

Credit Week in Brief

8 October 2024

Low issuance amidst Golden Week while market buoyant over China

- Coming on the heels of the US Federal Reserve's 50bps rate cut in the third week of September, the risk on sentiment continued in Asiadollar with China announcing a comprehensive stimulus package to support its struggling real estate market. This included traditional monetary easing, support for the property market, and measures to strengthen capital markets as well as supportive messaging coming out of the Politburo meeting on 26 September 2024.
- The Bloomberg Asia USD IG Index average option adjusted spread tightened by 8bps to 79bps w/w while the Bloomberg Asia USD HY Index average option adjusted spread tightened by 45bps to 482bps w/w respectively.
- That said, with no new measures announced at a highly anticipated press conference by the National Development and Reform Commission ("NDRC") in China this morning, the market may take a breather for now.
- The Asiadollar (excluding Japan and Australia) primary market was tepid last week with China out for the Golden Week holidays. There was only USD1.35bn of new supply based on Bloomberg league tables and OCBC estimates, in contrast to the bumper issuance in the previous week.
- Last week's issuance volumes were across only three issues:
 - Biocon Biologics Global PLC UK (Guarantors: Biocon Biologics Ltd/India, Biosimilars Newco Ltd, Biocon Biologics UK Ltd, Biocon Sdn Bhd and Biosimilar Collaborations Ireland Ltd ("Biocon Biologics") which priced USD800mn of 5NC2 senior secured bonds. Biocon Biologics is an India-based biopharmaceutical company. The bond was priced at 99.041 to yield 6.9%, tightening from the 7.25% area.
 - South Korea-based Shinhan Bank Co Ltd ("Shinhan") priced USD400mn 5Y green covered floating rate notes at SOFR+85bps.
 - Piramal Capital & Housing Finance Ltd/India ("Piramal") priced USD150mn in a retap of its existing PIELIN 7.8% '28s.
- Issuers from Japan were relatively quiet in the USD market last week while the main USD issuer from Australia last week was Goodman US Finance Six LLC (Guarantors: Goodman Ltd, Goodman Funds Management Ltd and Goodman Logistics HK Ltd), pricing USD600mn of 10Y senior unsecured bonds at T+140bps, tightening from an initial price guidance of T+165bps.

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Date	Issuer	Type	Currency	Size (mn)	Tenor	Final Pricing	Initial Pricing
02 Oct	Goodman US Finance Six LLC (Guarantors: Goodman Ltd, Goodman Funds Management Ltd and Goodman Logistics HK Ltd)	Fixed	USD	600	10Y	T+140bps	T+165bps area
02 Oct	Biocon Biologics Global PLC UK (Guarantors: Biocon Biologics Ltd/India, Biosimilars Newco Ltd, Biocon Biologics UK Ltd, Biocon Sdn Bhd and Biosimilar Collaborations Ireland Ltd)	Senior Secured, Fixed	USD	800	5NC2	99.041 to Yield 6.9%	7.25% area
03 Oct	Piramal Capital & Housing Finance Ltd/India	Sustainable, Fixed	USD	150	Tap of PIELIN 7.8% 01/29/28	102.00 to Yield 7.077884%	7.166%
04 Oct	Shinhan Bank	Green, Secured, FRN	USD	400	5Y	SOFR+85bps	N.A

Source: Bloomberg

- Headlines on a possible merger of asset management companies have re-emerged with Caixin reporting last week that **China Investment Corp (“CIC”)** has initiated an assessment of the business and financial conditions of China’s three largest asset management companies with the intention of potentially acquiring a majority stake in these companies.
- **PT Lippo Karawaci Tbk (“LK”)** plans to utilize a portion of the funds generated from the sale of its stake in **PT Siloam International Hospitals Tbk (“Siloam”)** to address its debt levels, including paying down the USD-denominated LPKRIJ 6.75% ‘26s early. LK has announced the call on this bond on 3 October 2024 and the bond is expected to be redeemed by month end.
- Update of China property developers that have defaulted on USD bonds:
 - **Logan Group Co Ltd (“Logan”)** has enlisted White & Case as its legal advisor for the restructuring of its offshore debt. Logan also stated that holders representing 92% of the total outstanding principal of existing notes had joined a creditor support agreement between the company and an ad hoc group of creditors with the longstop date of the credit support agreement extended to 11 November 2024. (Company, Bloomberg, Caixin, OCBC)

