



Credit Week in Brief

Global Markets Research

10 December 2024

Credit: Asiadollar Weekly Overview

Lighter week in Asiadollar primary markets with South Korea in focus

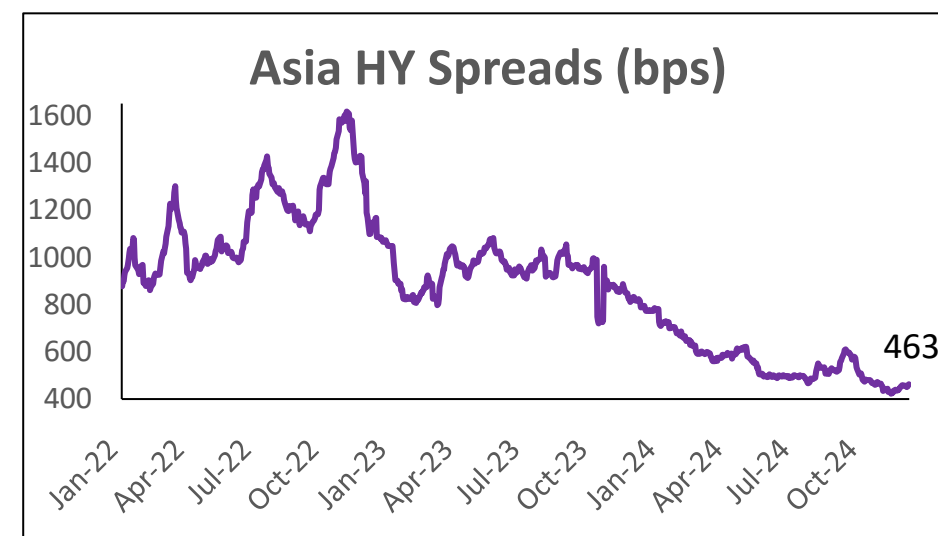
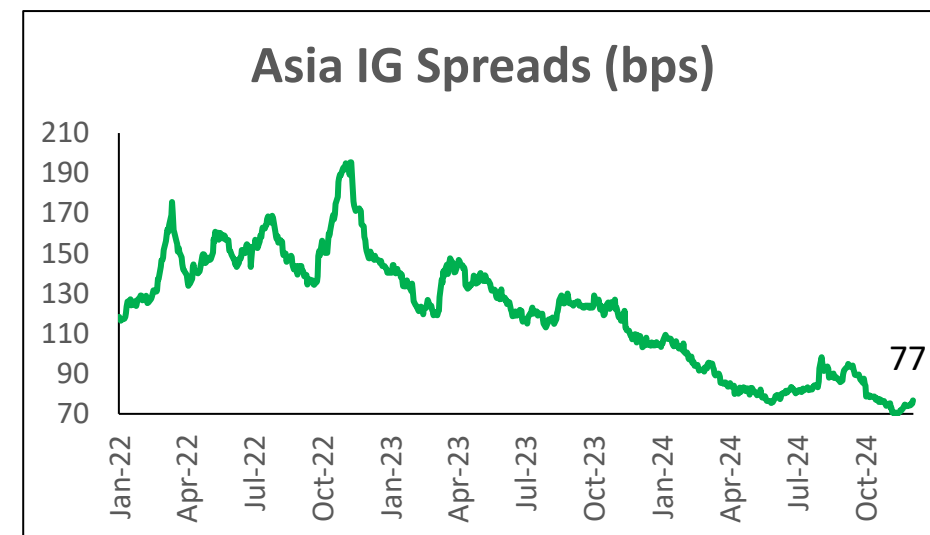
Indices	1 Week Change (bps)	OAS Spread
Asia IG (BAIGOAS Index)	3	77bps
Asia HY (BAHYOAS Index)	5	463bps

