

Credit Week in Brief

4 June 2024

Three key deals supporting Asiadollar Primary

- **The Asiadollar primary market decelerated last week** with USD2.3bn priced per Bloomberg league tables and OCBC estimates, down from USD3.2bn priced in the prior week. Markets continue to be focused on data prints for more conviction on a possible rate path for the remainder of 2024.
- **Issuance volumes were supported by three sizeable transactions:**
 - **China Orient Asset Management Co Ltd** (through Joy Treasure Assets Holdings Inc) priced a USD650mn 5-year deal that tightened 50bps from initial price guidance. Orderbooks were above USD3bn including USD1.37bn in joint lead manager interest. Proceeds from the investment grade rated deal will be used for repayment of existing offshore indebtedness with USD400mn maturing in September 2024.
 - **CMB International Leasing Management Ltd** priced a USD500mn 3-year green bond that also tightened materially (49bps) to initial price guidance. Proceeds will be used to refinance existing debt related to eligible green projects in the categories of renewable energy and clean transportation as described in the Company's Sustainable Financing Framework. The bond benefits from a Keepwell Agreement provided by investment grade entity CMB Financial Leasing Co Ltd and received orders above USD2.5bn including USD945mn in joint lead manager interest.
 - **Indonesian steel product manufacturer PT Krakatau Posco** priced USD700mn across a USD300mn 3-year tranche and a USD400mn 5-year tranche. This deal was also received favourably with over USD4.9bn in orders evenly split across both tenors and only USD100mn in joint lead manager interest spread evenly across both tranches.
- The strong reception for PT Krakatau Posco's dual tranche deal was due to several notable characteristics:
 - It was PT Krakatau Posco's first USD issue.
 - The issuer likely took advantage of the overall lack of supply for issuers of this industry, country and crossover credit profile.
 - The issuer is a subsidiary South Korea's POSCO Holdings Inc ("POSCO") as a 50:50 joint venture with Indonesian government-owned PT Krakatau Steel Persero Tbk, thereby taking advantage of Indonesia's higher yielding and developing market status (along with government linkage) together with exposure to Korea's developed track record of Asiadollar credit issuers.

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- The presence of POSCO seems to be an important reference point for investors. Per IFR, POSCO committed to maintain at least a 50% ownership of PT Krakatau POSCO throughout the life of the bond and to step in to ensure the issuer meets its payment obligations, if necessary, as part of a support agreement.

Date	Issuer	Type	Currency	Size (mn)	Tenor	Pricing
28 May	CMB International Leasing Management Ltd	FRN; Green Bond	USD	500	3Y	SOFRRATE +76bps
28 May	Qingdao Jiaozhou Bay Development Group Co Ltd	Fixed; Green Bond	USD	200	3Y	7.90%
30 May	Joy Treasure Assets Holdings Inc (Guarantor: China Orient Asset Management International Holding Ltd)	Fixed	USD	650	5Y	T+130bps
30 May	Krakatau Posco PT	Fixed	USD	300	3Y	T+168bps
30 May	Krakatau Posco PT	Fixed	USD	400	5Y	T+188bps
30 May	Nanchang Jinkai Group Co Ltd (SBLC Provider: Bank of Jiujiang Co Ltd)	Fixed	USD	186	3Y	7%
30 May	Chongqing Xinsuangquan Urban Construction And Development Co Ltd (Guarantor: Chengdu-Chongqing Bond Insurance Co., Ltd.)	Fixed	USD	96	3Y	7.5%

Source: Bloomberg

- **The remaining Asiadollar primary market activity was from Chinese local government financing vehicles.** Given the rising contribution of Chinese issuers, there seems to be some turn in market sentiments towards China credit, likely due to the government’s recent support measures for China’s property market and economy which, in the absence of tangible results to date, does show more purposefulness in improving overall market sentiments. To this end, **several Chinese real estate firms continued staying afloat last week:**
 - A Hong Kong court postponed a winding-up petition against Chinese developer Kaisa Group Holdings Ltd. (“Kaisa”) until 24 June. Kaisa had its second court hearing last Monday, as the distressed developer has not yet publicly presented a restructuring proposal, even after more than two years since its offshore default.

