

Asian Credit Daily

22 July 2024

Market Commentary:

- The SGD SORA curve traded higher last Friday, with short tenors trading 2-3bps higher, belly tenors trading 2-3bps higher and 10Y trading 3bps higher.
- Flows in SGD corporates were heavy, with flows in HSBC 5.25%-PERP, TD 5.7%-PERP, ACAFP 4.85% '33s.
- Zhuhai Huafa Group Co Ltd plans to raise between RMB1bn and RMB1.5bn through a perpetual dim sum bond. The state-owned enterprise plans to market the bond as early as next week with an expected pricing range of 5.75% to 5.9%, with a call option after three years.
- Bloomberg Asia USD Investment Grade tightened by 1bps to 82bps while Bloomberg Asia USD High Yield tightened by 2bps to 487bps. (Bloomberg, OCBC)
- There were no new notable issuances in the Asiadollar and Singdollar market last Friday.
- There were no new Asiadollar mandates last Friday.

Credit Summary:

- **Industry Outlook – Singapore Property:** Kassia sold 52% of 276 units over the weekend launch, at prices between SGD1,821 and SGD2,177 psf.
- **ESR Group Limited ("ESR"):** Through the acquisition of ARA Asset Management Holdings Pte Ltd by ESR ("ARA Transaction"), ESR acquired an indirect 86.4% interest in LOGOS Property Group Limited, with the remaining 13.6% interest in LOGOS held by the three LOGOS founders.
- **OUE Limited ("OUE"):** OUE provided negative 1H2024 profit guidance. OUE is expected to record a 1H2024 loss attributable to shareholders (1H2023: SGD40.2mn profit).

Credit Headlines:**Industry Outlook – Singapore Property**

- **Kassia selling decently:** Kassia sold 52% of 276 units over the weekend launch, at prices between SGD1,821 and SGD2,177 psf. Such sales figure is a significant improvement compared to other recent launches such as Sora which sold just 23% of units at launch. That said, one key difference is that Kassia is a freehold development, and according to Mark Yip (CEO of Huttons Asia) there has not been a significant freehold project launched in the Outside Central Region since 2021.
- **Anchored by residents:** 90% of the buyers were Singaporeans while permanent residents made up the remaining 10%.
- **Sizeable proportion of younger residents:** According to Marcus Chu, CEO of ERA Singapore, “most homebuyers were in their 30s and 40s” with a “good mix of owner-occupants and investors”. (EdgeProp, Business Times, OCBC)

ESR Group Limited (“ESR”)

- Through the acquisition of ARA Asset Management Holdings Pte Ltd by ESR (“ARA Transaction”), ESR acquired an indirect 86.4% interest in LOGOS Property Group Limited (formerly known as LOGOS China Investments Limited (“LOGOS”)), with the remaining 13.6% interest in LOGOS held by the three LOGOS founders, namely, Mr John Edward Marsh, Mr Tret Alexander Iliffe and Mr Stephen Hawkins.
- The founders of LOGOS entered into an amended and restated shareholders agreement, among other items, on or shortly after the third anniversary of the ARA Transaction completion, ESR (or through ESR subsidiaries) would acquire the LOGOS founders stakes at the then fair market value (if not already acquired before the third anniversary).
- The board of directors of ESR announced that ESR has completed the acquisition of the LOGOS founder stake held by Mr Stephen Hawkins and is currently in advanced stages of discussions in relation with the other LOGOS founders. (Company, OCBC)

OUE Limited (“OUE”)

- OUE provided negative 1H2024 profit guidance. OUE is expected to record a 1H2024 loss attributable to shareholders (1H2023: SGD40.2mn profit).
- The loss is mainly attributable to the share of results of equity-accounted investees, namely the estimated losses from Gemdale Properties and Investment Corporation Limited (“GPI”, a Chinese property developer which is 25.2% owned by OUE).
- Based on GPI’s announcement, OUE’s share of results from GPI for 1H 2024 is expected to be a loss ranging from approximately SGD92mn to SGD106mn (1H2023: SGD19mn profit). Per OUE, the loss is non-cash in nature and there is no material impact on the OUE’s operational cashflows and corporate funding requirements.
- GPI’s weak 1H2024 result was not unexpected given the dire situation of property sector in China. The loss was mainly attributable to (i) share of loss from joint ventures resulting from increase in impairment losses and (ii) increase in impairment losses for properties under development. The total impairment losses arising from joint ventures and GPI’s properties under development is expected to range from RMB1.7bn to RMB1.9bn.
- We believe the impact is likely manageable as (1) the losses are non-cash in nature, (2) GPI accounted for 12% of OUE total assets, (3) there is no loan guaranteed or extended by OUE to GPI. OUE’s outlook is expected to be underpinned by OUE REIT and First REIT. (Company, OCBC)

Key Market Movements

	22-Jul	1W chg (bps)	1M chg (bps)		22-Jul	1W chg	1M chg
iTraxx Asiax IG	98	7	-1	Brent Crude Spot (\$/bbl)	83.0	-2.2%	-2.6%
				Gold Spot (\$/oz)	2,408	-0.6%	3.1%
iTraxx Japan	51	3	-2	CRB Commodity Index	280	-3.5%	-4.4%
iTraxx Australia	65	4	-6	S&P Commodity Index - GSCI	556	-2.9%	-4.0%
CDX NA IG	51	2	-2	VIX	16.5	32.6%	25.2%
CDX NA HY	107	0	0	US10Y Yield	4.23%	0bp	-3bp
iTraxx Eur Main	54	3	-6				
iTraxx Eur XO	296	12	-22	AUD/USD	0.668	-1.2%	0.3%
iTraxx Eur Snr Fin	62	3	-8	EUR/USD	1.089	-0.1%	1.4%
iTraxx Eur Sub Fin	112	8	-14	USD/SGD	1.345	-0.1%	0.6%
				AUD/SGD	0.898	1.1%	0.2%
USD Swap Spread 10Y	-43	1	0	ASX200	7,905	-1.4%	1.4%
USD Swap Spread 30Y	-79	0	1	DJIA	40,288	0.7%	2.9%
				SPX	5,505	-2.0%	0.7%
China 5Y CDS	66	7	-2	MSCI Asiax	696	-3.0%	-0.4%
Malaysia 5Y CDS	44	4	-2	HSI	17,445	-3.2%	-3.2%
Indonesia 5Y CDS	77	5	-2	STI	3,438	-1.8%	4.0%
Thailand 5Y CDS	43	3	-2	KLCI	1,633	0.2%	2.7%
Australia 5Y CDS	13	0	-1	JCI	7,294	-0.5%	6.0%
				EU Stoxx 50	4,827	-4.3%	-1.6%

Source: Bloomberg

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