



Credit Week in Brief

Global Markets Research

02 December 2024

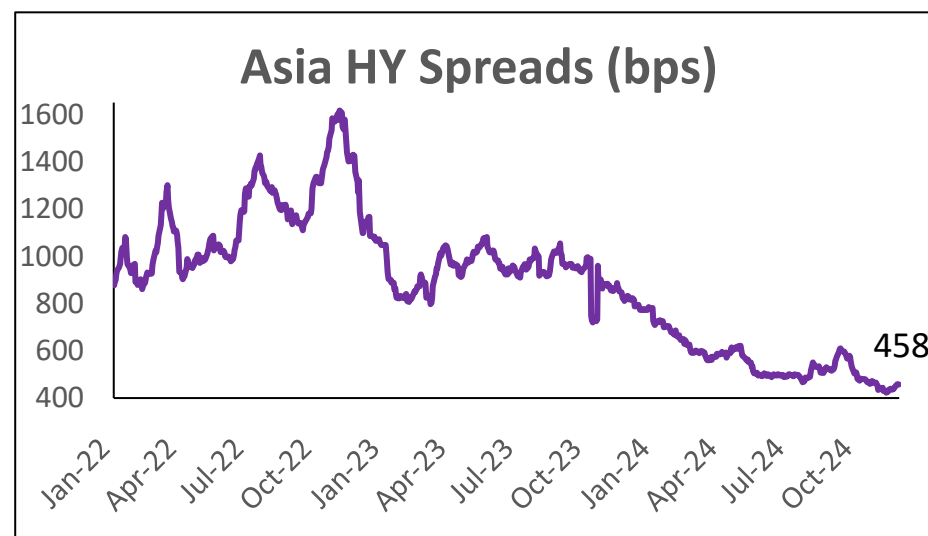
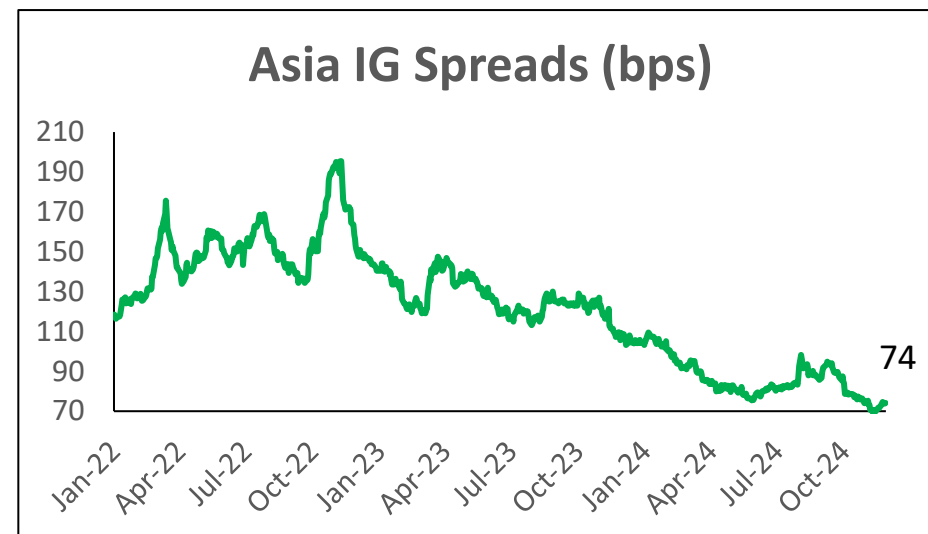
Credit: Asiadollar Weekly Overview

Negative newsflows in play

Indices	1 Week Change (bps)	OAS Spread
Asia IG (BAIGOAS Index)	2	74bps
Asia HY (BAHYOAS Index)	20	458bps

- **A decent yet relatively not so good month for Asian credits:** While spreads widened slightly w/w, returns were decent at +0.61% for Asian IG credits. However, this underperformed US credits with concerns over Trump tariffs on Asian companies. Meanwhile, Asian HY credits returned -0.34%.
- **New World replaced its CEO, again:** Echo Huang Shaomei has replaced Eric Ma as CEO, who served for only two months after succeeding Adrian Cheng. Cheng, the eldest son of the family patriarch, resigned following New World's first loss in two decades. New World's bonds and perps have fallen significantly.
- **Chinese companies not out of the woods:** According to Bloomberg, bonds amounting to USD53.9bn from at least 76 companies are under repayment pressure. Defaults on offshore corporate bonds have reached USD17.4bn in YTD2024 while local bond defaults was at RMB15bn (~USD2.1bn).
- **Adani bonds made small recoveries:** For example, ADGREG 6.7% '42s rose ~5pts w/w to ~85 pts, though remains >10 pts off from levels in the first half of November. Adani may look to price its USD bond between April and June 2025.

