



# Credit Week in Brief

Global Markets Research

13 January 2025

# Credit: Asiadollar Weekly Overview

## Spreads tightened while China property weakness continued

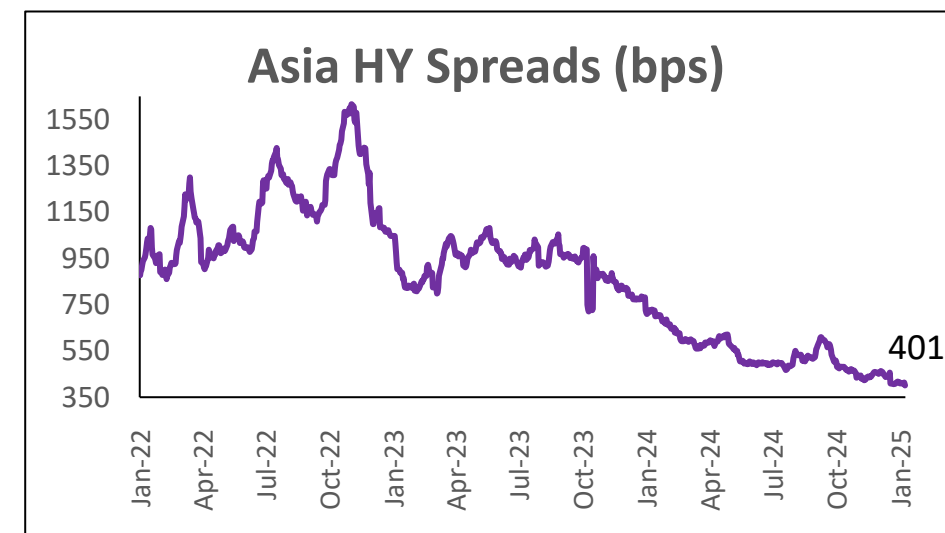
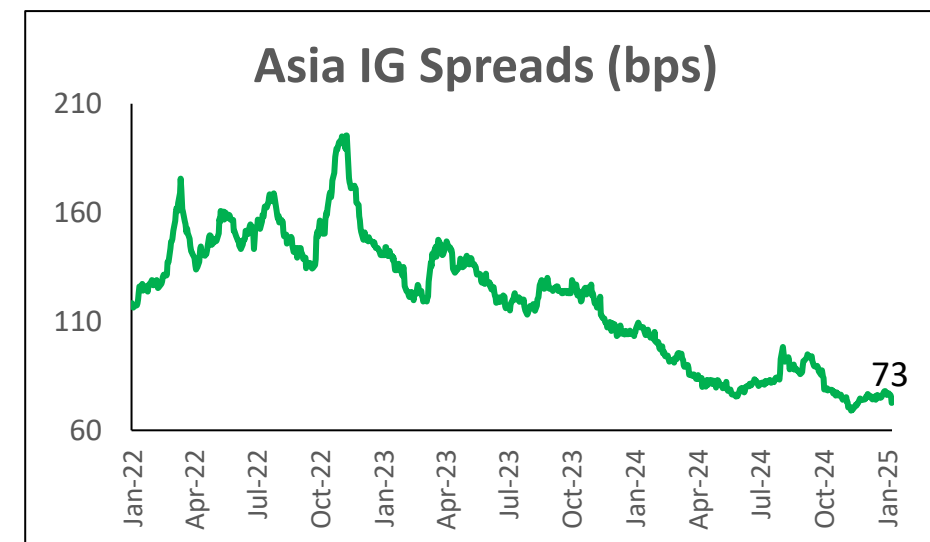
| Indices                 | 1 Week Change (bps) | OAS Spread |
|-------------------------|---------------------|------------|
| Asia IG (BAIGOAS Index) | -4                  | 73bps      |
| Asia HY (BAHYOAS Index) | -9                  | 401bps     |

- **Asiadollar continued to tighten w/w** despite already at low levels while US Treasury (2Y-20Y) rose 10-16bps w/w to 4.3% to 4.6%.
- **China Vanke Co. Ltd (“VANKE”)** is facing an unprecedented wave of debt in 2025. Per Bloomberg, VANKE has ~USD4.9bn (RMB36bn) bonds maturing or eligible for redemption in 2025. For example, the VNKRL 3.15% ‘25s and VNKRL 3.975% ‘27s plunged to 76 (~90 in Dec 2024) and 41 cents (~60 in Dec 2024) per dollar. Bonds did not rebound despite Vanke announcing that its subsidiaries secured a RMB1.08bn 30Y-loan from Shanghai Pudong Development Bank and a financing facility repayment deadline has been extended to the end of 2026, totalling RMB2.04bn.
- **Per Bloomberg, COGARD experienced a continued decline in sales during December.** Contracted sales fell by 51% year-on-year to RMB3.42bn (USD467mn).
- **Yields on 10Y Chinese sovereign bonds have tumbled in recent weeks to all-time lows,** despite a slew of economic stimulus measures.



