

Credit Week in Brief

15 October 2024

Primary activity resumes

- The highly anticipated Chinese Ministry of Finance briefing on Saturday, (announced last Wednesday), did not disclose specific figures on the amount of fresh fiscal stimulus. Meanwhile, China's CPI and PPI data from Sunday suggest domestic demand conditions remain soft. Amidst stronger US CPI data and higher market optimism last week over China, the Bloomberg Asia USD IG Index average option adjusted spread was flat w/w at 79bps while the Bloomberg Asia USD HY Index average option adjusted spread tightened by 1bps to 481bps w/w respectively. This was despite the resumption in supply last week.
- The Asiadollar (excluding Japan and Australia) primary market priced USD4.6bn last week, more than three times the volume in the previous week (China Golden Week holiday), based on Bloomberg league tables and OCBC estimates.
- Last week's issuance volumes were driven by issuers from South Korea investment grade issuers, which made up 46% of total issuance by amount outstanding.
 - Frequent issuer the Korea Development Bank, a policy bank 100% owned by the South Korean government, priced USD1bn of 3Y Will Not Grow senior unsecured bonds.
 - The Hong Kong Mortgage Corporation Ltd ("HKMC", wholly-owned by the HKSAR government) priced USD850mn of 3Y senior unsecured social bonds. This tranche was part of a multi-tranche deal where the HKMC also priced social bonds in CNH and HKD.
 - Navoi Mining Metallurgical Company JSC ("Navoi", wholly-owned by the Uzbekistan government), a key gold producer globally based in Uzbekistan priced USD1bn across two tranches (USD500mn 4Y senior unsecured bond at 6.7% and USD500mn 7Y senior unsecured bond at 6.95%). This is a debut USD bond transaction for Navoi. Per GlobalCapital, Navoi's management is seeing this transaction as a "stepping stone" to the company's planned initial public offering. The combined orderbook was USD4.2bn.
 - Other issuers included Bank of China from its London branch and two Chinese local government financing vehicles.
- Issuers from Japan were active in the USD market last week, led by Toyota Motor Credit Corporation pricing a total of USD3bn across three tranches. Norinchukin Bank priced its first USD bond since the bank's announcement in June 2024 that it will be facing large losses from its US and European government bond investments for the financial year ending March 2025, according to the IFR. USD500mn of 5Y green senior unsecured bond was priced and performed well in the secondary market. The main USD issuer from Australia last week was big four bank, Westpac Banking Corporation with a small USD100mn 1Y senior unsecured bond.

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Date	Issuer	Type	Currency	Size (mn)	Tenor	Final Pricing	Initial Pricing
07 Oct	Shinhan Bank Co Ltd	Green, Covered FRN	USD	400	5Y	SOFR+85bps	SOFR+87bps area (+/-2)
07 Oct	Kodit Global 2024-2 Co. (Guarantor: Korea Credit Guarantee Fund)	FRN	USD	200	3Y	SOFR+85bps	SOFR+110bps area
07 Oct	Toyota Motor Credit Corp	FRN	USD	1000	1.5Y	SOFR+45bps	SOFR+70bps area
07 Oct	Toyota Motor Credit Corp	Fixed	USD	1250	3Y	T+47bps	T+75bps area
07 Oct	Toyota Motor Credit Corp	Fixed	USD	750	7Y	T+72bps	T+100bps area
08 Oct	Norinchukin Bank/The	Green, Fixed	USD	500	5Y	T+123bps	T+155bps area
08 Oct	Korea Development Bank/The	WNG, Fixed	USD	1000	3Y	SOFR MS+60bps	SOFR MS+62bps area
09 Oct	Navoi Mining Metallurgical Company JSC	Fixed	USD	500	4Y	6.7%	7% area
09 Oct	Navoi Mining Metallurgical Company JSC	Fixed	USD	500	7Y	6.95%	7.25% area
09 Oct	Hong Kong Mortgage Corp Ltd/The	Social, Fixed	USD	850	3Y	T+33bps	T+60bps area
09 Oct	Export-Import Bank of Korea	Fixed	USD	500	3Y	T+36bps	T+60bps area
09 Oct	Bank of China Ltd/London	FRN	USD	300	3Y	SOFR+59bps	SOFR+105bps area
09 Oct	Mianyang Xinxing Investment Holding Co Ltd (guarantor: Chengdu-Chongqing Bond Insurance Co Ltd)	Fixed	USD	45	3Y	7%	7.2% area
10 Oct	Junfeng International Co Ltd (keepwell Provider: Yantai Guofeng Investment Holdings Group Co Ltd)	Fixed	USD	270	3Y	5.6%	6.2% area

