

**Credit Week in Brief**

9 July 2024

**Primary market takes a breather in Asiadollar**

- The Asiadollar (excluding Japan and Australia) primary market saw much lower supply last week amidst a shortened work week with USD1.6bn priced per Bloomberg league tables and OCBC estimates. In the previous week, USD9.0bn was priced.
- The lower volumes were supportive for spreads with the Bloomberg Asia USD IG Index average option adjusted spread flat at 82bps, although the Bloomberg Asua USD HY Index average option adjusted spread widened by 8bps w/w to 498bps.
- Last week’s notable issuances were mainly Chinese issuers across financial institutions and local government funding vehicles.
  - The **China CITIC Bank Corporation Ltd** (“China Citic Bank”) through its London branch priced a USD300mn 3Y green floating rate note at SOFR+55bps, tightening from the SOFR+105bps area.
  - **China Merchants Bank Co Ltd** (“China Merchants”), through its Sydney branch priced USD400mn, also in a 3Y green floating rate note, though came in slightly tighter at SOFR+54bps, tightening from the SOFR+105bps area.
  - **Taizhou Urban Construction and Investment Development Group Co** (“Taizhou Urban”), a local government funding vehicle priced USD500mn of 3Y sustainability bond at 5.45%, tightening from the 5.8% area.
  - In the crossover space, the key issuer was SMRC Automotive Holdings Netherlands B.V. (Guarantor: **Samvardhana Motherson International Ltd** (“Motherson”)), pricing a USD350mn 5Y secured bond. Motherson is a India based multinational manufacturer of automotive components.
- Sumitomo Mitsui Financial Group Inc (“Sumitomo Mitsui”) was the key Japanese issuer in the USD market last week, pricing USD4.5bn across five tranches. Among issuers out of Australia and New Zealand, the National Australia Bank Ltd (“NAB”) priced USD500mn of 5Y floating rate notes while ANZ Bank New Zealand Ltd priced USD500mn of Tier 2 bank capital instrument.

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Date	Issuer	Type	Currency	Size (mn)	Tenor	Final Pricing
02 Jul	Sumitomo Mitsui Financial Group Inc	Fixed	USD	750	5Y	T+93bps
02 Jul	Sumitomo Mitsui Financial Group Inc	FRN	USD	500	5Y	SOFR+117bps
02 Jul	Sumitomo Mitsui Financial Group Inc	Fixed	USD	900	7Y	T+103bps

02 Jul	Sumitomo Mitsui Financial Group Inc	Fixed	USD	1350	10Y	T+113bps
02 Jul	Sumitomo Mitsui Financial Group Inc	Sub Fixed (Tier 2)	USD	1000	20Y	T+113bps
02 Jul	ANZ Bank New Zealand Ltd	Sub Fixed (Tier 2)	USD	500	10NC5	T+150bps
02 Jul	China Citic Bank Corp Ltd/London	Green, FRN	USD	300	3Y	SOFR+55bps
02 Jul	China Merchants Bank Co Ltd/Sydney	Green, FRN	USD	400	3Y	SOFR+54bps
02 Jul	National Australia Bank Ltd	FRN	USD	500	5Y	SOFR+83bps
03 Jul	SMRC Automotive Holdings Netherlands B.V. (Guarantor: Samvardhana Motherson International Ltd)	Fixed	USD	350	5Y	T+140bps
03 Jul	Taizhou Urban Construction and Investment Development Group Co	Sustainability, Fixed	USD	500	3Y	5.45%
03 Jul	Deqing Construction Development Group Co Ltd	Fixed	USD	97	3Y	5.65%

Source: Bloomberg

- China Vanke Co. Ltd (“VANKE”)** experienced a slowdown in home sales growth in June. The developer reported a 7.9% m/m increase in contracted sales, reaching RMB25.13bn (USD3.46bn). This growth rate is lower than the 12% m/m increase observed in May. In comparison to the previous year, home sales in June were 31% lower. Shenzhen SCPG Commercial Property Development & Management Co. Ltd (wholly owned by a VANKE-linked company) sold a 48%-stake in a mall in Shanghai to a subsidiary of GIC per Caixin, quoting data from Qichacha. VANKE had been divesting assets to generate liquidity.
- A HKSAR court adjourned the first winding-up hearing of Times China Holdings Ltd. (“TPHL”)** to 31 July 2024 in order to give the petitioner more time to consider TPHL’s debt proposal per Bloomberg news. The liquidation petition was filed by Hang Seng Bank Ltd. in connection with financial obligations of about USD173.2mn and HKD731.4mn (USD93.6mn), respectively.
- A real estate company focused on commercial real estate, **Shanghai Shimao Co. Ltd. (“Shimao”)** and its subsidiaries were unable to make timely payments for RMB13.3bn (USD1.83bn) of debt as of June 28 2024. The company further states that they have accumulated an additional RMB457mn (USD62.8mn) of debt that they are unable to repay on time in June. Sales have not improved, and the company is currently facing a liquidity crisis.
- Cathay Pacific Airways Ltd (“Cathay”)** has announced its intention to repurchase the remaining half of the HKD19.5bn (USD2.5bn) worth of preference shares that were invested by the HKSAR government to support Cathay’s operations during the pandemic. (Bloomberg, Caixin, SCMP, OCBC)

