

Credit Week in Brief

23 July 2024

Primary market was quite busy with HKSAR in the spotlight

- The Asiadollar (excluding Japan and Australia) primary market saw USD4.2bn of new supply last week based on Bloomberg league tables and OCBC estimates. In the previous week, ~USD3.0bn was priced.
- Despite the higher new issuance, the Bloomberg Asia USD IG Index average option adjusted spread was unchanged at 82bps, although the Bloomberg Asia USD HY Index average option adjusted spread tightened by 11bps w/w to 487bps.
- Last week's issuance volumes were relatively concentrated, with the HKSAR government's USD1bn 3Y senior unsecured green bond making up ~24% of the total. This bond was priced to yield 4.336% (at T+12bps, tighter than the initial price guidance of the T+40bps area). Aside from the USD tranche, the HKSAR government also priced five dim sum tranches totalling RMB10bn (2Y, 5Y, 10Y, 20Y and 30Y) and a EUR750mn 7Y green bond. Other notable issuances include:
 - USD1bn from **China Cinda HK Holdings Co Ltd** across two tranches.
 - South Korean issuers made up ~31% of the issuance volume, with **Woori Bank** pricing USD550m Additional Tier 1 paper at 6.375%, the lowest for a USD AT1 paper since events surrounding Credit Suisse AG in March 2023 according to the Korea Economic Daily. **NongHyup Bank**, a commercial bank focused on the agricultural sector pricing two social bonds and **Hanwha Aerospace Co Ltd** which priced a floating rate note.
 - Other issuers were mainly Chinese local government funding vehicles ("LGFVs") and the Industrial and Commercial Banking Corporation/London branch.
 - In a rare issuance, **SM Investments Corp**, a conglomerate and largest company listed on the Philippines Stock Exchange, priced USD500mn of 5Y senior unsecured bond. VLL International Inc (part of Vista Land & Lifescapes, Inc. a property developer from the Philippines) priced a USD300mn deal yesterday.
- The key Japan-linked issuer in the USD market last week was Mitsubishi HC Finance America LLC ("MITHCC", wholly-owned subsidiary of MHC America Holdings Corporation), pricing USD500mn of 5.25Y senior unsecured bonds. MITHCC provides financing services. The Commonwealth Bank of Australia was the key issuer in the USD space among Australian and Kiwi issuers.

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Date	Issuer	Type	Currency	Size (mn)	Tenor	Final Pricing
15 Jul	NongHyup Bank	Social, FRN	USD	300	3Y	SOFR+80bps
15 Jul	NongHyup Bank	Social, Fixed	USD	300	5Y	T+68bps
15 Jul	Haitian BVI International Investment Development Ltd (Keepwell Provider: Qingdao Conson Development Group Co Ltd)	Green, Fixed	USD	150	3Y	6.1%
16 Jul	China Cinda 2020 I Management Ltd (Guarantor: China Cinda HK Holdings Co Ltd)	Fixed	USD	500	3Y	T+115bps
16 Jul	China Cinda 2020 I Management Ltd (Guarantor: China Cinda HK Holdings Co Ltd)	Fixed	USD	500	5.5Y	T+143bps
17 Jul	Ningbo Yincheng Group Co Ltd	Sustainable, Fixed	USD	200	3Y	5.38%
17 Jul	Smic SG Holdings Pte (Guarantor: SM Investments Corp)	Fixed	USD	500	5Y	T+135bps
17 Jul	Woori Bank	AT1	USD	550	PerpNC5	6.375%
17 Jul	Hong Kong Government International Bond	Green, Fixed	USD	1000	3Y	T+12bps
17 Jul	Mitsubishi HC Finance America LLC (Guarantor: Mitsubishi HC Capital Inc)	Fixed	USD	500	5.25Y	T+110bps
18 Jul	Hanwha Aerospace Co Ltd	Floating	USD	140	3Y	SOFR+105bps
18 Jul	Industrial & Commercial Bank of China Ltd of London	Floating	USD	100	3Y	SOFR+48ps

Source: Bloomberg

- Bloomberg reported that **China Fortune Land Development Co. (“CFLD”)**’s representatives have been in touch with some bondholders to negotiate the sale of their bond holdings to a company called Bazhou Yongsan Real Estate Development Co. The buyer is reportedly paying RMB10 for every RMB100 of the bonds principal value. The intention is for the purchased bonds to be cancelled. Bloomberg adds that there is limited information about the buyer, although it is based in the same city as CFLD. CFLD first defaulted on a USD bond in March 2021.
- **China Bohai Bank Co Ltd (“Bohai Bank”)** is proposing to sell USD3.5bn of assets to bidders (including the big four asset management companies) to improve its capital levels. The principal amount of these assets is reported at RMB25.6bn (~USD4.73bn).
- The **People’s Bank of China (“PBoC”)** announced a cut to its 7-day reverse repo rate and 1Y and 5Y loan prime rate (LPR) by 10bps yesterday. After the third plenum, the PBoC announced last Friday that it will increase the elasticity of the foreign exchange. The higher tolerance for mild increases in RMB volatility creates room for further interest rate adjustments. However, it remains to be seen whether the recent LPR rate cut marks the beginning of a fresh rate cut cycle or is simply a symbolic gesture of monetary policy reform. If it is the latter, the rate cut might be a one-off event in the near term. (Company, Bloomberg, IFR, Korea Economic Daily, OCBC)

