

Credit Week in Brief

11 June 2024

Issuance volume nearly halved last week

- **The Asiadollar (excluding Japan and Australia) primary market only saw ~USD1.2bn priced last week** per Bloomberg league tables and OCBC estimates, slightly more than half of the USD2.3bn the week before.
- There were two issuances from Asiadollar (excluding Japan), both from Chinese issuers, where one is an investment grade issuer and the other on the opposite side of the credit scale:
 - **Big four Chinese bank, Bank of China Ltd/Sydney** priced a USD800mn 3Y floating rate note. According to the IFR, orderbook reached USD1.62bn (including from lead arrangers). Pricing was at SOFR+50bps, inside the initial price guidance of SOFR+95bps area.
 - **Nine Dragons Paper Holdings Ltd (“Nine Dragons”)** priced USD400mn of senior unsecured perpetual NC3 at a whopping 14%, tightening from the initial price guidance at the 14.25% area. The use of proceeds is for refinancing of existing bank loans and other borrowings and for general corporate purposes. Nine Dragon is a publicly listed company focused on paper product manufacturing with operations across China as well as the US, Vietnam and. Unlike many other Asiadollar (excluding Japan) issuers, Nine Dragon is not rated by international rating agencies and this new issue is unrated.
- **The National Australia Bank Ltd (“NAB”), a big four Australian bank was active in the USD market:** The NAB priced three tranches of bonds, including a USD900mn 3Y senior unsecured bond, a USD750mn 10Y senior unsecured bond and a USD850mn 3Y senior unsecured floating rate note.
- The Bloomberg Asia USD IG Index average option adjusted spread was flat at 76bps while the Bloomberg Asia USD HY Index average option adjusted spread tightened by 21bps w/w to 484bps.

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Date	Issuer	Type	Currency	Size (mn)	Tenor	Pricing
03 Jun	Nine Dragons Paper Holdings Ltd	Fixed	USD	400	PerpNC3	14%
03 Jun	National Australia Bank Ltd	Fixed	USD	900	3Y	T+47bps
03 Jun	National Australia Bank Ltd	FRN	USD	850	3Y	SOFR+62bps
03 Jun	National Australia Bank Ltd	Fixed	USD	750	10Y	T+78bps
06 Jun	Bank of China Ltd/Sydney	FRN	USD	800	3Y	SOFR+50bps

Source: Bloomberg

- Some signs of positivity in the Shanghai and Shenzhen property market:** In Shanghai, over 90% of the 300 units available at a new project were sold, surpassing the sales rate of the same development in March. Similarly, in Shenzhen, buyer interest increased significantly, leading some developers to withdraw their discount offers. Additionally, both cities experienced higher volume of existing-home sales during the weekend of June 1-2.
- China Vanke Co. ("VANKE") pays its USD bond:** VANKE has reportedly deposited funds to fully repay the USD600mn VNKRL 4.2% '24s due 7 June 2024 per an exchange filing from the company. Contracted sales increased by 11.5% in May 2024 compared to April 2024, reaching RMB23.3bn. Although sales still dropped by 29.2% y/y in May 2024, this decline narrowed for the third consecutive month.
- Country Garden Holdings Co. ("COGARD")'s winding up petition in Hong Kong's High Court has been further adjourned to 29 July 2024:** This follows a previous four-week extension to 11 June 2024 that it received in early-May to work on a restructuring plan. The petition relates to a winding-up petition by creditor Ever Credit Ltd to liquidate COGARD due to non-payments on a term loan facility.
- Potential regulatory changes to South Korean banks:** According to Korea Economic Daily, South Korea's financial watchdog plans to conduct on-site inspections on ten savings banks that have a non-performing loan ("NPL") ratio exceeding 20%. In the first quarter, out of the 79 savings banks, ten of them had an NPL ratio exceeding 20%, while 46 savings banks had an NPL ratio exceeding 10%. Additionally, Maeil Business Newspaper reported separately that financial regulators are considering relaxing merger and acquisition rules for savings banks in Seoul and the surrounding areas, to support restructuring efforts of the savings banks.
- The largest shareholder of China South City Holdings Ltd. ("CSC", a defaulted issuer) is facing a USD1.4bn lawsuit related to keepwell agreements:** Citicorp International Ltd ("Citicorp") has filed a lawsuit against Shenzhen SEZ Construction and Development Group Co. ("Shenzhen SEZ"), the largest shareholder of CSC. The lawsuit, dated 3 June 2024, revolves around keepwell agreements provided by Shenzhen SEZ for some of CSC's USD bonds. Citicorp acts as the trustee for China South City's USD bonds. Bloomberg adds that previous disputes between global creditors and distressed Chinese companies over keepwell agreements have produced mixed outcomes. (Bloomberg, Reuters, Wall Street Journal, Maeil Business Newspaper, Korea Economic Daily, IFR, OCBC)