**Activity in Singdollar primary market**
**Issuance Amount**

24 <sup>th</sup> to 28 <sup>th</sup> June (Two weeks ago)	1 <sup>st</sup> to 5 <sup>th</sup> July (Last week)	Amount Change	Amount Change (%)
SGD0mn	SGD945mn	<b>+SGD945mn</b>	n.m.

Source: Bloomberg, OCBC

**SGD Tracker & SORA OIS Yield**

Date	Issuer	Type	Currency	Size (mn)	Tenor	Final Pricing	Initial Pricing
02 Jul	Toronto-Dominion Bank	AT1	SGD	310	PerpNC5	5.7%	5.8% area
03 Jul	CapitaLand Integrated Commercial Trust	Green, Fixed	SGD	300	10Y	3.75%	3.85% area
04 Jul	UBS Group AG	AT1	SGD	175	Retap of existing UBS 5.6% PERP	100 + accrued	NA
04 Jul	Ho Bee Land Ltd	Green, Fixed	SGD	160	5Y	4.35%	4.6%

- The **SGD credit market rose 0.07% w/w**, with all segments delivering positive returns. Outperformers included crossovers credits which are rated in the Neutral (5) Issuer Profile category non-financial corporate perpetuals and issues with less than 12 months to maturity. 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	<b>0.04%</b>
Non-Financial Corp Perp	<b>0.15%</b>
Tier 2s and Other Non-perp Sub	<b>0.06%</b>
Longer Tenors (>9Y)	<b>0.13%</b>
Mid Tenors (>3Y to 9Y)	<b>0.03%</b>
Short Tenors (>1Y to 3Y)	<b>0.03%</b>
Money Market (Up to 12 months)	<b>0.17%</b>

By Issuer Profile	Return w/w
POS (2)	<b>0.03%</b>
N (3)	<b>0.06%</b>
N (4)	<b>0.05%</b>
N (5)	<b>0.11%</b>

Source: Bloomberg, OCBC

## SORA spreads trends (Fri w/w)

Tenor	Direction	Magnitude (bps)	Yield - 28 <sup>th</sup> June	Yield - 5 <sup>th</sup> July
1Y	Tightened	0	3.39%	3.39%
1.5Y	Tightened	-1	3.26%	3.26%
2Y	Tightened	-1	3.16%	3.15%
3Y	Tightened	-1	3.05%	3.04%
4Y	Widened	0	2.99%	3.00%
5Y	Widened	1	2.97%	2.98%
7Y	Widened	1	2.96%	2.98%
10Y	Widened	2	2.96%	2.98%

Source: Bloomberg, OCBC

## Corporate actions

- ESR Group Ltd (“ESR”) – Potential take private for ESR.** Bloomberg reported that a consortium led by Starwood Capital Group, Sixth Street Partners, and SSW Partners has approached parties like Qatar Investment Authority (“QIA”), Saudi Arabia's Public Investment Fund (“PIF”), and Canada Pension Plan Investment Board (“CPPIB”) regarding a potential take-private deal for ESR. ESR, QIA, PIF, and CPPIB have not commented on the news. If the take-private is successful and ESR gets delisted, holders of ESR's SGD-denominated bullet and perpetual instruments will be holding debt capital market instruments issued by an unlisted entity. **There is no delisting or change of control puts in place, and the company is not compelled to buyback.**
- Singapore Telecommunications Ltd (“SingTel”) – May sell more Airtel stakes.** Singtel may sell more stakes in Bharti Airtel after its 1QFY2025 results, as reported by Moneycontrol, an Indian financial portal. Singtel has already sold 3.3% direct stake for SGD2.53bn and another 0.8% direct stake for SGD937mn, reducing its effective stake to 28.9%. This is part of Singtel's capital recycling strategy, with SGD6bn of monetizable assets identified. Singtel currently holds a ~9% direct stake in Airtel, valued at over SGD12bn.
- Lendlease Group (“LLC”) – ACCC concerned with LLC’s AUD1.3bn sale of 12 communities projects.** Australian Competition and Consumer Commission’s (“ACCC”) raised concerns about LLC's AUD 1.3bn sale of 12 community projects to Stockland Supalai Residential Communities Partnership Pty Ltd. They worry that the acquisition may lead to higher prices, delayed supply, or lower quality housing. LLC’s previously announced sales are expected to generate AUD 2.2bn in cash receipts by June 2025, and more sales may continue if LLC recycle AUD1.1bn in capital by selling The Exchange TRX in Malaysia, Keyton Australian Retirement Living investment and China Senior Living asset. In any case, if the ACCC rejects the disposal, we believe LLC can develop the projects as part of its domestic market focus.
- HSBC Holdings Ltd (“HSBC”) – Sale of its German wealth-management unit attracting interest.** Bloomberg reported that HSBC’s sale of its German wealth-management unit is attracting initial interest from BNP Paribas SA, UBS Group AG and Julius Baer Group Ltd. The business could be valued at EUR300mn to EUR600mn (USD324mn to USD648mn). Concurrently, HSBC is also potentially divesting its German fund administration business. HSBC has been exiting business activities including in North America and French retail operations as part of its efforts to focus on core operations in Asia.