- Dalian Wanda Commercial Management Group Co. (“Wanda”) informed some investors last Tuesday that it has started remitting funds to repay a 20% instalment payable on 29 May 2024 of a USD bond, the DALWAN 7.25% ‘24s (outstanding: USD540mn). Per Bloomberg, the bond was extended once in November 2023 with principal payment to be made in January 2024 (10%), May 2024 (20%), September 2024 (30%) and December 2024 (40%).
- Two Chinese developers are in talks with bankers to seek options to manage their offshore debt. Shui On Land Ltd. met at least two bankers to discuss its three USD bonds totalling USD1.39bn. Separately, Road King Infrastructure Ltd. engaged a bank to explore options for its offshore debt, including loans and bonds. The two builders are rare survivors (albeit Road King’s bonds are trading at stressed levels), for now, of China’s years-long property crisis that have sparked record default rate among other developers.
- Recent developments for China Vanke Co Ltd (“VANKE”) have also been supportive:
 - VANKE has reportedly restructured a portion of its privately issued debt into asset-backed securities, enabling the company to postpone previously deferred payments. According to insiders, the existing non-standard debt notes, which were originally held by insurers, were exchanged this month for newly issued commercial mortgage-backed securities in equal proportions.
 - The company has recently sold an unfinished property project, originally intended to be its new headquarters, to various buyers, including Shenzhen Metro, a state-owned company and Vanke's largest shareholder. The commercial real estate project, located in Shenzhen and covering an area equivalent to nearly three soccer fields, was sold for RMB2.24bn (USD309mn) according to the auction result announced last Monday at a government-backed land trading centre. This amount is lower than the RMB3.1bn VANKE initially paid for the plot in 2017.
 - VANKE is currently engaged in advanced discussions with major banks for a loan of approximately CNY50bn (USD6.9bn). The talks regarding this loan facility, led by Industrial & Commercial Bank of China, commenced a few months ago after financial regulators instructed the banks to provide funding support to the developer.
- The Bloomberg Asia USD IG Index average option adjusted spread remained flat w/w at 76bps, while the Bloomberg Asia USD HY Index average option adjusted spread widened by 6bps w/w to 502bps. (Bloomberg, IFR, OCBC)

Series of acquisitions and divestments in SGD credit market

- Last week in the SGD credit market, SGD212.2mn in new issues were priced (week prior: SGD300mn). The largest was by GuocoLand Ltd which priced a SGD180mn 3Y issue at 4.05%.
- **SGD OIS SORA yields traded higher w/w** last Friday. The shorter tenors rose 2-5bps w/w while the belly tenors and 10Y rose 7-8bps w/w. As at 31 May 2024, the SGD OIS SORA 10Y yield was 3.17%.
- The **SGD credit market rose 0.07% w/w**, with outperformance from subordinated papers and short tenor papers while longer dated papers were impacted by the rise in SGD OIS SORA yields. For more information on the SGD tracker, please refer to our SGD Credit Outlook 2023 published on 4 January 2023.

By Tenor & Structure	Return w/w
AT1s	0.15%
Non-Financial Corp Perp	0.31%
Tier 2s and Other Non-perp Sub	0.16%
Longer Tenors (>9Y)	-0.07%
Mid Tenors (>3Y to 9Y)	-0.04%
Short Tenors (>1Y to 3Y)	0.08%
Money Market (Up to 12 months)	0.13%

By Issuer Profile	Return w/w
POS (2)	0.23%
N (3)	0.13%
N (4)	0.15%
N (5)	0.18%

Source: Bloomberg, OCBC

Company results: MAPL was the sole issuer announcing results.

- **Mapletree Investments Pte Ltd (“MAPL”) announced a net loss due to fair value losses.** Revaluation losses were taken on the office portfolio in the US, Europe and Australia due to elevated interest rates, resulting in loss after tax after minority interest of SGD577.2mn for FY2024 for the year ended 31 March 2024. Underlying business remains profitable with reported recurring profit after tax after minority interest of SGD715.6mn.

Acquisitions & divestments: MPACT and LLC are divesting to repay debt or improve risk profile, ANZ is divesting to simplify the bank while CDL is purchasing Delfi Orchard which may see parts of Orchard being rejuvenated.

- **Mapletree Pan Asia Commercial Trust (“MPACT”) is divesting Mapletree Anson** for SGD775mn, with proceeds used to repay debt and reduce MPACT’s aggregate leverage to 37.6% (31 March 2024: 40.5%) and improved adjusted interest coverage ratio to 3.3x (from 2.9x). Mapletree Anson makes up ~8.1% of MPACT’s net asset value as at 31 March 2024.
- **City Developments Ltd (“CDL”) is purchasing Delfi Orchard** for SGD439mn (SGD3,346 psf pr), which it already owns ~84% of the units. This will allow CDL to potentially tap the government’s Strategic Development Incentive Scheme that will allow a development’s GFA to increase by up to 20% if the building owner ties up with neighbouring buildings. There is potential for rejuvenation in Orchard, with CDL owning Orchard Hotel and Claymore Connect, and also stakes in St Regis, The Singapore Edition hotel, Boulevard 88 condo and Palais Renaissance.