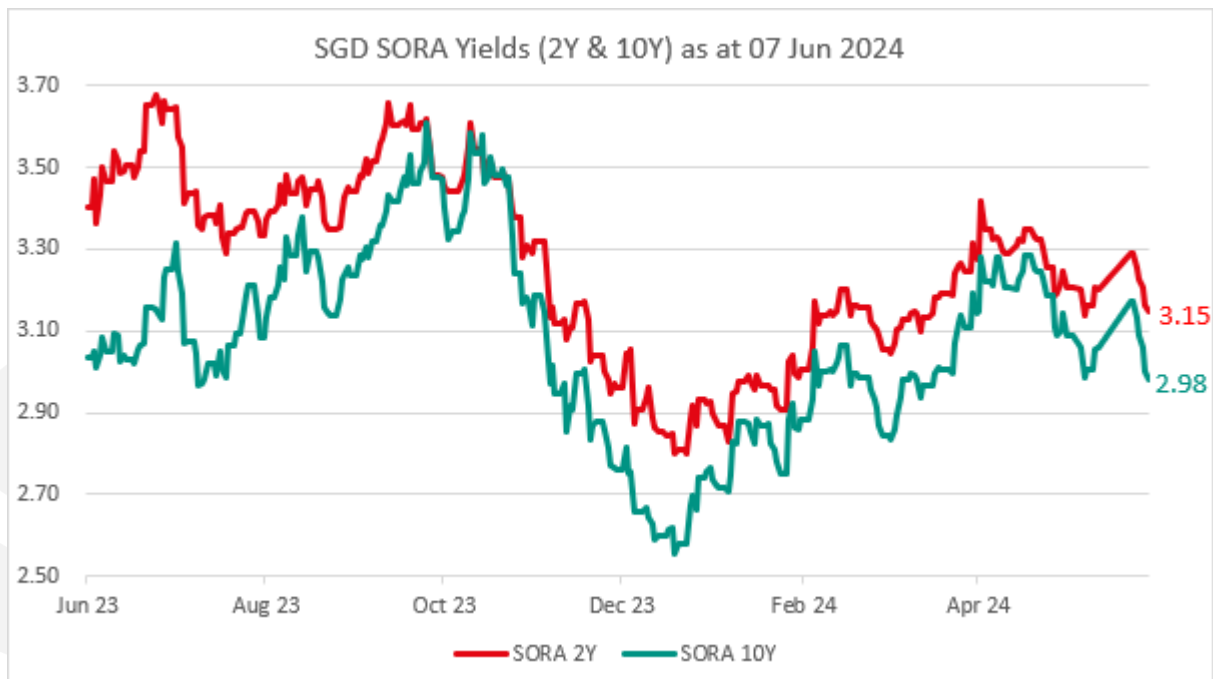
Active SGD primary issuance market along with better weekly SGD credit market returns amidst lower SORA rates

- **It was a busy week in the SGD credit market** with SGD1.85bn in new issues priced (week prior: SGD212.2mn).
 - HSBC Holdings PLC priced a SGD1.5bn PerpNC5.5, making it one of the largest SGD bonds ever.