Source: Bloomberg

- In a consolidation of Chinese financial institutions, **Guotai Junan Securities Co. Ltd (“Guotai Junan”)** and **Haitong Securities Co. Ltd (“Haitong”)** jointly announced their combination through a share swap deal. Under this agreement, Guotai Junan will issue A shares and H shares to Haitong shareholders at a ratio of 0.62 shares of Guotai Junan to one Haitong share. Additionally, Guotai Junan plans to raise RMB10bn yuan by issuing shares to its controlling shareholder. Haitong is expected to be delisted and merged into Guotai Junan in both mainland China and HKSAR. By assets the combined brokerage is expected to be China’s largest.
- Bloomberg reported that **PT Krakatau POSCO (“KRKPSC”)** is planning to meet investors towards end-October. This follows an external rating agency’s decision to reduce its outlook on the company to negative from stable. KRKPSC is a joint venture between PT Krakatau Steel (Persero) Tbk, Indonesia (“Krakatau Steel”) and POSCO Holdings Inc., South Korea (“POSCO”). In September 2024, it was reported that the Indonesian government which owns Krakatau Steel, aims to finalise a loan restructuring agreement between Krakatau and its bank lenders in October 2024.
- Bloomberg reported that perpetuals issued by **GLP Pte. Ltd. (“GLP”)** has rallied on the back of announcements that Ares Management Corporation (“Ares”, a global alternative asset manager) has agreed to buy GLP Capital Partners Ltd’s (“GCP”) operations outside of China. GCP, a separate legal entity from GLP, is an asset manager focusing on real estate and private equity that traces its roots as the asset management arm of GLP. GCP is a subsidiary of GLP and the sale may improve liquidity of GLP, which is now a high yield issuer.
- Update of China property developers that have defaulted on USD bonds:
 - **Country Garden Holdings Co. (“COGARD”)** has failed to meet its deadline (imposed on itself) for obtaining crucial creditor support for the terms of its restructuring plan per a report on Bloomberg. A court hearing of a petition seeking liquidation of COGARD was adjourned to January 2025. Meanwhile, COGARD reported September 2024 contracted sales of RMB3.62bn, down 41.3% y/y. (Company, Bloomberg, Fitch, Global Capital, IFR, Dow Jones, OCBC)

SGD credit market fell slightly w/w amidst higher SORA OIS Yields last week

- Primary market issuance of SGD credit market remained largely stable w/w with two new issues last week.

Issuance Trends

30-Sep to 04-Oct (Two weeks ago)	07-Oct to 11-Oct (Last week)	Amount Change (% Change)	Amount Change (%)
SGD670mn	SGD750mn	SGD80mn	12%

Source: Bloomberg, OCBC

Date	Issuer	Type	Currency	Size (mn)	Tenor	Final Pricing	Initial Pricing
08 Oct	BNP Paribas SA	Tier 2	SGD	550	10.5NC5.5	3.95%	4.2% area
11 Oct	Cagamas Global PLC	Fixed	SGD	200	1Y	3.35%	-