Singdollar

Issuance trends

8 th to 12 th July (2 weeks ago)	15 th to 19 th July (Last week)	Amount Change	Amount Change
SGD45mn (exclude SGD260mn Astrea 8)	SGD965mn	SGD920mn	2144%

Source: Bloomberg, OCBC

Date	Issuer	Type	Currency	Size (mn)	Tenor	Final Pricing	Initial Pricing
16 Jul	Housing & Development Board	Green, Fixed	SGD	965	2Y	3.244%	NA

Source: Bloomberg, OCBC

SORA spreads trends (Fri w/w)

Tenor	Direction	Magnitude (bps)	Yield - 12 th July	Yield - 19 th July
1Y	Tightened	-6	3.31%	3.25%
1.5Y	Tightened	-6	3.16%	3.10%
2Y	Tightened	-6	3.03%	2.97%
3Y	Tightened	-6	2.91%	2.85%
4Y	Tightened	-7	2.88%	2.81%
5Y	Tightened	-7	2.86%	2.79%
7Y	Tightened	-6	2.86%	2.80%
10Y	Tightened	-6	2.88%	2.82%

Source: Bloomberg, OCBC

- The **SGD credit market gained 0.17% w/w** as SORA OIS yields declined. The largest gainers were mid and longer tenor papers as well as bank capital. 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	0.18%
Non-Financial Corp Perp	0.15%
Tier 2s and Other Non-perp Sub	0.18%
Longer Tenors (>9Y)	0.17%
Mid Tenors (>3Y to 9Y)	0.23%
Short Tenors (>1Y to 3Y)	0.11%
Money Market (Up to 12 months)	0.10%

By Issuer Profile	Return w/w
POS (2)	0.14%
N (3)	0.17%
N (4)	0.11%
N (5)	0.12%

Source: Bloomberg, OCBC

Key themes

Corporate actions: Stake swap

Thai Bev swapping stakes in Frasers Property Ltd (“FPL”) for Fraser and Neave Ltd (“FNN”): Thai Beverage PCL (Thai Bev) has proposed a share swap with TCC Assets Ltd (TCC), involving the transfer of Thai Bev’s 28.78% stake in Frasers Property Ltd (FPL) for TCC’s 41.3% shareholding in Fraser and Neave Ltd (FNN). The swap will be executed at a ratio of approximately 1.88 FPL shares for each FNN share, at negotiated prices. Following the swap, Thai Bev will become the major shareholder of FNN with a stake of 69.61%, while TCC’s stake in FNN will decrease to 17.6%. The rationale for Thai Bev includes strengthening its non-alcoholic beverage segment, expanding its reach in Southeast Asia, and enhancing operational synergies. The ultimate controlling shareholder of FPL and FNN remain the same.

Singapore Telecommunications Ltd (“SingTel”) supports amalgamation of Intouch and Gulf: Singtel supports the amalgamation of Intouch Holdings PCL (“Intouch”) and Gulf Energy Development PCL (“GULF”) into a new company (“NewCo”), creating a leading digital and energy infrastructure player in Southeast Asia. In exchange for its 24.99% stake in Intouch, Singtel will receive around 9.1% of all NewCo shares and a special cash dividend of THB3.64bn (~SGD0.14bn). SingTel plans to participate in a voluntary tender offer for shares of Advanced Info Service PCL (“AIS”). If SingTel acquires 10% in AIS (the maximum possible) and may its direct stake from ~23.3% to ~33.3%, the aggregate consideration will be THB64.33bn (~SGD2.38bn). The rationale is to strengthen Singtel’s position in AIS, a brand with growth potential in Thailand’s digitalization and 5G adoption. The amalgamation removes Intouch as an intermediary holding company, reducing HoldCo–OpCo subordination. While SingTel is intending to fund the transaction with cash and internal resources, the eventual impact on credit metrics will also hinge on SingTel’s progress in paring stakes in Bharti Airtel.

Company results: Profit warning

OUE Limited (“OUE”) has issued a profit warning, expecting a loss in 1H2024 due to losses from equity-accounted investees, particularly Gemdale Properties and Investment Corporation Limited (“GPI”). OUE’s share of loss from GPI is estimated to be around SGD92mn to SGD106mn. The loss is non-cash and will not significantly impact OUE’s operational cashflows and funding requirements. While GPI historically provided substantial dividends to OUE, the credit impact is likely manageable as the losses are non-cash, GPI represents 12% of OUE’s total assets, and there are no loans guaranteed or extended by OUE to GPI. OUE’s outlook is supported by its sponsored REITs.