Date	Issuer	Type	Currency	Size (mn)	Tenor	Final Pricing
03 Jun	IFAST Corporation Ltd	Fixed	SGD	100	5Y	4.328%
05 Jun	OUE REIT Treasury Pte Ltd (Guarantors: DBS Trustee Ltd, in its capacity as trustee of and OUE Real Estate Investment Trust)	Green, Fixed	SGD	250	3Y	4.1%
06 Jun	HSBC Holdings PLC	Fixed, AT1	SGD	1,500	PerpNC5.5	5.25%

Source: Bloomberg, OCBC

- **SGD OIS SORA yields traded lower w/w** last Friday. The shorter tenors fell 7-16bps, belly tenors fell 17-19bps and 10Y fell 19bps. As at 7 June 2024, the SGD OIS SORA 10Y yield was 2.98%.



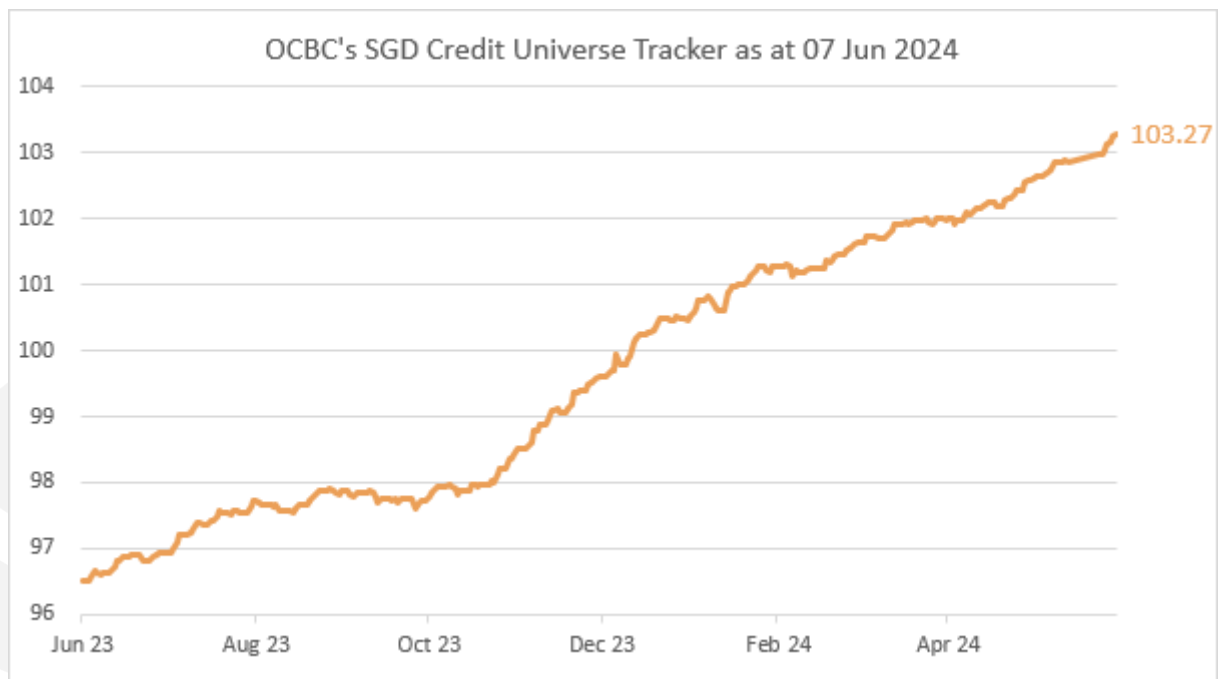
Source: Bloomberg, OCBC

- The **SGD credit market rose 0.29% w/w**, with outperformance from longer tenors, mid-tenors amidst considerably lower 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	0.17%
Non-Financial Corp Perp	0.19%
Tier 2s and Other Non-perp Sub	0.11%
Longer Tenors (>9Y)	0.68%
Mid Tenors (>3Y to 9Y)	0.46%
Short Tenors (>1Y to 3Y)	0.20%
Money Market (Up to 12 months)	0.07%