IG and HY retraced higher w/w



Source: Bloomberg, OCBC

Credit: Asiadollar New Issues

Significant slowdown in w/w issuance as sovereigns and large Chinese borrowers are absent

Date	Issuer	Type	Currency	Size (mn)	Tenor	Final Pricing
25 Nov	Vedanta Resources Finance II PLC (guarantors: Vedanta Resources Ltd, Twin Star Holdings Ltd and Welter Trading Ltd)	Fixed	USD	300	3.5NC1.5	10.25%
25 Nov	Vedanta Resources Finance II PLC (guarantors: Vedanta Resources Ltd, Twin Star Holdings Ltd and Welter Trading Ltd)	Fixed	USD	500	7NC3	11.25%
25 Nov	San Miguel Global Power Holdings Corp	Fixed	USD	500	PERPNC 5.25	8.125%
25 Nov	Guangde State-owned Assets Investment and Management Co Ltd (guarantor: Anhui Xingtai Financing Guarantee Group Co Ltd)	Fixed	USD	106	3Y	6.8%
25 Nov	Jingjiang Port Group Co Ltd	Fixed	USD	60	3Y	4.85%
26 Nov	Quzhou Qutong Transportation Investment Development Co.	Sustainability, Fixed	USD	200	3Y	4.9%
26 Nov	Zhongchuang HK Technology Co Ltd (guarantor: Zhejiang Qiantang River Investment & Development Co Ltd)	Fixed	USD	114	3Y	6.25%



Source: Bloomberg, OCBC

Credit: Asiadollar New Issues

Small issuances are still forthcoming

Date	Issuer	Type	Currency	Size (mn)	Tenor	Final Pricing
27 Nov	Huzhou New City Investment Development Group Co Ltd (SBLC Provider: Huishang Bank Corp. Ltd.)	Fixed	USD	100	3Y	5.3%
27 Nov	Huzhou City Investment Development Group Co Ltd	Sustainability, Fixed	USD	300	3Y	4.7%
27 Nov	Wuxi Guangyi Construction Development Group Co., Ltd. (SBLC Provider: Bank of Nanjing, Wuxi Branch)	Fixed	USD	50	3Y	5%
28 Nov	Qingdao Jimo District Urban Tourism Development & Investment Co Ltd	Fixed	USD	171.7	2Y	6.9%
29 Nov	Huaiyuan County New Urbanization Construction Co Ltd (SBLC Provider: HUIZHANG BANK)	Fixed	USD	100	3Y	5.4%

China Market Updates:

- China Vanke Co. (“VANKE”) is looking for approval from lenders to modify the terms of two offshore loans due to deteriorating financial conditions amid an ongoing property crisis.
- Liquidators for China Evergrande Group have filed a winding-up petition against Tianji Holding, an indirect subsidiary of the company. A Chinese court has placed spending restrictions on China Evergrande Group (“Evergrande”) and its founder, Hui Ka Yan.



Source: Bloomberg, OCBC

Credit: SGD New Issues

Very quiet in the SGD primary markets last week, following bumper issuances in the prior weeks



No Issuances

Credit Research Views: SGD Weekly Overview

SGD Credit rose 0.19% w/w, buoyed by lower SGD SORA OIS rates that lifted mid to longer tenor papers

	Key Statistics			Returns			
	(1 Jan 2021 = 100)	Eff Mty	Market Cap	w/w	m/m	y/y	Since Jan 2021
<u>By Tenor & Structure</u>							
AT1s	109.7	3.6	\$11,402m	0.00%	-0.2%	7.7%	9.7%
Non-Financial Corp Perp	116.1	11.4	\$13,415m	0.11%	0.4%	10.3%	16.1%
Tier 2s and Other Non-perp Sub	112.4	4.1	\$16,202m	0.01%	0.0%	7.8%	12.4%
Longer Tenors (>9Y)	96.3	23.3	\$13,630m	0.28%	0.0%	15.3%	-3.7%
Mid Tenors (>3Y to 9Y)	106.5	5.1	\$37,293m	0.37%	0.4%	6.3%	6.5%
Short Tenors (1Y to 3Y)	110.2	2.0	\$26,568m	0.16%	0.4%	5.4%	10.2%
Money Market (<12 months)	113.2	0.6	\$11,410m	0.08%	0.3%	4.7%	13.2%
<u>By Issuer Profile Rating</u>							
POS (2)	109.4	8.3Y	\$6,799m	0.00%	0.0%	6.6%	9.4%
N(3)	111.5	3.8Y	\$23,064m	0.06%	0.1%	6.8%	11.5%
N(4)	111.9	7.4Y	\$23,123m	0.11%	0.2%	7.5%	11.9%
N(5)	110.9	2.4Y	\$4,252m	0.05%	0.6%	9.7%	10.9%
OCBC Model Portfolio	117.7	3.2Y	\$6m	0.09%	0.1%	9.9%	15.8%
SGD Credit Universe	106.9	6.4Y	\$129,918m	0.19%	0.2%	7.5%	6.9%



