholly-owned subsidiary of HSBC Institutional Trust Services (Singapore) Limited (in its capacity as trustee of KREIT), has priced AUD175mn of floating rate green bonds due in June 2027.
- The net proceeds from the bonds, after deduction of issue expenses, will be fully used towards partly funding the acquisition of a 50%-interest in 255 George Street, Sydney, an office property.
- While KREIT already has sizable sustainability-focused bank debt (31 March 2024: ~63%, including external borrowings at associates), this is KREIT’s debut green credit issuance. (Company, OCBC)

New Issues:

Date	Issuer	Description	Currency	Size (mn)	Tenor	Final Pricing	Initial Pricing
20 Jun	Bocom Leasing Management Hong Kong Co Ltd (Keepwell Provider: Bank of Communications Financial Leasing Co Ltd)	FRN	USD	650	3Y	SOFR+68bps	SOFR+115bps area
20 Jun	Bocom Leasing Management Hong Kong Co Ltd (Keepwell Provider: Bank of Communications Financial Leasing Co Ltd)	Fixed	USD	300	3Y	T+62bps	T+105bps area
20 Jun	FWD Group Holdings Ltd	Fixed, Subordinated	USD	600	7Y	T+335bps	T+380bps area
20 Jun	Bank of East Asia Ltd/The	Fixed, Tier 2	USD	650	10NC5	T+255bps	T+290bps area
20 Jun	Shangrao Innovation Development Industrial Investment Group Co Ltd (SBLC Provider: Bank of Nanjing)	Fixed	USD	50	3Y	5.6%	6%
20 Jun	Mapletree Treasury Services Ltd (Guarantor: Mapletree Investments Pte Ltd)	Fixed	SGD	185	20Y	3.888%	N.A

Mandates:

- There are no Asiadollar mandates for today.

Key Market Movements

	21-Jun	1W chg (bps)	1M chg (bps)		21-Jun	1W chg	1M chg
iTraxx Asiax IG	100	-1	7	Brent Crude Spot (\$/bbl)	85.6	3.6%	3.3%
				Gold Spot (\$/oz)	2,361	1.2%	-2.5%
iTraxx Japan	54	1	6	CRB Commodity Index	295	0.1%	-0.2%
iTraxx Australia	70	1	6	S&P Commodity Index - GSCI	583	1.0%	-1.0%
CDX NA IG	53	0	4	VIX	13.3	10.3%	12.0%
CDX NA HY	106	0	-1	US10Y Yield	4.27%	4bp	-15bp
iTraxx Eur Main	61	-3	10				
iTraxx Eur XO	321	-11	33	AUD/USD	0.666	0.7%	-0.1%
iTraxx Eur Snr Fin	71	-3	14	EUR/USD	1.071	0.1%	-1.3%
iTraxx Eur Sub Fin	126	-9	22	USD/SGD	1.354	0.0%	-0.5%
				AUD/SGD	0.902	-0.7%	-0.4%
USD Swap Spread 10Y	-40	1	-3	ASX200	7,771	0.6%	-1.0%
USD Swap Spread 30Y	-76	1	-3	DJIA	39,135	1.1%	-1.9%
				SPX	5,473	1.0%	2.9%
China 5Y CDS	67	-1	7	MSCI Asiax	705	1.6%	1.3%
Malaysia 5Y CDS	47	-2	3	HSI	18,115	1.0%	-5.8%
Indonesia 5Y CDS	77	-1	7	STI	3,307	-0.5%	0.0%
Thailand 5Y CDS	44	0	3	KLCI	1,594	-1.0%	-1.7%
Australia 5Y CDS	13	0	-4	JCI	6,860	0.1%	-4.5%
				EU Stoxx 50	4,948	0.2%	-2.0%

Source: Bloomberg

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