By Issuer Profile	Return w/w
POS (2)	0.07%
N (3)	0.08%
N (4)	0.17%
N (5)	0.13%

Source: Bloomberg, OCBC



Source: Bloomberg, OCBC

Negative headlines

- **Lendlease Group (“LLC”)** is cutting its FY2024 (ending June 2024) core operating profit after tax guidance from AUD450mn to AUD305mn, as the AUD1.3bn sale of 12 Communities projects is not able to complete by June 2024. The Australian Competition and Consumer Commission will only announce the outcome of its review by 4 July 2024. LLC’s net gearing as at 30 June 2024 is expected to be ~17%-20% versus the previous guidance of ~15-16%. (Company, OCBC)

Increased collaboration

- **Qantas Airways Limited (“Qantas”)** and Perth Airport have reached a commercial agreement where Perth Airport will invest ~AUD3bn in new terminal facilities and a new parallel runway. This will form part of a AUD5bn capital investment program by Perth Airport which will also include multi-storey carparks, major access roadworks and an airport hotel. Per Qantas, the agreement resolves all outstanding commercial issues in the dispute between Perth Airport and Qantas. In the past, both parties had been embroiled in long running disputes surrounding non-payment of airport charges and terminal usage. (Company, OCBC)
- **Singapore Airlines Limited (“SIA”)** and Riyadh Air has signed a Memorandum of Understanding (“MOU”) to establish a new partnership between the two airlines. Under the MOU, the carriers will explore opportunities for interline connectivity on each other’s services, subject to regulatory approval. They will also work on other potential areas of commercial cooperation including codeshare arrangements, reciprocal benefits for their frequent flyer programme members, cargo services, customer experience and digital innovation as a precursor to a deeper, longer-term, strategic partnership. (Company, PIF, Al Jazeera)
- **Singapore Airlines Limited (“SIA”)** and Cathay Pacific Airways Ltd (“Cathay”) have signed a memorandum of understanding (“MOU”) to collaborate on a broad range of sustainability initiatives aimed at advocating for the development and use of sustainable aviation fuel (“SAF”) in the Asia-Pacific region. SIA and Cathay will also explore potential opportunities for joint procurement of SAF at selected locations, aimed at boosting SAF production and supporting wider adoption in the airline industry. (Company)
- **Sembcorp Industries Ltd’s (“SCI”)** wholly-owned subsidiary, Sembcorp Green Hydrogen Pte. Ltd, has signed a Heads of Terms with Sojitz Corporation and Kyushu Electric Power Co., Inc (the consortium) which paves the way for a finalisation of a definitive green ammonia offtake agreement. SCI will use renewable energy to produce an initial 200,000 metric tonnes p.a of green ammonia in India. Separately, SCI has entered into a collaboration with Bloom Energy Corporation (“Bloom”), a US-listed fuel cell provider, on the potential utilisation of Bloom’s low-carbon power generation technologies in Singapore. (Company, Business Times)

Acquisitions/Expansions

- **Sembcorp Industries Ltd (“SCI”)** announced that its wholly-owned subsidiary of Sembcorp Development has added three Vietnam Singapore Industrial Parks (“VSIP”) to its portfolio. SCI’s effective stake in the three new projects range from 24.6% to 49.3%. (Company)
- **CapitaLand Ascott Trust (“ART”)** has bought the remaining 10% stake in Standard at Columbia, a student accommodation property in South Carolina, USA. The EBITDA yield on total development costs is expected to be ~7%. The acquisition is funded by proceeds from ART’s divestment. Post acquisition, ~17% of ART’s total portfolio value is in longer-stay assets (student accommodation and rental housing properties). ART’s medium term asset allocation target is to have 25-30% of its total portfolio value in longer-stay assets and the remaining in hospitality assets. (Company)
- **Keppel Limited (“KEP”)** has officially opened its first senior-living facility in Asia, in Nanjing China. This flagship facility operates under Sindora Living, KEP’s senior-living brand and operating platform for China and will serve as a launchpad for KEP’s expansion into other senior-living markets in the region. China and