Source: Bloomberg, OCBC full description in SGD Credit Outlook 2023, pg lxi

Credit: Top happenings in SGD Credit Market

REIT Industry News: Revisions to the Code on Collective Investment Schemes

- **All REITs must meet a 1.5x Interest Coverage Ratio (“ICR”) and a 50% aggregate limit** effective immediately. Previously, a minimum Adjusted ICR of 2.5x was required only for those REITs aiming to raise aggregate leverage from 45% to 50%.
 - **Definition covers perps and all borrowing related fees too:** ICR calculated by dividing TTM EBITDA (excluding fair value and FX changes) by TTM interest expense, borrowing-related fees and distributions on hybrid securities.
 - **Cannot incur additional borrowings if breached 1.5x ICR.**
- **REIT managers to take steps or plans if ICR falls below 1.8x.**
- **To disclose sensitivity analysis based on (1) 10% decrease in EBITDA and (2) 100bps increase in weighted average interest rate.**
- **New comfort level of aggregate leverage likely to be higher than current levels.** We expect comfort level to rise from ~40% to 43-44% aggregate leverage while ICR of 1.8x to be the market’s new ‘line in the sand’.

Financials Industry News: Credit Agricole Group increased in systemic importance while Bank of America is lowered

- **Total GSIBs remains the same at 29.**
- **CAG increased in systemic importance,** with 50bps rise in future capital requirements from 1 January 2026.
- **Bank of America reduced in systemic importance,** with 50bps reduction in future capital requirements from 1 January 2026.



Source: Bloomberg, MAS, OCBC

Credit: Top happenings in SGD Credit Market

Singapore Residential Property Industry News: Positive newsflows

- **Singapore household sector is financially resilient (MAS FSR 2024):** Strong balance sheet, good credit quality, healthy debt servicing ability, stable income growth, low liquidity risk. Growth in cash and deposits outpaced that of household liabilities. Strong ability to withstand shocks, even if mortgage rates rise to 5.5% with a simultaneous income loss of 10%. In any case, risk is diminished that borrowers need to bear higher interest rates going forward.
- **Strong sentiments among real estate players in 3Q2024:** Composite sentiment index rose to 5.9 (above neutral score of 5.0), according to NUS Institute of Real Estate and Urban Studies. Only 6.5% of developers concerned about inflation and interest rates (1Q2024: 50%), though there is growing concern over excessive supply.
- **Thomson View successfully sold for SGD810mn.** 80% of the owners have consented to lower the reserve price and allow the en-bloc to go through. However, it remains to be seen if more enblocs will follow.

Corporate Actions

- **SingPost Post Ltd (“SingPost”) to sell Australia assets for AUD1.02bn,** Freight Management Holdings Pty Ltd, subject to approvals from shareholders and regulators. AUD775.9mn proceeds will be used to repay AUD362.1mn debt while SingPost is considering special dividend. The divestment is credit positive as debt will be reduced substantially while the Australian businesses are still facing headwinds and stiff competition. In Australia, SingPost will be left with freight forwarding business held under Famous Holdings.
- **Lendlease Group (“Lendlease”) sold Australia projects for AUD1.06bn:** Ongoing processes for capital recycling initiatives in FY2025 include the sale of TRX Retail in Malaysia, as well as China Senior Living and Australian Retirement Living. Lendlease is also looking to sell UK Construction. LLC keeps its earnings guidance for FY2025 unchanged at AUD0.54 to AUD0.64 per security. Divestment is a credit positive event with reported net gearing ratio expected to improve to 5-15% (30 June 2024: 21.1%).



Credit: Top happenings in SGD Credit Market

Other corporate actions/company news

- **Mapletree Logistics Trust divested a Japan property for JPY4.25bn (~SGD37.5mn).** Small transaction vs SGD14.0bn total assets.
- **Sembcorp Industries Ltd (“SCI”) has been appointed to build, own and operate a 300MW wind-solar hybrid power project** by India’s NTPC Ltd. The project will be connected to the inter-state transmission system, and SCI will sell power to NTPC through a power purchase agreement under a 25Y contract.
- **UniCredit (Italy’s 2nd largest bank) made an unsolicited ~EUR10bn bid for Banco BPM SpA**, which is Italy’s third largest bank. Near-term UniCredit takeover of Commerzbank AG lower than expected and UniCredit sees the stake in Commerzbank AG as a financial investment for the time being. Meanwhile, Italian government’s reactions were not supportive for domestic banking sector consolidation. The government maintains a veto right against takeovers.
- **DBS Group Holdings Ltd received approval to raise stake in its Chinese securities venture DBS Securities (China) Co to 91% (from 51%) for CNY823mn.**
- **HSBC Holdings PLC looking for a successor to Chairman Mark Tucker**, who has been HSBC’s chairman since 2017 and is expected to step down in Spring 2026.

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