SGD credit market continued to gain despite higher SORA OIS Yields last week. SORA OIS Yields are likely to rise further this week amidst strong US jobs data

- Primary market issuance of SGD credit market had three new issue last week, notably from Housing & Development Board and OUE Limited.

Issuance Trends

23-Sep to 27-Sep (Two weeks ago)	30-Sep to 04-Oct (Last week)	Amount Change (% Change)	Amount Change (%)
SGD325mn	SGD670mn	SGD345mn	106%

Source: Bloomberg, OCBC

Date	Issuer	Type	Currency	Size (mn)	Tenor	Final Pricing	Initial Pricing
01 Oct	Housing & Development Board	Fixed	SGD	500	10Y	2.699%	NA
01 Oct	OUE Treasury Pte Ltd	Green, Fixed	SGD	150	5Y	4%	4.2% area
01 Oct	Mashreqbank PSC	Fixed	SGD	20	5Y	3.2%	NA

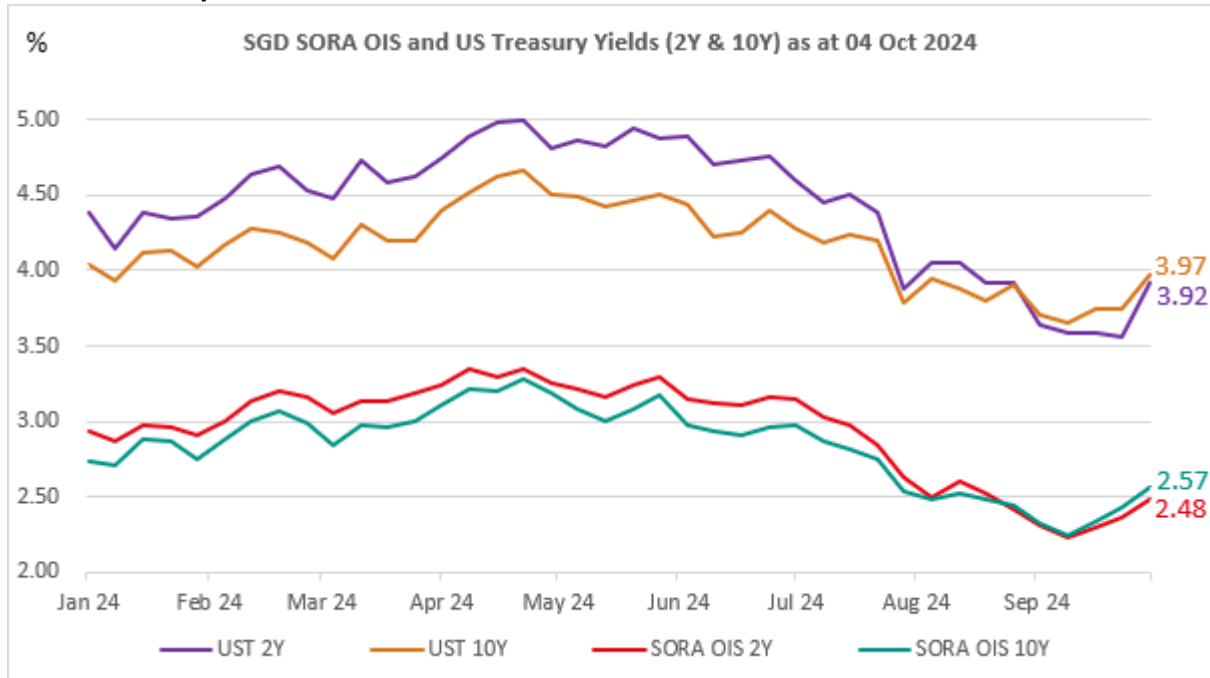
Source: Bloomberg, OCBC

- SGD SORA OIS yields rose w/w last Friday, yet this hasn't reflected the impact of strong US jobs data.