Singapore are priority markets while KEP is also exploring opportunities in other markets in the Asia-Pacific, Europe, and the US. (Business Times)

Other headlines

- **Frasers Hospitality Trust (“FHREIT”)** has entered into a SGD220mn revolving credit facility agreement with DBS Bank Ltd. (Company)
- **Shangri-La Asia Ltd (“SHANG”)** has priced a RMB1bn (~USD138mn) 3Y panda bond at 2.5%. This is a debut panda bond issuance by SHANG. This bond is issued as part of a RMB20bn MTN programme and was subscribed 4.09x. (Company)
- **UBS Group AG (“UBS”)** announced the completion of the merger of parent banks UBS AG and Credit Suisse AG on 31 May 2024. With the cessation of Credit Suisse AG as a separate legal entity, UBS AG has succeeded to all the rights and obligations of Credit Suisse AG, including Credit Suisse AG’s outstanding debt instruments. Per UBS’s statement, completion of this merger is expected to “unlock the next phase of cost, capital, funding and tax benefits from the second half of 2024.” (Company, OCBC)
- **Lippo Malls Indonesia Retail Trust’s (“LMRT”)** major shareholder, **PT Lippo Karawaci Tbk (“LK”)** announced the results of its USD bonds tender. USD 177.8mn (SGD239.2mn) of LPKRIJ 8.125% ‘25s were tendered for at least 96.5. Post the tender, outstanding amount will be USD66.5mn (SGD89.5mn). USD50.5mn (SGD68mn) of LPKRIJ 6.75% ‘26s were tendered for at least 89.5. Post the tender, outstanding amount will be USD145.8mn (SGD196.2mn). LK intends to fund the tender with the proceeds of IDR3.85 trillion (SGD325mn) from the sale of 10.4% of its interest in Siloam International Hospitals. (Company, OCBC)

Key Market Movements

	11-Jun	1W chg (bps)	1M chg (bps)		11-Jun	1W chg	1M chg
iTraxx Asiax IG	96	1	-3	Brent Crude Spot (\$/bbl)	81.7	5.4%	-1.3%
				Gold Spot (\$/oz)	2,308	-0.8%	-1.2%
iTraxx Japan	51	1	-1	CRB Commodity Index	291	0.8%	0.7%
iTraxx Australia	65	0	0	S&P Commodity Index - GSCI	572	1.4%	-0.9%
CDX NA IG	50	-1	-1	VIX	12.7	-2.8%	1.5%
CDX NA HY	107	0	0	US10Y Yield	4.45%	12bp	-5bp
iTraxx Eur Main	53	0	0				
iTraxx Eur XO	294	-2	-4	AUD/USD	0.660	-0.7%	-0.1%
iTraxx Eur Snr Fin	61	2	1	EUR/USD	1.077	-1.0%	-0.2%
iTraxx Eur Sub Fin	108	2	-1	USD/SGD	1.353	-0.5%	0.0%
				AUD/SGD	0.893	0.3%	0.1%
USD Swap Spread 10Y	-38	-1	0	ASX200	7,761	0.0%	0.2%
USD Swap Spread 30Y	-75	-1	1	DJIA	38,868	0.8%	-1.6%
				SPX	5,361	1.5%	2.6%
China 5Y CDS	65	2	1	MSCI Asiax	689	2.2%	1.2%
Malaysia 5Y CDS	47	1	0	HSI	18,163	-1.3%	-4.2%
Indonesia 5Y CDS	71	0	0	STI	3,323	-0.5%	1.0%
Thailand 5Y CDS	43	0	-1	KLCI	1,616	0.0%	0.9%
Australia 5Y CDS	13	0	-4	JCI	6,922	-1.6%	-2.4%
				EU Stoxx 50	5,016	0.3%	-1.3%

Source: Bloomberg

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