

Credit Week in Brief

18 June 2024

Heavy week for sentiments in Asiadollar

- **The Asiadollar (excluding Japan and Australia) primary market saw USD1.7bn priced last week**, up from ~USD1.2bn priced last week per Bloomberg league tables and OCBC estimates. This was despite heavier tones in credit with the Bloomberg Asia USD IG Index average option adjusted spread wider by 4bps w/w to 80bps while the Bloomberg Asia USD HY Index average option adjusted spread widened by 12bps w/w to 496bps.
- Developments within and outside the region were at play last week with sentiments swayed to an extent by:
 - Unexpected results for the ruling parties in the Parliamentary elections for France and Germany with French President Macron dissolving Parliament and calling for snap elections. The first round of the new legislative election will be held on June 30, with a second round on July 7. Equity and bond prices for French banks fell as a result on concerns of the economic impact from the uncertainty.
 - A hawkish move in the US Federal Reserve's dot plot although long run rate expectations remain unchanged. Higher easing is now expected to occur in 2025 and 2026 than earlier anticipated amidst resilience in labour markets with the recent US nonfarm payrolls coming in higher than expected at 272k for May versus a modestly downwardly revised 165k in April.
 - Latest data from May indicating a further weakening in China's real estate market with property price corrections deepening. Per our OCBC Head of Asia Macro Research, investors remain cautious about the impact of the easing real estate policies despite a resilient manufacturing sector and improving domestic demand. Risk sentiments were also affected by concerns about delistings with the number of Special Treatment stocks increasing by 52 in May 2024, the highest since 2018. Please see "[Greater China — Week in Review](#)" dated 18 June 2024.
- Amidst this was relatively concentrated issuance with three of the five deals priced from Chinese Local Government Financing Vehicles, two of which were sustainability bonds. The other two were floating rate notes from Financial Institutions in India and South Korea.

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Date	Issuer	Type	Currency	Size (mn)	Tenor	Pricing
12 Jun	YI Bright International Ltd (Guarantor: Linyi City Construction Investment Group Co Ltd)	Fixed	USD	300	3Y	6.68%
13 Jun	State Bank of India of London	FRN	USD	100	3Y	SOFR+95bps
13 Jun	Zhongyuan Zhicheng Co Ltd (Guarantor: Zhongyuan Yuzi Investment Holdings Group Co Ltd)	Fixed, Sustainability	USD	500	3Y	5.9%
13 Jun	Wuhan Urban Construction Group Co Ltd	Fixed, Sustainability	USD	500	3Y	5.7%
17 Jun	Shinhan Capital Co., Ltd.	FRN	USD	300	3Y	SOFR+100bps

Source: Bloomberg

- Company related developments that may also be influencing sentiments include:
 - China Evergrande New Energy Vehicle Group Limited (“Evergrande NEV”, a subsidiary of the defaulted China Evergrande Group) disclosed in an exchange filing that certain Chinese local government agencies have instructed its undisclosed subsidiaries to repay approximately RMB1.9bn of incentives and subsidies within a 15-day period. These unidentified local government agencies have also decided to terminate three agreements with Evergrande NEV subsidiaries. As a result, Evergrande NEV is at risk of losing land rights for certain plants, while some buildings and equipment will be utilized for repaying the incentives.
 - Agile Group Holdings Ltd (“Agile”), a Chinese developer, announced in a filing with the Hong Kong exchange that it has enlisted the assistance of financial and legal advisors to handle its offshore debt. The company has appointed Alvarez & Marsal Corporate Finance Ltd. as its financial advisor and Sidley Austin as its legal advisor.
 - Dexin China Holdings Co. (“Dexin”), a Zhejiang-based developer concentrated on developing homes and commercial buildings in China’s relatively wealthy Yangtze River Delta region, has been instructed by the Hong Kong court to wind up, three months after a petition was submitted by China Construction Bank (Asia) and a year and a half after it defaulted. (Bloomberg, Reuters, IFR, OCBC)