Tenor	Direction	Magnitude (bps)	Yield - 27 Sep	Yield - 04 Oct
1Y	Widened	11	2.54%	2.65%
1.5Y	Widened	11	2.43%	2.54%
2Y	Widened	11	2.37%	2.48%
3Y	Widened	11	2.33%	2.43%
4Y	Widened	11	2.33%	2.44%
5Y	Widened	11	2.35%	2.45%
7Y	Widened	12	2.37%	2.50%
10Y	Widened	13	2.44%	2.57%

Source: Bloomberg, OCBC

Spike on US Treasury Yields last week due primarily to strong US jobs data, which is not reflected in last week SORA OIS rates yet



Source: Bloomberg, OCBC

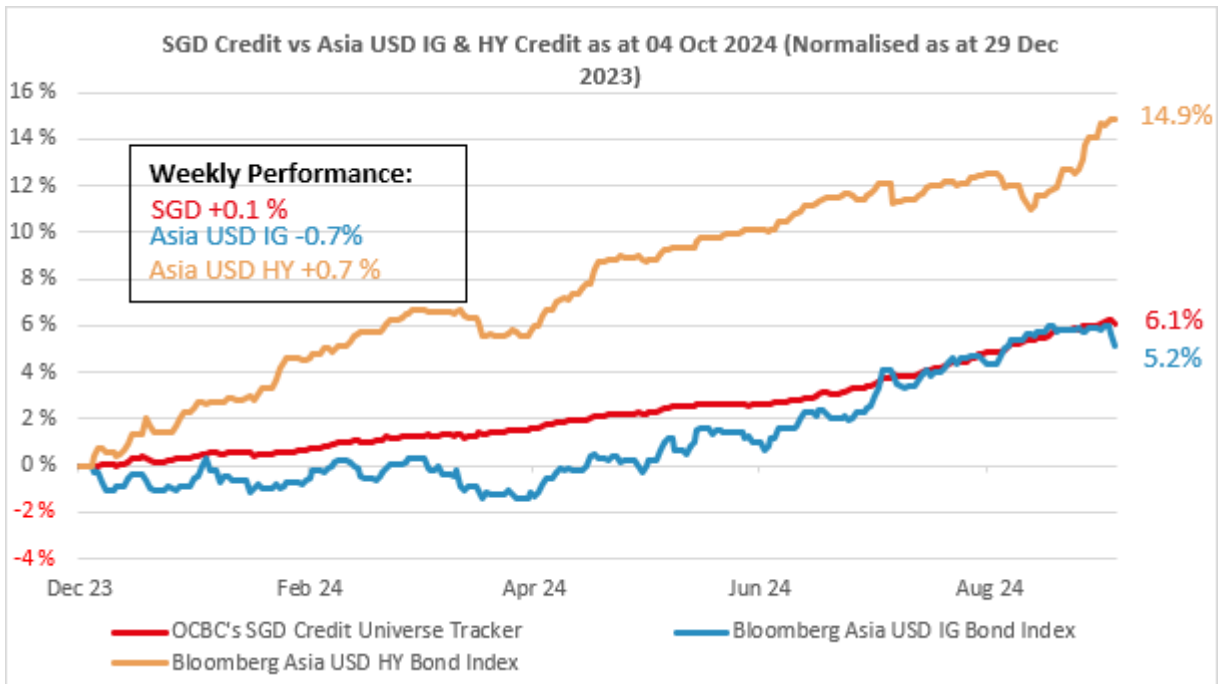
- The **SGD credit market was relatively flat at +0.08% w/w** despite higher SORA OIS yields with outperformances from Non-Financial Corporate Perpetuals, Tier 2s and Additional Tier 1s. For more information on the SGD tracker, please refer to our SGD Credit Outlook 2023 published on 4 January 2023.