Funding cheaper via RMB debt and other refinancing

CapitaLand Investment Ltd (“CLI”) – cheaper panda bond: CLI raised RMB1bn (~SGD186mn) for the second tranche of its 3-year sustainability-linked panda bond at a fixed coupon rate of 2.8%. The orderbook was 2.64x subscribed. The first tranche, issued in March 2024, had a coupon rate of 3.5%. The latest panda bond sets a record low for 3-year tenor panda bonds issued under a private placement. CLI aims to reduce energy consumption intensity by 7.5% at its China properties by 2025. The panda bond is rated AAA by China Chengxin International Credit Rating Co Ltd, a joint venture of Beijing Zhixiang Information Management Consulting Co Ltd and Moody’s Investors Services.

Shangri-La Asia Ltd (“SHANG”) - priced another panda bond: SHANG has priced RMB1bn (~USD138mn) of unsecured panda bonds in two parts. This includes a RMB600mn 3Y bond at 2.27% and RMB400mn 5Y bond at 2.5%. Earlier in June 2024, SHANG had issued an inaugural panda bond amounting to RMB1bn (~USD138mn) with a 3Y tenor.

Lippo Malls Indonesia Retail Trust (“LMRT”) – progress on refinancing: A total of USD126mn in principal amount of LMRTSP 7.5% ‘26s was tendered. Post this tender, there will be outstanding principal amount of USD22.6mn.

Financials: Passing on the baton, halving capital add-on

HSBC Holdings PLC (“HSBC”) naming a new CEO: HSBC Holdings plc has announced the appointment of Georges Elhedery as the new CEO, replacing Noel Quinn who will retire in September 2024. Elhedery, currently the CFO, was appointed in January 2023 as part of succession planning. The internal appointment suggests no major changes in HSBC's strategy. HSBC's 1Q2024 results showed a profit before tax of USD12.7bn, influenced by strategic actions.

Westpac Banking Corporation (“Westpac”) capital add-on halved: The Australian Prudential Regulation Authority has halved the AUD1bn capital add-on for Westpac, reflecting progress in addressing operational risk and governance shortcomings. Previously, the capital add-on was imposed in 2019 to reflect (1) higher operational risk identified in the bank's Risk Governance Self-Assessment as well as (2) governance concerns stemming from a higher operating risk profile due to proceedings by Australia's financial crimes intelligence agency ('AUSTRAC') against Westpac for alleged systemic breaches under the Anti-Money Laundering and Counter-Terrorism Financing Act. Westpac's CET1 capital ratio remains above regulatory benchmarks.

Others: Keppel progressing on decarbonization and clean energy business

Keppel Ltd (“KEP”) pursuing decarbonization and clean energy business: KEP has signed an MOU with Sojitz to pursue decarbonization and clean energy opportunities in the Asia-Pacific region, focusing on bioenergy and resource recovery projects. Meanwhile, the extension of a multilateral deal for Singapore to import hydropower from Laos is facing obstacles over transmission disagreements. Keppel's power retail arm and Electricite du Laos have signed a renewal agreement but have yet to finalize arrangements with Thailand and Malaysia. Official announcements have not been made by regulators and utilities. (Company, OCBC)

Key Market Movements

	23-Jul	1W chg (bps)	1M chg (bps)		23-Jul	1W chg	1M chg
iTraxx Asiax IG	96	3	-4	Brent Crude Spot (\$/bbl)	82.3	-1.7%	-3.5%
				Gold Spot (\$/oz)	2,400	-2.8%	2.8%
iTraxx Japan	51	2	-2	CRB Commodity Index	283	-1.8%	-3.5%
iTraxx Australia	64	2	-7	S&P Commodity Index - GSCI	557	-2.1%	-3.8%
CDX NA IG	49	1	-4	VIX	14.9	13.6%	13.0%
CDX NA HY	107	0	1	US10Y Yield	4.24%	9bp	-1bp
iTraxx Eur Main	53	1	-7				
iTraxx Eur XO	292	4	-27	AUD/USD	0.664	-1.4%	-0.2%
iTraxx Eur Snr Fin	60	1	-10	EUR/USD	1.089	-0.1%	1.5%
iTraxx Eur Sub Fin	108	2	-17	USD/SGD	1.345	-0.1%	0.6%
				AUD/SGD	0.893	1.3%	0.8%
USD Swap Spread 10Y	-43	0	0	ASX200	7,978	-0.3%	2.3%
USD Swap Spread 30Y	-80	-1	1	DJIA	40,415	0.5%	3.2%
				SPX	5,564	-1.2%	1.8%
China 5Y CDS	64	3	-4	MSCI Asiax	692	-3.1%	-0.9%
Malaysia 5Y CDS	43	2	-4	HSI	17,636	-0.5%	-2.2%
Indonesia 5Y CDS	75	2	-4	STI	3,452	-1.0%	4.4%
Thailand 5Y CDS	42	2	-3	KLCI	1,627	0.1%	2.3%
Australia 5Y CDS	12	-1	-1	JCI	7,322	0.6%	6.4%
				EU Stoxx 50	4,897	-1.7%	-0.2%

Source: Bloomberg

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