

Asian Credit Daily

25 June 2024

Market Commentary:

- The SGD SORA curve traded mixed yesterday, with short tenors trading 0-1bps higher, belly tenors trading 1bps lower and 10Y trading flat.
- Flows in SGD corporates were heavy, with flows in HSBC 5.25%-PERP, UBS 5.6%-PERP, BNP 5.9%-PERP, MFCCN 4.275% '34s, CAPLSP 3.8% '31s, STTGDC 5.7%-PERP, HSBC 4.75% '34s.
- Chinese regulators have granted approval for a heavily indebted city in the eastern part of the country to receive funding support from banks. In an effort to assist more localities, banks have been directed to provide additional assistance to local government financing vehicles in Weifang, located in Shandong province. The banks have been instructed to offer support such as loan refinancing.
- Bloomberg Asia USD Investment Grade was unchanged at 82bps while Bloomberg Asia USD High Yield widened by 2bps to 498bps. (Bloomberg, OCBC)

Credit Summary:

- **Lippo Malls Indonesia Retail Trust ("LMRT"):** LMRT estimates its reported aggregate leverage ratio per MAS definition to increase to the range of 45.0% to 45.2% for 2Q2024 (1Q2024: 43.7%).
- **Singapore Post Ltd ("SingPost"):** SingPost announced they have resolved disputes with Mr Tan Hon Sung @ Taufiq Tan ("Mr.Tan").
- **Industry Outlook – Singapore Property:** The Ministry of National Development has released land supply for 5,050 private residential units under the confirmed list in 2H2024 government land sales ("GLS") programme (1H2024: 5,450 units), which includes 560 EC units.

Credit Headlines:**Lippo Malls Indonesia Retail Trust (“LMRT”)**

- LMRT estimates its reported aggregate leverage ratio per MAS definition to increase to the range of 45.0% to 45.2% for 2Q2024 (1Q2024: 43.7%).
- 45% is the aggregate leverage limit for a REIT with <2.5x interest coverage ratio (in the case of LMRT). This is 50% if interest coverage ratio >2.5x.
- However, per LMRT REIT management, LMRT is not considered to breach the aggregate leverage limit this time as forex fluctuations (↓IDR (assets) and ↑USD (debt), against SGD) is beyond the control of LMRT.
- Also, the existing loans to LMRT do not contain any financial covenants linked to the aggregate leverage limit.
- As far as we are aware, if a Singapore REIT has breached the applicable aggregate limit, it will not be subject to any direct financial penalty. We expect that the REIT will not be able to raise additional new debt, but it can still refinance the existing debt. (Company, OCBC)

Singapore Post Ltd (“SingPost”):

- SingPost announced they have resolved disputes with Mr Tan Hon Sung @ Taufiq Tan (“Mr.Tan”).
- Since 2017, there have been various ongoing disputes between Mr Tan and SingPost in relation to the valuation of the balance 37.5% of Famous Holdings Pte Ltd (“FH”), which was acquired by SingPost in 2016.
- We believe the impacts are likely manageable to SingPost based on the previous claim amount (~SGD14mn plus interest) made by Mr Tan.
- Also, per SingPost’s announcement, the settlement is not expected to have a material impact on the Company’s net tangible assets or earnings per share for the current financial year. (Company, OCBC)

Industry Outlook – Singapore Property

- Decade high land supply: The Ministry of National Development has released land supply for 5,050 private residential units under the confirmed list in 2H2024 government land sales (“GLS”) programme (1H2024: 5,450 units), which includes 560 EC units. In total, 2024’s supply of 11,110 units to be released (including 610 units from reserve list site at Zion Road which has been activated and 540 units from Upper Thomson Road Parcel A which drew no bid) will be the highest in a single year since 2013.
- To continue releasing supply in next few years: The government states that it will continue to release a steady supply of private residential units over the next few years in future GLS programmes to cater to demand.
- Resale prices ticked up: According to flash data from SRX and 99.co, resale prices inched up 0.4% m/m (+4.2% y/y) in May 2024. (MND, URA, SRX, 99.co, OCBC)

New Issues:

Date	Issuer	Description	Currency	Size (mn)	Tenor	Final Pricing	Initial Pricing
24 Jun	LG Energy Solution Ltd	Fixed	USD	700	3Y	T+100bps	T+130bps area
24 Jun	LG Energy Solution Ltd	Green, Fixed	USD	800	5Y	T+110bps	T+140bps area
24 Jun	LG Energy Solution Ltd	Green, Fixed	USD	500	10Y	T+135bps	T+165bps area

Mandates:

- China Great Wall AMC (International) Holdings Co is planning to issue USD Senior Bonds, Unsubordinated Perpetual.
- Sumitomo Corp is arranging fixed income investor calls for USD Benchmark Reg S 5Y and 10Y bonds.
- NTT Finance Corp is planning to issue USD Benchmark 3Y, 5Y, 7Y 144A/3c7/Reg S bonds.
- Cathaylife Singapore Pte (guaranteed by Cathay Life Insurance Co.,) is planning a USD 10Y Reg S Subordinated Tier 2 capital bond.

Key Market Movements

	25-Jun	1W chg (bps)	1M chg (bps)		25-Jun	1W chg	1M chg
iTraxx Asiax IG	100	0	8	Brent Crude Spot (\$/bbl)	86.1	0.9%	4.8%
				Gold Spot (\$/oz)	2,325	-0.2%	-1.1%
iTraxx Japan	53	0	5	CRB Commodity Index	295	0.3%	0.2%
iTraxx Australia	72	1	9	S&P Commodity Index - GSCI	582	0.8%	0.1%
CDX NA IG	53	1	4	VIX	13.3	5.3%	11.7%
CDX NA HY	106	0	-1	US10Y Yield	4.23%	1bp	-23bp
iTraxx Eur Main	60	0	9				
iTraxx Eur XO	318	-2	30	AUD/USD	0.666	0.1%	0.1%
iTraxx Eur Snr Fin	70	0	12	EUR/USD	1.074	0.0%	-1.1%
iTraxx Eur Sub Fin	126	0	22	USD/SGD	1.353	-0.1%	-0.2%
				AUD/SGD	0.901	-0.2%	-0.4%
USD Swap Spread 10Y	-41	-1	-4	ASX200	7,839	0.8%	1.4%
USD Swap Spread 30Y	-78	-1	-4	DJIA	39,411	2.1%	0.9%
				SPX	5,448	0.3%	2.7%
China 5Y CDS	68	0	8	MSCI Asiax	695	-0.1%	0.5%
Malaysia 5Y CDS	47	-1	2	HSI	18,071	0.9%	-2.9%
Indonesia 5Y CDS	79	1	7	STI	3,324	0.7%	0.2%
Thailand 5Y CDS	45	0	3	KLCI	1,588	-1.1%	-2.0%
Australia 5Y CDS	13	0	-3	JCI	6,869	2.0%	-4.9%
				EU Stoxx 50	4,951	1.4%	-1.7%

Source: Bloomberg

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