By Tenor & Structure	Return w/w
AT1s	0.20%
Non-Financial Corp Perp	0.32%
Tier 2s and Other Non-perp Sub	0.28%
Longer Tenors (>9Y)	-0.09%
Mid Tenors (>3Y to 9Y)	-0.09%
Short Tenors (>1Y to 3Y)	0.10%
Money Market (Up to 12 months)	0.09%

By Issuer Profile	Return w/w
POS (2)	0.20%
N (3)	0.26%
N (4)	0.26%
N (5)	0.18%

Source: Bloomberg, OCBC

Asia USD IG declined considerably by 0.7% w/w as rates rose following a strong US jobs data. The impact of rising rates from strong US jobs data to SGD Credit is likely to be reflected this week.



Source: Bloomberg, OCBC

Key themes

Industry Outlook – Singapore Property

- **Private housing prices fell 1.1% q/q, mainly due to landed and CCR:** According to URA flash estimates, private housing prices fell 1.1% q/q in 3Q2024 (2Q2024: +0.9% q/q). The decline is mainly due to landed property which fell 3.8% q/q (2Q2024: +1.9% q/q). **HDB resale prices rose 2.5% q/q:** According to HDB flash estimates, HDB resale prices rose 2.5% q/q (2Q2024: +2.3% q/q). While higher end housing market (e.g. landed, CCR) have performed less well, prices in RCR and OCR have been stable while the increase in HDB resale prices have accelerated. We believe that stronger HDB resale prices will provide a boost to upgraders, which in turn may support demand for the private housing market. **We reiterate our view for Singapore residential property prices to rise 3-5% in 2024.** (URA, HDB, OCBC)
- **Strong sales at Meyer Blue:** Meyer Blue sold 114 units out of 226 units at an average price of SGD3,260 pps over the weekend. This is a freehold property. The strong sales rate at a high price is evidence that demand for residential property remains firm, especially for projects at choice locations, in our view. (Business Times, EdgeProp, OCBC)
- The Media Circle site was not awarded as the SGD461 pps sole bid was deemed as too low. This government land site is the third site that has went unawarded this year per the Business Times. (Business Times, The Edge, OCBC)

Financials updates

- **Commonwealth Bank of Australia (“CBA”)** announced several changes to its executive leadership team with notable one Nigel Williams retiring as Group Chief Risk Officer in February 2025. He will be replaced by Andrew Hinchliff who is currently Group Executive Institutional Banking & Markets. (Company)
- **Westpac Banking Corporation (“Westpac”)** has agreed to sell the remainder of its auto finance business including related loans and lease receivables to Resimac Group Limited for AUD1.4-1.6bn. This follows the partial sale in 2021. The sale is not expected to materially impact Westpac’s financials per management. The sale is expected to complete in 1H2025. (Company)
- **ANZ Group Holdings Ltd / Australia & New Zealand Banking Group Ltd (“ANZ”):** Reuters has reported that ANZ, along with the Gunawan family have appointed an advisor for the sale of its interest in PT Bank Pan Indonesia (“Panin”). Per various media reports, the Gunawan family owns ~46.5% in Panin while ANZ owns ~39%. Separately, ANZ announced the settlement of two class actions from 2020 related to superannuation fund investments and commissions associated with Esanda car loans. Total costs are AUD99mn and are covered by existing provisions. (Company, Reuters, Bloomberg, OCBC)