- **Asiadollar held up relatively well amidst political uncertainty in South Korea:** Both Asian IG and HY spreads widened w/w from tight levels amidst political uncertainty in South Korea following President Yoon’s declaration of martial law which lasted briefly. Total returns in both Asian IG and HY rose slightly w/w.
- **Primary market issuances were lighter last week with Asiadollar** (excluding Japan) issuers pricing USD1.6bn of new issues, driven by Chinese issuers and unsurprisingly there were no issuers from South Korea. Among Japanese issuers, Rakuten Group Inc, a notable high yield issuer, priced USD550mn of perpetuals.
- **Dalian Wanda Commercial Management Group Co., Ltd (“Wanda”)** has received creditor consent to extend its USD400mn DALWAN 11% ‘25s bonds due in January 2025 by one year. The extension is aimed at alleviating Wanda’s near-term liquidity.
- **Shimao Group Holdings Ltd (“Shimao”)** has won a HKSAR’s court decision to dismiss a creditor petition to liquidate the company amidst progress on Shimao’s restructuring plans per Bloomberg.



Source: Bloomberg, OCBC

IG and HY spreads widened w/w



Credit: Asiadollar New Issues

Primary market activity last week was mainly driven by Chinese issuers

Date	Issuer	Type	Currency	Size (mn)	Tenor	Final Pricing
02 Dec	Cixi State Owned Asset Investment Holdings Co Ltd	Sustainability, Fixed	USD	300	3Y	4.85%
02 Dec	Caofeidian State Holding Investment Group Co Ltd (guarantor: Tangshan State Holding Group Company Limited)	Fixed	USD	100	3Y	7.2%
04 Dec	Rakuten Group Inc	Fixed	USD	550	PerpNC5	8.125%
04 Dec	Golomt Bank	Fixed	USD	100	Retap of GLMTMO 11% '27s	105.3979 to Yield 8.5%
04 Dec	Wuxi Xixi Industrial Development Group Co. Ltd. (SBLC Provider: Bank of Ningbo Co. Ltd./Wuxi)	Fixed	USD	100	3Y	4.8%
04 Dec	Bank of Communications Co., Ltd/Hong Kong	FRN	USD	300	3Y	SOFRIX+57bps
05 Dec	Zhengzhou Urban Construction Investment Group Co Ltd	Fixed	USD	210	3Y	5%
05 Dec	Industrial & Commercial Bank of China Limited/Dubai	FRN	USD	100	3Y	SOFRIX+55bps



Source: Bloomberg, OCBC

Credit: Asiadollar New Issues

Primary market activity last week was mainly driven by Chinese issuers (cont'd)

Date	Issuer	Type	Currency	Size (mn)	Tenor	Final Pricing
06 Dec	Qingdao Pingdu Holdings Group Co. Ltd.	Social, Fixed	USD	216	3Y	6.9%
06 Dec	Trade and Development Bank of Mongolia LLC	Fixed	USD	200	3Y	8.5%



Source: Bloomberg, OCBC

Credit: SGD New Issues

Only one transaction, likely privately placed

Date	Issuer	Type	Currency	Size (mn)	Tenor	Final Pricing
06 Dec	Allgreen Treasury Pte. Ltd. (guarantor: Allgreen Properties Ltd)	FRN	SGD	150	5Y	6M Compounded SORA+80bps