Singapore dollar credit markets carry on

Issuance trends

3 rd to 7 th June 2024 (Two weeks ago)	10 th to 14 th June 2024 (Last week)	Amount Change	Amount Change (%)
SGD1.85bn	SGD970mn	-SGD880mn	-47.6%

Date	Issuer	Type	Size (mn)	Tenor	Final Pricing	Initial Pricing
11 Jun	Manulife Financial Corp.	Fixed, Tier 2	500	10NC5	4.275%	4.6%
13 Jun	Mapletree Treasury Services Ltd (Guarantor: Mapletree Investments Pte Ltd)	Fixed	200	12Y	3.688%	3.85% area
13 Jun	Cagamas Global PLC (Guarantor: Cagamas Bhd)	Fixed	70	1Y	3.75%	N.A
14 Jun	CDL Properties Ltd	Fixed, Secured	200	3Y	3.6%	N.A

SGD Tracker & SORA OIS Yield

- The **SGD credit market rose 0.06% w/w**, with outperformance from short to mid dated papers mitigated by declines in Tier 2s and Other Non-perp papers. 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	0.00%
Non-Financial Corp Perp	0.05%
Tier 2s and Other Non-perp	-0.09%
Longer Tenors (>9Y)	0.01%
Mid Tenors (>3Y to 9Y)	0.13%
Short Tenors (>1Y to 3Y)	0.09%
Money Market (Up to 12 months)	0.09%

By Issuer Profile	Return w/w
POS (2)	0.03%
N (3)	-0.03%
N (4)	0.11%
N (5)	0.00%

Source: Bloomberg, OCBC

SORA OIS yield

Tenor	Direction	Magnitude	7 th June 2024	14 th June 2024
1Y	Widened	1bps	3.35%	3.36%
1.5Y	Tightened	1bps	3.24%	3.23%
2Y	Tightened	2bps	3.15%	3.13%
3Y	Tightened	4bps	3.05%	3.01%
4Y	Tightened	5bps	3.01%	2.96%
5Y	Tightened	5bps	2.99%	2.94%
7Y	Tightened	5bps	2.98%	2.93%
10Y	Tightened	5bps	2.98%	2.93%

Key themes

3 key events:

- Sabana Industrial REIT** pricing SGD100mn 5Y CGIF guaranteed sustainability linked bond with final pricing set at 4% on Friday 14 June. We note there has been no further update on the deal yet. Quarz Capital had alleged that the bond is 'highly abnormal' as the next refinancing is more than 1 year away in 4Q2025, while it may 'impede the internalization process to potentially entrench the current REIT manager' from being removed. According to the REIT trustee, the bond issuance does not place more restrictions on the internalization than are already existing under the terms of the current financing. According to the REIT manager, part of the reason for issuing the bond is to diversify the source of funding, with no certainty that the financing opportunity guaranteed by Credit Guarantee and Investment Facility, A Trust Fund of the Asian Development Bank ("CGIF"), will remain available.
- UBS Group AG ("UBS")** is offering investors in the Greensill Supply Chain Funds a redemption at 90% of the net asset value on 25 February 2021. The supply chain funds were once offered by Credit Suisse Group AG. UBS AG is expected to record a USD900mn provision in 2Q2024. Per UBS's statement, the offer is not expected to have a material effect on the financial results or CET1 capital of UBS or UBS AG on a standalone basis. The offer commenced Monday 17 June and will end on 31 July.
- Seatrium Ltd** is being investigated by both MAS and CAD in connection with Operation Car Wash (Brazil bribery case). As a recap, earlier in March this year, two former Seatrium executives were charged by CPIB. The proposed deferred prosecution agreement requires a financial penalty of USD110mn, which may be offset by USD53mn payable to Brazilian authorities. (Company, OCBC)

Corporate actions: Merger timeline, strategic partnership, potential penalty, Shareholder changes, divestments, financing