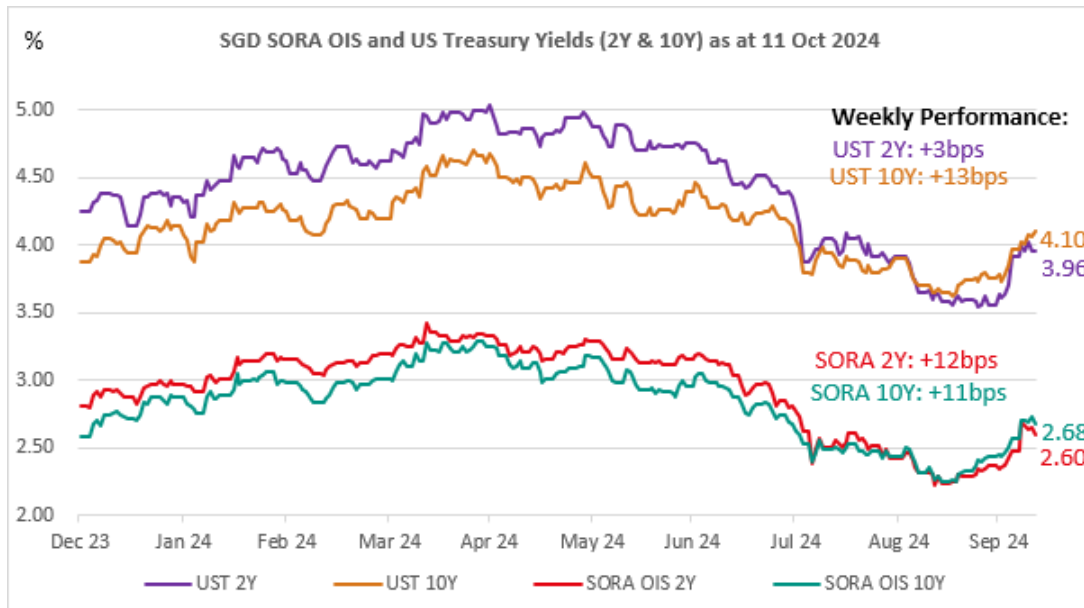
Source: Bloomberg, OCBC

- SGD SORA OIS yields rose w/w last Friday due primarily to the impact of strong US jobs data Friday two weeks ago, which only reflected to SGD SORA OIS yields last Monday.

Tenor	Direction	Magnitude (bps)	Yield - 04 Oct	Yield - 11 Oct
1Y	Widened	8	2.65%	2.73%
1.5Y	Widened	10	2.54%	2.64%
2Y	Widened	12	2.48%	2.60%
3Y	Widened	13	2.43%	2.57%
4Y	Widened	14	2.44%	2.58%
5Y	Widened	14	2.45%	2.60%
7Y	Widened	13	2.50%	2.63%
10Y	Widened	11	2.57%	2.68%

Source: Bloomberg, OCBC

Rising rates and yields amidst slightly hotter than expected CPI and strong jobs data in the US



Source: Bloomberg, OCBC

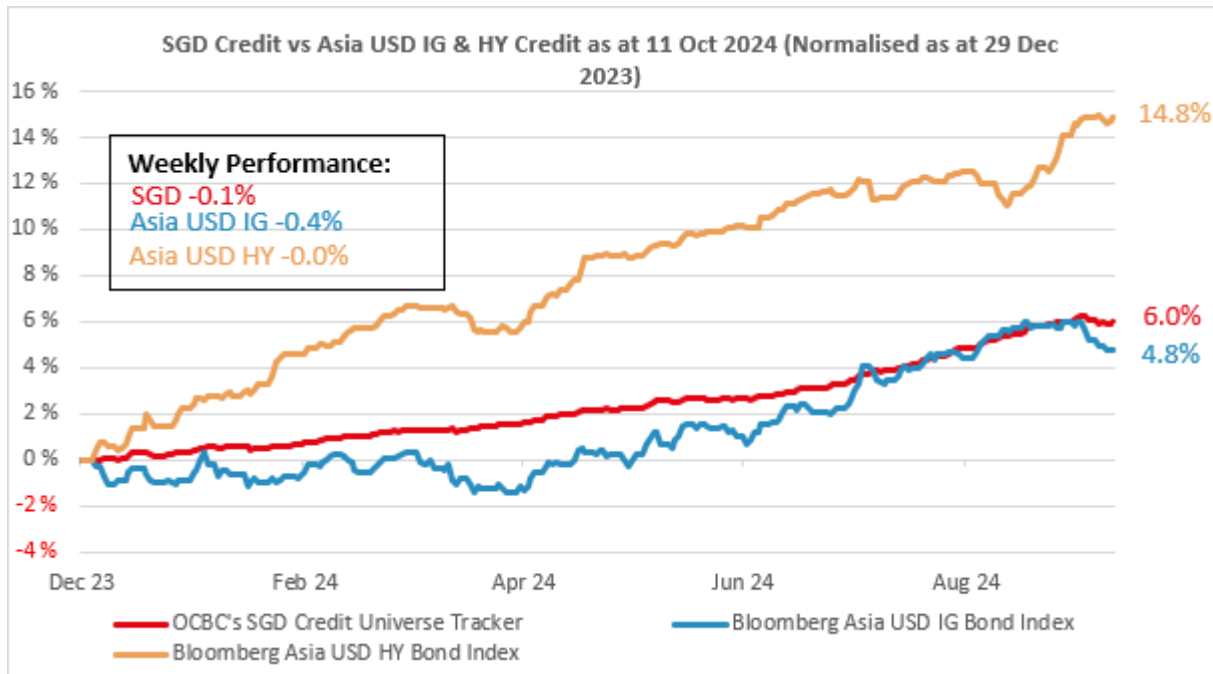
- The **SGD credit market fell 0.12% w/w** due to higher SORA OIS yields (8-14bps as shown above). Due to the impacts of higher SORA OIS yields, Mid Tenors and Longer Tenors were the weakest performers. For more information on the SGD tracker, please refer to our SGD Credit Outlook 2023 published on 4 January 2023.