Credit: Top happenings in SGD Credit Market

M&A / Acquisitions / Disposals

- **Singapore Post Ltd (“SingPost”)** agreed to sell its full 97.1% stake of Australian assets held under **Freight Management Holdings Private Limited (“FMH”)** to a private equity firm at an enterprise value of AUD1.02bn (SGD897.6mn). The transaction is still subject to approvals. SingPost is expected to record a gain on disposal of SGD312.1mn where part of the gross proceeds from this proposed transaction will be used to repay AUD denominated debt while SingPost will also consider a special dividend in due course. According to an SGX announcement, **SingPost was placed on Negative CreditWatch by S&P Global Ratings (“S&P”) while the ratings of the issuer and SPOST 4.35%-PERP are unchanged at “BBB” and “BB+” respectively.** S&P is concerned that SingPost will lose its key earnings pillar following the disposal of its Australia business (58% of 1HFY2025 total revenue). Besides, the disposal will introduce uncertainty over the future strategy and earnings contributions, despite expectations that SingPost’s balance sheet will materially strengthen following the debt repayment plan. However, **this is a contrast with OCBC Credit Research’s’ view in that we believe the divestment is a positive credit event as debt will be reduced substantially and the Australian businesses are still facing considerable headwinds from softer business environments and stiff competitions.** Net-net, we emphasise instead the improvement of SingPost’s capital structure. We reiterate the disposal is a positive credit event unless SingPost aggressively expands to other riskier business segments in the future.
- Per Bloomberg, **Hongkong Land Holdings Ltd (“HKL”)** is seeking to divest a wholly-owned Singapore Property Development arm, **MCL Land Ltd (“MCL”)**, at a premium to its book value of SGD1.1bn (USD820mn or ~2.7% of total book value as at 30 June 2024). This potential disposal is largely in line with HKL’s new strategy of focusing on recurring income and exiting Development Properties announced on 29 October 2024. That said there is no official announcement from HKL yet and HKL still may opt to keep the asset.

Credit: Top happenings in SGD Credit Market

M&A / Acquisitions / Disposals (cont'd)

- On 4 December 2024, the **consortium that is looking to buy out ESR Group Ltd (“ESR”)** has submitted a **binding offer to acquire all ESR shares where ESR is expected to be taken private** per Bloomberg. The offer is at HKD13 per share, valuing the company at HKD55.2bn (~USD7.1bn). We think **sentiment over corporate actions** at its sponsor ESR as well as a new corporate action at its sister REIT **may spillover to ESR-LOGOS REIT (“EREIT”)**, capping the price upside of EREIT’s perpetuals given the uncertainty of owning perpetuals of unlisted issuers. For the avoidance of doubt, there are currently no announced plans to take private EREIT.

Calling perpetuals

- **GuocoLand Ltd (“GUOL”)** announced it is **redeeming the SGD400mn 4.6%-PERP on 23 January 2025**. We note that GUOL skipped the first call of the perp ~2Y ago on 23 January 2023. We think that the perpetual is called this time because the call date on 23 January 2025 coincides with the reset and step-up date. Based on FY2024 financials, we expect net gearing levels to rise from 77% as of end-FY2024 to ~90% following the redemption of the perpetual. We think net gearing levels should remain high as GUOL has been successfully tendering for land with JV partners, including for Margaret Drive (SGD460mn bid) and Faber Walk (SGD400mn bid).

Credit Research Views: SGD Weekly Overview

SGD Credit rose 0.14% 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	109.8	3.6	\$11,410m	0.07%	-0.1%	7.5%	9.8%
Non-Financial Corp Perp	116.3	11.4	\$13,432m	0.16%	0.5%	10.3%	16.3%
Tier 2s and Other Non-perp Sub	112.5	4.1	\$16,191m	0.02%	0.0%	7.5%	12.5%
Longer Tenors (>9Y)	96.7	23.3	\$13,646m	0.34%	0.8%	15.1%	-3.3%
Mid Tenors (>3Y to 9Y)	106.7	5.1	\$37,312m	0.18%	0.7%	6.2%	6.7%
Short Tenors (1Y to 3Y)	110.3	2.0	\$26,588m	0.10%	0.4%	5.4%	10.3%
Money Market (<12 months)	113.3	0.6	\$11,188m	0.09%	0.3%	4.7%	13.3%
<u>By Issuer Profile Rating</u>							
POS (2)	109.4	8.3Y	\$6,789m	0.08%	0.1%	6.4%	9.4%
N(3)	111.5	3.8Y	\$23,044m	0.02%	0.1%	6.6%	11.5%
N(4)	112.0	7.4Y	\$23,140m	0.10%	0.3%	7.4%	12.0%
N(5)	111.0	2.3Y	\$4,252m	0.06%	0.5%	9.6%	11.0%
OCBC Model Portfolio	117.7	3.1Y	\$6m	0.02%	0.2%	9.8%	17.7%
SGD Credit Universe	107.0	6.4Y	\$129,767m	0.14%	0.4%	7.4%	7.0%



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

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