Source: Bloomberg, OCBC

## IG and HY tightened w/w



# Credit: Asiadollar New Issues

## High primary market issuance amidst uncertainties ahead and favorable spreads

- Lots of Asia (including Japan and Australia) USD primary issuance, amounting USD33.4bn (prior week: USD1.1bn). Front loaded issuance, driven by uncertainties ahead from (1) Trump inauguration (20 Jan) (2) Lower rate cuts expectation (resilient economic data) (3) Low spread environments and (4) Upcoming Chinese New Year holidays.

| Date   | Issuer  | Type          | Currency | Size (mn) | Tenor  | Final Pricing |
|--------|---|---------------|----------|-----------|--------|---------------|
| 06 Jan | China Hongqiao (guarantors: China Hongqiao Investment Ltd, Hongqiao Investment Hong Kong Ltd and Hongqiao HK International Trading Ltd) | Fixed         | USD      | 330       | 3Y     | 7.05%         |
| 06 Jan | Quzhou State-Owned Capital  | Green         | USD      | 470       | 3Y     | 4.82%         |
| 06 Jan | Chuzhou ZX Suchu C&D (guarantor: Chongqing Xingnong Financing Guarantee Group Co Ltd)   | Fixed         | USD      | 112.5     | 3Y     | 6.48%         |
| 06 Jan | India Export-Import Bank  | Fixed         | USD      | 1000      | 10Y    | T+100bps      |
| 06 Jan | National Australia Bank Ltd/New York (NAB)  | Fixed         | USD      | 750       | 5Y     | T+50bps       |
| 06 Jan | National Australia Bank Ltd/New York (NAB)  | Fixed; Tier 2 | USD      | 1250      | 11NC10 | T+130bps      |
| 06 Jan | Hyundai Capital America   | Fixed         | USD      | 850       | 3Y     | T+75bps       |
| 06 Jan | Hyundai Capital America   | FRN           | USD      | 350       | 3Y     | SOFR+92bps    |
| 06 Jan | Hyundai Capital America   | Fixed         | USD      | 800       | 5Y     | T+93bps       |
| 06 Jan | Toyota Motor Credit   | Fixed         | USD      | 650       | 2Y     | T+35bps       |
| 06 Jan | Toyota Motor Credit   | FRN           | USD      | 400       | 2Y     | SOFR+47bps    |
| 06 Jan | Toyota Motor Credit   | Fixed         | USD      | 700       | 5Y     | T+58bps       |
| 06 Jan | Toyota Motor Credit   | Fixed         | USD      | 850       | 10Y    | T+75bps       |
| 06 Jan | Mitsubishi UFJ Financial Group Inc (MUFG)   | Fixed         | USD      | 1100      | 6NC5   | T+78bps       |
| 06 Jan | Mitsubishi UFJ Financial Group Inc (MUFG)   | Fixed         | USD      | 1150      | 11NC10 | T+95bps       |



Source: Bloomberg, OCBC

# Credit: Asiadollar New Issues

High primary market issuance amidst uncertainties ahead and favorable spreads (cont'd)

| Date   | Issuer  | Type               | Currency | Size (mn) | Tenor    | Final Pricing |
|--------|---|--------------------|----------|-----------|----------|---------------|
| 07 Jan | Sumitomo Mitsui Financial Group Inc                           | Fixed              | USD      | 800       | 5.25Y    | T+78bps       |
| 07 Jan | Sumitomo Mitsui Financial Group Inc                           | FRN                | USD      | 800       | 5.25Y    | SOFR+105bps   |
| 07 Jan | Sumitomo Mitsui Financial Group Inc                           | Fixed              | USD      | 600       | 7Y       | T+88bps       |
| 07 Jan | Sumitomo Mitsui Financial Group Inc                           | Fixed              | USD      | 1000      | 10Y      | T+95bps       |
| 07 Jan | Export-Import Bank of Korea                                   | Sustainable, Fixed | USD      | 850       | 3Y       | T+30bps       |
| 07 Jan | Export-Import Bank of Korea                                   | Sustainable, FRN   | USD      | 400       | 3Y       | SOFR+47bps    |
| 07 Jan | Export-Import Bank of Korea                                   | Fixed              | USD      | 1250      | 5Y       | T+48bps       |
| 07 Jan | Export-Import Bank of Korea                                   | Fixed              | USD      | 500       | 10Y      | T+63bps       |
| 07 Jan | Dai-ichi Life Insurance Co Ltd/The                            | Sub Variable       | USD      | 2000      | PerpNC10 | 6.20%         |
| 07 Jan | Clifford Capital Pte Ltd (guarantor: Government of Singapore) | Fixed              | USD      | 500       | 5Y       | T+35bps       |
| 07 Jan | BOC Aviation USA Corp (guarantor: BOC Aviation Limited)       | Fixed              | USD      | 500       | 3Y       | T+60bps       |
| 07 Jan | Chugoku Electric Power Co Inc/The                             | Fixed              | USD      | 500       | 10Y      | T+110bps      |
| 07 Jan | Henan Railway Construction & Investment Group Co Ltd          | Green, Fixed       | USD      | 400       | 3Y       | 4.80%         |
| 07 Jan | Asian Development Bank  | Fixed              | USD      | 5000      | 3Y       | SOFR MS+31bps |