By Tenor & Structure	Return w/w
AT1s	0.01%
Non-Financial Corp Perp	0.14%
Tier 2s and Other Non-perp Sub	0.01%
Longer Tenors (>9Y)	-0.41%
Mid Tenors (>3Y to 9Y)	-0.27%
Short Tenors (>1Y to 3Y)	-0.11%
Money Market (Up to 12 months)	0.06%

By Issuer Profile	Return w/w
POS (2)	0.21%
N (3)	-0.04%
N (4)	0.08%
N (5)	0.10%

Source: Bloomberg, OCBC

SGD Credit outperformed Asia USD IG recently partly due to higher US treasury yields by ~40bps – 50bps over a month period while SGD SORA OIS rose by 35-40bps



Source: Bloomberg, OCBC

Key themes

Financials updates

- Commerzbank AG (“CMZB”), UniCredit SpA (“UniCredit”):** CMZB’s strategic planning process for beyond 2027 has been brought forward according to comments by Chief Executive Officer Bettina Orlopp in an interview with German business daily Handelsblatt. This is so that management have a medium to longer term comparison scenario as an independent bank in discussions with UniCredit around a potential tie up or takeover. Ms Orlopp commented that:
 - The need for a longer-term plan given that a merger would take years to complete.
 - A merger being unlikely to lead to higher European financial market integration given that CMZB would likely just be merged with UniCredit’s existing German business, the former HypoVereinsbank, resulting in “consolidation within Germany”.
 - High execution risk from likely complex bank system integration and potential client attrition where clients either have lending from both CMZB and UniCredit in Germany or would seek to diversify their funding sources.
 - Similarly, the consolidation of exposures into a combined CMZB/UniCredit entity may result in German businesses receiving lower loans to avoid any single borrower concentration risks. This potential reduction in credit to the German economy would also be influenced by having decision makers that are not based in Germany.
 - Higher refinancing costs and lower business from a potential S&P ratings downgrade given CMZB’s rating is noticeably higher than UniCredit’s. (Bloomberg, Handelsblatt, OCBC)

Other Corporate Updates – M&A

- 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)**. 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”)** has divested a small property, Citadines Karasuma-Gojo Kyoto in Japan to an unrelated third party for ~JPY6.18bn (SGD53.1mn). The property was divested at 40.1% above book value and an exit EBITDA yield of ~0.3% based on 2023 EBITDA. Net proceeds are JPY4.4bn (SGD37.8mn) with ART to recognise a net gain of JPY0.9bn (SGD8.0mn). Per ART, the divestment is in line with its active portfolio rejuvenation strategy where the divestment proceeds are targeted to be invested in higher-yielding investments. (Company, OCBC)