Other Corporate Updates – Merger & Acquisition

- **Singapore Post Ltd (“SingPost”):** The Australian Financial Review reported that Blackstone has submitted a non-binding indicative offer for SingPost’s Australian assets, which are said to be making AUD100mn profit. The assets are referred to Freight Management Holdings Pty. Ltd. (“FMH Group”), which is expected to worth AUD1bn (SGD886mn). FMH Group is now one of the top five logistics companies by revenue in Australia. As of 30 June 2024, including SGD250mn perpetual, adjusted gross debt and adjusted net debt were SGD1.13bn and SGD660mn respectively. SPOST’s gearing had been rising in the past few years. The disposal is likely stem further increases. **We believe the divestment is a positive credit event** as SingPost previously indicated that the proceeds from offloading non-core asset (including also SingPost Centre, which is valued at SGD1.1bn) will be prioritised to optimise balance sheet and gearing. (The Australian Financial Review, Company, OCBC)
- **CapitaLand Ascott Trust (“ART”)** is acquiring Iy Funan Singapore at an agreed property value of SGD263mn from Ascott Serviced Residence Global Fund (“ASRGF”). The acquisition outlay will be financed with ~SGD142.8mn from the divestment proceeds of Citadines Mount Sophia Singapore which was completed in March 2024 and SGD119.7mn from debt financing. ART’s aggregate leverage (end-1H2024: 37.2%) is expected to reach 39.1% following the acquisition. (Company, OCBC)

- **Keppel Ltd (“KEP”)** is divesting 70% stake in Saigon Sports City Ltd worth up to SGD391.1mn (“Divestment of Saigon Sports City Ltd”), (2) Toshin Development Co Ltd subscribing for stakes in a KEP entity which holds equity interest to land use rights in respect to Saigon Centre Phase 3 (“Toshin subscription” and (3) KEP is awarded a 20Y Centralised Cooling Systems contract by Housing & Development Board (“HDB CCS Contract”). (Company, OCBC)
- **Mapletree Industrial Trust (“MINT”)** has entered a conditional purchase and sale agreement with Nagayama Tokutei Mokuteki Kaisha, an unrelated third-party vendor to **acquire a mixed-use facility located in Tokyo, Japan for JPY14.5bn** (~SGD129.8mn). The agreed property value represents a 3.3% discount to independent valuation. Post acquisition, MIT’s pro forma aggregate leverage ratio is expected to increase from 39.1% as at 30 Jun 2024 to 39.8%. (Company, OCBC)
- **Oxley Holdings Ltd (“OHL”)** OHL through its subsidiary Oxley Rising Sdn Bhd (“ORSB”) is selling 30% interest in a to be built luxury hotel at Oxley Towers KLCC which we estimate at MYR75mn. The buyer of the 30% stake is Kindway Express Ltd (“KEL”). KEL will also contribute by way of cash to the project costs, with ORSB in charge of the design, execution, completion and delivery of the architectural works, mechanical and electrical works and fit-out works for the hotels. (Company, OCBC)
- **Olam Group Ltd (“OG”)**: Tim Watson, Namoi's Executive Chairman, informed the market that himself and all the Independent Directors that hold Namoi Cotton Limited ("Namoi") shares, have accepted the Louis Dreyfus Company ("LDC") offer. Olam Agri has decided not to declare the offer unconditional or extend the offer beyond its current closing date of 8th October 2024. This announcement came after Namoi's largest shareholder, Samuel Terry Asset Management, accepted the LDC offer, going from AUD0.68 earlier to AUD0.77 per share, thereby increasing LDC's stake in Namoi to 47.66%, after receiving 30.63% of acceptances under its offer as at 30 Sep 2024. (Business Times, OCBC)