- UBS Group AG ("UBS")** completed the move to a single Intermediate Holding Company in the United States, which follows the merger of parent banks UBS AG and Credit Suisse AG on 31 May 2024. The next priority will be the merger of Credit Suisse (Schweiz) AG and UBS Switzerland AG to be completed in 3Q2024 and as early as 1st July.
- BNP Paribas SA ("BNPP"), Groupe BPCE ("BPCE")** announced plans to establish a strategic partnership project for processing all card payments for BNPP and BPCE card holders and merchants in Europe. This would account for 17 billion transactions making it the top card processor in France and top three in Europe.
- Singapore Telecommunications Ltd ("SingTel")**'s subsidiary Optus Mobile is facing Australia Communications and Media Authority Federal proceedings in relation to the cyber-attack in September 2022. Optus Mobile is

not able to determine the quantum of penalties. Optus is aware that ~10,200 customers have had their personal information published on the internet.

- **Singapore Post Ltd (“SingPost”):** Alibaba Investment Limited (“AIL”) cut its stake on Singapore Post Limited from 14.56% to 11.34%. AIL remains the second largest shareholder post the stake cut, while Singapore Telecommunication Limited remains the largest shareholder based on latest available data. We view AIL as a passive investor.
- **Mapletree Logistics Trust (“MLT”):** An agreement was entered into to sell MLT’s interest in Mapletree Xi’an Logistics Park to an unrelated third party. This is a small transaction worth ~RMB70.5mn (~SGD13.1mn).
- **Oxley Holdings Ltd (“OHL”):** Reported by Bloomberg that OHL is seeking up to USD120mn private loan (~SGD160mn), with part of the proceeds to be used to repay SGD133mn OHLSP 6.9% ‘24s maturing on 8 July 2024. If the private loan were raised, this will be more than sufficient to repay SGD133mn OHLSP 6.9% ‘24s maturing on 8 July 2024. (Company, OCBC)

Key Market Movements

	18-Jun	1W chg (bps)	1M chg (bps)		18-Jun	1W chg	1M chg
iTraxx Asiax IG	101	5	11	Brent Crude Spot (\$/bbl)	84.2	2.8%	0.3%
				Gold Spot (\$/oz)	2,324	0.3%	-4.2%
iTraxx Japan	55	4	7	CRB Commodity Index	293	0.6%	-0.2%
iTraxx Australia	71	6	8	S&P Commodity Index - GSCI	577	0.8%	-1.7%
CDX NA IG	53	2	5	VIX	12.8	0.1%	6.3%
CDX NA HY	106	0	-1	US10Y Yield	4.26%	-14bp	-16bp
iTraxx Eur Main	63	8	13				
iTraxx Eur XO	329	26	43	AUD/USD	0.661	0.1%	-0.8%
iTraxx Eur Snr Fin	73	9	16	EUR/USD	1.073	-0.1%	-1.2%
iTraxx Eur Sub Fin	131	15	27	USD/SGD	1.353	0.0%	-0.4%
				AUD/SGD	0.894	0.0%	0.5%
USD Swap Spread 10Y	-40	-1	-6	ASX200	7,776	0.3%	-0.5%
USD Swap Spread 30Y	-76	-1	-5	DJIA	38,778	-0.2%	-3.1%
				SPX	5,473	2.1%	3.2%
China 5Y CDS	67	3	9	MSCI Asiax	692	1.0%	-1.4%
Malaysia 5Y CDS	48	2	4	HSI	17,998	-1.0%	-8.0%
Indonesia 5Y CDS	78	6	8	STI	3,312	-0.3%	0.0%
Thailand 5Y CDS	45	2	4	KLCI	1,615	0.0%	-0.1%
Australia 5Y CDS	13	0	-4	JCI	6,735	-2.4%	-8.0%
				EU Stoxx 50	4,880	-2.7%	-3.6%

Source: Bloomberg

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