Other Corporate Updates

- Hotel Properties Ltd’s (“HPL”)** managing director, Mr Ong Beng Seng, has been charged in court on 4 October 2024 in relation to two offences namely (1) Section 165 of the Penal Code, abetting of a public servant in obtaining gifts and (2) Section 204A of the Penal Code, abetting the obstruction of justice. Neither the Company 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. (Company, OCBC)
- Singapore Telecommunications Ltd’s (“SingTel”)** landline faced outage on 8 Oct, resulting in an island wide disruption of Singtel's telecommunications network. This outage had a significant impact on residential, corporate, and public services, including emergency hotlines like 999 and 995, as well as customer services for major banks such as DBS, OCBC, and UOB, rendering them unreachable. The disruption lasted more than three hours before services gradually resumed between 6pm to 7pm. The Infocomm Media Development Authority (“IMDA”) regards any disruption to public telecommunications services seriously and has stated that they will conduct an investigation into the incident. (The Business Times, OCBC)
- Frasers Hospitality Trust (“FHREIT”)** announced FHT Australia Trust (“FHT Australia”, a wholly-owned subsidiary of the FHREIT REIT) would not qualify as a withholding MIT for FY2024 and will not enjoy a preferential Australian withholding tax rate after the share swap between InterBev Investment Limited (wholly-owned subsidiary of Thai Beverage Public Company Limited (“ThaiBev”) and TCC Assets Limited (“TCC”). FHREIT review estimates the reduction of FHREIT’s distributable income for FY2024 to be ~SGD1.3mn, representing a ~2.5% reduction to FHREIT’s FY2023 distributable income. Additional deferred tax liability to be recognised for FY2024 is estimated at SGD22mn, representing a ~1.7% reduction in FHREIT’s net asset value per stapled security as at 30 September 2023. (Company)
- Singapore Exchange Limited (“SGX”)** released strong market statistics for September 2024. Securities daily average value (“SDAV”) in September surged 67% y/y to SGD1.45bn (3Q2024: +33%), the highest since May 2022. Derivatives daily average volume (“DAV”) in September increased 35% y/y to 1.45mn contracts (3Q2024: +17% y/y), the highest in four-and-a-half years. (Company, OCBC)
- CK Asset Holdings Limited (“CKA”)** CKA launched the first phase (128 units) of Blue Coast II project (558 units) in Wong Chuk Hang. The net price after discount is HKD21,500 psf (~SGD3,600), 2% cheaper than the price of Blue Coast I (HKD22,000) launched in April 2024. It is expected that both Blue Coast I and II (first phase) will

be recording losses of ~22% as CKA previously indicated the cost psf is HKD28,000, though the actual losses maybe lesser as it could be a marketing incentive to attract homebuyers. **We are not overly concerned even if the launch price is below the cost as the cash inflow is expected to improve credit metrics of CKA.** (Source: Yahoo Finance, Company, The Standard, OCBC, Centaline Property, Bloomberg)

- **Wing Tai Holdings Ltd (“WINGTA”):** Uniqlo owner, Fast Retailing Co. (“Fast Retailing”), reported stronger-than-expected FY2024 (ended 31 August 2024) earnings and FY2025 guidance. Fast Retailing reported that “Malaysia, Thailand, the Philippines, Indonesia, Vietnam, India, and Australia reported strong performances with higher revenue and profit”. However, “Singapore reported lower revenue and a large decline in profits. Sales struggled in the face of declining consumer appetite for apparel and insufficient marketing efforts to kickstart a recovery in consumer demand. The large decline in profit was due to an increase in the SG&A ratio caused by the dip in revenue and competitive increases in salary levels”. **We believe the mixed results of Uniqlo in Singapore and Malaysia are likely a neutral event to WINGTA.** (Company, OCBC)

Key Market Movements

	15-Oct	1W chg (bps)	1M chg (bps)		15-Oct	1W chg	1M chg
iTraxx Asiax IG	72	-1	-25	Brent Crude Spot (\$/bbl)	75.2	-2.5%	5.1%
				Gold Spot (\$/oz)	2,650	1.1%	2.6%
iTraxx Japan	50	-1	-1	CRB Commodity Index	287	-2.2%	4.9%
iTraxx Australia	65	0	2	S&P Commodity Index - GSCI	550	-2.9%	6.0%
CDX NA IG	52	-1	2	VIX	19.7	-13.0%	19.0%
CDX NA HY	107	0	0	US10Y Yield	4.08%	7bp	43bp
iTraxx Eur Main	56	-2	2				
iTraxx Eur XO	304	-11	14	AUD/USD	0.673	-0.3%	-0.4%
iTraxx Eur Snr Fin	64	-3	2	EUR/USD	1.091	-0.7%	-2.0%
iTraxx Eur Sub Fin	114	-4	5	USD/SGD	1.308	-0.3%	-1.0%
				AUD/SGD	0.880	0.0%	-0.6%
USD Swap Spread 10Y	-48	-1	2	ASX200	8,321	1.8%	2.7%
USD Swap Spread 30Y	-82	0	4	DJIA	43,065	2.6%	4.0%
				SPX	5,860	2.9%	4.2%
China 5Y CDS	62	-1	3	MSCI Asiax	757	0.4%	9.2%
Malaysia 5Y CDS	39	1	2	HSI	21,016	-9.0%	21.0%
Indonesia 5Y CDS	69	0	1	STI	3,621	1.3%	1.6%
Thailand 5Y CDS	36	1	0	KLCI	1,638	0.1%	-0.9%
Australia 5Y CDS	12	0	0	JCI	7,560	0.7%	-3.2%
				EU Stoxx 50	5,041	1.4%	4.1%

Source: Bloomberg

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