Other Corporate Updates

- **ESR Group Ltd (“ESR”)**: An expanded consortium that now includes Qatar Holding LLC has submitted an updated non-binding proposal to the ESR. The proposal concerns a potential acquisition of ESR. As far as we are aware, there is no delisting put on ESR’s SGD-denominated bullet nor the SGD-denominated perpetual. Change of control puts also do not apply. Barring an issuer buyback (the company is not compelled to buyback), holders of these instruments will be holding debt capital market instruments issued by an unlisted entity, assuming the take-private is successful and the company gets delisted.
- **Olam Group Ltd (“OG”)**: A USD3.3mn fine has been imposed on OG, for the delayed reporting of cotton sales to the US Department of Agriculture (“USDA”) and the Commodity Futures Trading Commission (“CFTC”) in 2021. Per CFTC, the sales, which were reported as much as five weeks late, amounted to more than 375,000 bales of cotton with a value of over USD190mn. (Bloomberg, OCBC)
- **Hotel Properties Ltd’s (“HPL”)** managing director and major shareholder (39.4% deemed interest), Mr Ong Beng Seng, has been charged in court on 4 October 2024 in relation to two offences namely (1) abetting of a public servant in obtaining gifts and (2) abetting the obstruction of justice. HPL mentioned that neither HPL nor any other companies in the Group have been charged. Mr Ong is currently on bail and is seeking legal advice. The Nominating Committee has announced that Mr Ong continues to be suitable to carry out his duties and responsibilities as Managing Director. HPL has requested for the trading halt to be lifted after the release of the announcement on 4 October 2024. (Company, Straits Times, Bloomberg, OCBC)
- **Qantas Airways Ltd (“Qantas”)**: Per Virgin Australia’s (“VA”) announcement, Qatar Airways Group (“QA”) is seeking to buy a 25% stake in VA for an undisclosed value from Bain Capital, which is one of the largest private investment firms. The deal is subject to regulatory approval, including from Australia's Foreign Investment Review Board (“FIRB”) and Australian Competition and Consumer Commission (“ACCC”). Per ACCC, Qantas (including both Jetstar and Qantas) dominated 61.8% of Australia’s domestic air passenger market share in March 2024, followed by VA (31.3%). The move is likely to shake up Australia’s market that is dominated by Qantas given that Qatar Airways was ranked the World’s Best Airline at the 2024 World Airline Awards. (Company, Bloomberg, ACCC, Reuters, OCBC)

Key Market Movements

	8-Oct	1W chg (bps)	1M chg (bps)		8-Oct	1W chg	1M chg
iTraxx Asiax IG	72	2	-25	Brent Crude Spot (\$/bbl)	80.4	9.3%	13.2%
				Gold Spot (\$/oz)	2,641	-0.9%	5.4%
iTraxx Japan	51	-1	-1	CRB Commodity Index	294	3.0%	10.0%
iTraxx Australia	64	2	-1	S&P Commodity Index - GSCI	567	6.3%	10.9%
CDX NA IG	54	-1	2	VIX	22.6	35.3%	1.2%
CDX NA HY	107	0	1	US10Y Yield	4.01%	28bp	30bp
iTraxx Eur Main	58	-2	3				
iTraxx Eur XO	313	-3	13	AUD/USD	0.677	-1.7%	1.6%
iTraxx Eur Snr Fin	66	-2	3	EUR/USD	1.098	-0.8%	-0.5%
iTraxx Eur Sub Fin	118	-5	6	USD/SGD	1.303	-1.1%	0.2%
				AUD/SGD	0.882	0.6%	-1.3%
USD Swap Spread 10Y	-46	0	2	ASX200	8,204	-0.1%	2.4%
USD Swap Spread 30Y	-82	0	2	DJIA	41,954	-0.9%	4.0%
				SPX	5,696	-1.2%	5.3%
China 5Y CDS	62	1	2	MSCI Asiax	777	1.7%	12.9%
Malaysia 5Y CDS	38	0	0	HSI	23,100	12.0%	32.4%
Indonesia 5Y CDS	69	-2	-2	STI	3,599	0.5%	4.2%
Thailand 5Y CDS	35	0	-3	KLCI	1,635	-1.3%	-1.1%
Australia 5Y CDS	12	0	0	JCI	7,504	-0.3%	-2.8%
				EU Stoxx 50	4,970	-0.6%	4.9%

Source: Bloomberg

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