## Other Headlines

- Sembcorp Industries Ltd (“SCI”) – Supplying electricity and renewable energy certificates.** SCI's subsidiary, Sembcorp Power, has signed long-term power purchase agreements (PPAs) with GSK subsidiaries. The PPAs, lasting up to 10 years from January 1, 2025, involve supplying 10MW of electricity to GSK's three

manufacturing sites in Singapore. Additionally, SCI will provide GSK with 87,600MWh of renewable energy certificates annually from its solar projects, helping GSK achieve its 100% renewable electricity target.

- **Olam Group Ltd (“OG”) – Obtained USD745mn financing.** OG’s food, feed and fibre operating group, Olam Agri, has obtained a financing facility from banks in the United Arab Emirates aggregating AED2.7bn (~USD745mn). The facility has Olam Agri subsidiaries Olam Global Agri Pte. Ltd. and Olam Global Agri Treasury Pte. Ltd. as borrowers with a tenor of three years. The facility is initially guaranteed by Olam Group which will transfer to Olam Agri upon demerger of Olam Agri. (Company, OCBC, Bloomberg)

## Key Market Movements

	9-Jul	1W chg (bps)	1M chg (bps)		9-Jul	1W chg	1M chg
iTraxx Asiax IG	92	-6	-4	<b>Brent Crude Spot (\$/bbl)</b>	85.7	-0.6%	7.6%
	0	0	0	<b>Gold Spot (\$/oz)</b>	2,363	1.4%	2.3%
iTraxx Japan	50	-3	-1	<b>CRB Commodity Index</b>	291	0.2%	0.4%
iTraxx Australia	63	-7	-2	<b>S&amp;P Commodity Index - GSCI</b>	580	-0.8%	2.7%
CDX NA IG	49	-2	-1	<b>VIX</b>	12.4	-0.6%	1.2%
CDX NA HY	107	0	0	<b>US10Y Yield</b>	4.29%	-14bp	-14bp
iTraxx Eur Main	52	-5	-1				
iTraxx Eur XO	289	-18	-5	<b>AUD/USD</b>	0.674	1.1%	2.0%
iTraxx Eur Snr Fin	59	-8	-1	<b>EUR/USD</b>	1.083	0.7%	0.6%
iTraxx Eur Sub Fin	104	-13	-3	<b>USD/SGD</b>	1.350	0.4%	0.2%
				<b>AUD/SGD</b>	0.910	-0.7%	-1.8%
<b>USD Swap Spread 10Y</b>	-42	0	-7	<b>ASX200</b>	7,830	1.4%	-0.4%
<b>USD Swap Spread 30Y</b>	-79	1	-8	<b>DJIA</b>	39,345	0.6%	1.4%
				<b>SPX</b>	5,573	2.1%	4.2%
<b>China 5Y CDS</b>	58	-8	-6	<b>MSCI Asiax</b>	709	2.2%	2.6%
<b>Malaysia 5Y CDS</b>	42	-4	-5	<b>HSI</b>	17,539	-1.3%	-4.5%
<b>Indonesia 5Y CDS</b>	73	-4	2	<b>STI</b>	3,420	1.6%	2.7%
<b>Thailand 5Y CDS</b>	40	-4	-2	<b>KLCI</b>	1,615	1.0%	-0.2%
<b>Australia 5Y CDS</b>	13	0	0	<b>JCI</b>	7,296	2.4%	5.8%
				<b>EU Stoxx 50</b>	4,970	0.8%	-1.6%

Source: Bloomberg

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