- **Lendlease Group (“LLC”) is selling US East Coast construction operations**, with 45 projects at varying stages of completion. The acquirer is Consigli, who will also absorb the majority of Lendlease’s US construction workforce. This is part of LLC’s objective to divest its construction business in the US and UK to lower its overall risk profile. LLC had ~AUD2.6bn construction backlog in Americas as at 31 December 2023.
- **Australia & New Zealand Banking Group Ltd is selling its remaining 5.2% stake in Malaysia’s AMMB Holdings Bhd**, with the move in-line with its strategy to simplify the bank. This sale follows the sale of 16.5% of its holdings in AmBank in March 2024. This will be accretive to its CET ratio (+5bps).
- **ABN Amro Bank N.V. (“ABN”) is acquiring Hauck Aufhäuser Lampe (“HAL”)** for EUR672mn, a German private bank with EUR26bn in assets under management and loans of EUR2bn, from Fosun International. This will have an expected ~45bps impact to ABN’s CET1 ratio, which was robust at 13.8% as at 31 March 2024.
- **Singapore Telecommunications Ltd (“SingTel”) emerged as frontrunner to buy up to 20% in STT Telemedia Global Data Centres**, as reported by Reuters. In relation to the report, SingTel stated that it regularly explores and review business opportunities and confirms that there is no definitive or binding agreement yet, though SingTel has neither affirmed nor denied the news.

Key management changes: Several changes to company management are done as part of succession planning and integration plans.

- **UBS Group AG (“UBS”) announced changes at the Group Executive Board.** The changes are to support ongoing integration of Credit Suisse Group AG, and also for succession planning purpose with CEO Sergio Ermotti expected to step down by early 2027.
- **Mapletree Industrial Trust (“MINT”) CEO Mr Tham Kuo Wei resigned** as its CEO and Executive Director and will assume new responsibilities at the sponsor MAPL. He will be replaced by Ms Ler Lily who is the CFO, and in turn Ms Khoo Geng Foong who is head, Treasury, Logistics will be appointed CFO. The changes are part of succession planning.
- **HSBC Holdings (“HSBC”) is expected to announce by the half-year results at the end of July the successor CEO to Noel Quinn who is retiring.** Leading candidates include CFO Georges Elhedery and global wealth and personal banking boss Nuno Matos, while external candidates are also being considered.

Strong prints in Singapore residential property:

- In April 2024, condominium resale prices rose 1.5% m/m while transactions rose 23% m/m and 26% y/y. The rise in resale prices is the first significant increase thus far in 2024 while the increase in sales could be due to sales at The Residences at W Singapore Sentosa Cove and Cuscaden Reserve, where developers put up units at prices lower than initial launch price.
- **Lippo Malls Indonesia Retail Trust will have sufficient liquidity to repay all near-term debt**, with a new IDR2.5 trillion (SGD209.5mn) 8Y secured amortising loan obtained. Prices of LMRTSP 7.25% ‘24s has rallied nearly 10pts m/m and is trading around 99 pts while prices of LMRTSP 7.5% ‘26s have similarly rallied by over 10 pts m/m and is trading around 89 pts. (Bloomberg, Reuters, Company, OCBC)

Key Market Movements

	4-Jun	1W chg (bps)	1M chg (bps)		4-Jun	1W chg	1M chg
iTraxx Asiax IG	95	3	-6	Brent Crude Spot (\$/bbl)	78.2	-7.2%	-5.8%
				Gold Spot (\$/oz)	2,351	-0.4%	1.2%
iTraxx Japan	50	2	-2	CRB Commodity Index	289	-1.8%	0.9%
iTraxx Australia	65	2	-1	S&P Commodity Index - GSCI	564	-3.1%	-1.6%
CDX NA IG	50	0	-1	VIX	13.1	9.9%	-2.8%
CDX NA HY	107	0	0	US10Y Yield	4.40%	-15bp	-11bp
iTraxx Eur Main	52	0	-2				
iTraxx Eur XO	291	3	-17	AUD/USD	0.669	0.7%	1.0%
iTraxx Eur Snr Fin	58	0	-3	EUR/USD	1.091	0.5%	1.3%
iTraxx Eur Sub Fin	104	0	-7	USD/SGD	1.345	0.2%	0.4%
				AUD/SGD	0.901	-0.4%	-0.6%
USD Swap Spread 10Y	-37	0	4	ASX200	7,758	-0.1%	1.7%
USD Swap Spread 30Y	-74	-1	5	DJIA	38,571	-1.3%	-0.3%
				SPX	5,283	-0.4%	3.0%
China 5Y CDS	62	1	-2	MSCI Asiax	686	-1.6%	1.8%
Malaysia 5Y CDS	46	2	2	HSI	18,403	-2.3%	-0.4%
Indonesia 5Y CDS	72	1	1	STI	3,349	0.9%	1.7%
Thailand 5Y CDS	43	0	1	KLCI	1,597	-1.4%	0.4%
Australia 5Y CDS	0	-4	-4	JCI	7,036	-2.0%	-1.4%
				EU Stoxx 50	5,004	-1.1%	1.7%

Source: Bloomberg

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