Source: Bloomberg, OCBC



# Credit: Asiadollar New Issues

High primary market issuance amidst uncertainties ahead and favorable spreads (cont'd)

| Date   | Issuer   | Type                    | Currency | Size (mn) | Tenor      | Final Pricing |
|--------|--|-------------------------|----------|-----------|------------|---------------|
| 08 Jan | Airport Authority HK   | Fixed                   | USD      | 1300      | 3.5Y       | T+45bps       |
| 08 Jan | Airport Authority HK   | Fixed                   | USD      | 1850      | 5.5Y       | T+50bps       |
| 08 Jan | Airport Authority HK   | Fixed                   | USD      | 1000      | 10Y        | T+55bps       |
| 08 Jan | Republic of Indonesia  | Fixed                   | USD      | 900       | 5Y         | T+83.30bps    |
| 08 Jan | Republic of Indonesia  | Fixed                   | USD      | 1100      | 10Y        | T+95.70bps    |
| 08 Jan | Chouzhou International Investment Ltd<br>(guarantor: Yiwu State-owned Capital<br>Operation Co Ltd)                 | Fixed                   | USD      | 400       | 3Y         | 4.80%         |
| 08 Jan | Huaibei City Construction Investment<br>Holding Group Co Ltd (SBLC Provider:<br>Huishang Bank Corporation Limited) | Fixed                   | USD      | 150       | 3Y         | 5.00%         |
| 09 Jan | Resona Bank Ltd  | Fixed                   | USD      | 300       | 3Y         | T+67bps       |
| 09 Jan | CLP Power HK Finance Ltd (guarantor:<br>CLP Power Hong Kong Ltd)   | Sub Fixed Rate<br>Reset | USD      | 500       | PerpNC5.25 | MS+100.5bps   |



Source: Bloomberg, OCBC

# Credit: SGD New Issues

Only two transactions in SGD, unlike the booming issuance activity in Asia-dollar market

| Date   | Issuer   | Type                 | Currency | Size (mn) | Tenor | Final Pricing |
|--------|--|----------------------|----------|-----------|-------|---------------|
| 07 Jan | Credit Agricole SA                               | Subordinated (Tier2) | SGD      | 400       | 10NC5 | 4.25%         |
| 07 Jan | SNB Funding (guarantor: Saudi National Bank/The) | Senior Unsecured     | SGD      | 130       | 2Y    | 3.40%         |

# Credit Update: SGD Credit Market

## Publications

- **Singapore Airlines Ltd (“SIA”) credit update:**
  - **We maintain our issuer profile on SIA at Neutral (3) and expect this to be stable in the next 12 months.** SIA’s business outlook is softer, and competition is expected to intensify while capital expenditure projected for the upcoming years is increasing to levels that are more in line with historical levels. That said, SIA has a well-capitalised balance sheet and strong access to capital markets for external funding.
  - **Issue Recommendation:** We are broadly underweight high grade bullet bonds, including SIA’s curve given very tight spreads. That said, within the curve, we prefer the SGD-denominated SIASP 3.50% '30s and its USD-denominated bonds which is trading somewhat wider in SGD-implied terms currently and hold these papers at neutral. We also compare SIA against SATS Ltd’s USD-denominated bond and as a secondary reference, we also compare the SIASP curve to other higher grade bullet bonds (eg: REITs that are externally lrated as investment grade).
  - **Passenger flown revenue normalising from post-pandemic highs:** While passenger flown revenue increased +1.6% y/y for the half year, this was mostly recorded in 1QFY2025 (+4.1% y/y) while 2QFY2025 saw a -0.9% y/y fall in passenger flown revenue. The company’s reported operating profit was lower by 48.8% y/y to SGD795.6mn in 1HFY2025, albeit falling from a high base in 1HFY2024.
  - **Credit metrics still manageable, although deteriorated somewhat:** We find EBITDA at SGD1.95bn, lower by 25.6% y/y in 1HFY2025, with EBITDA/Interest healthy at 9.8x, albeit lower than the 12.1x in 1HFY2024. Using SIA’s gross debt (including lease liabilities) as at 30 September 2024 and annualising 1HFY2025 EBITDA based on our calculation, we find gross debt-to-EBITDA healthy at 3.4x although has increased from the 2.8x in 1HFY2024 and 2.7x in FY2024 given the thinner EBITDA.

# Credit: Top Happenings in SGD Credit Market

## M&A / Acquisitions / Disposals

- **BNP Paribas SA (“BNPP”) finalised the 100% acquisition of Axa Investment Managers for EUR5.1bn** following its announcement in early August that it is in exclusive negotiations with AXA SA. The transaction principal is BNPP’s insurance business, BNP Paribas Cardif. Post this acquisition, BNPP’s AUM will grow to EUR1.5 trillion. The acquisition is expected to have a 25bps impact to BNP’s CET1 ratio. BNPP’s CET1 ratio of 12.7% as at 30 September 2024 remains well above its CET1 requirement of 10.27%. This equates to a EUR18bn distance to its Maximum Distributable Amount restrictions.
- **Julius Baer Group Ltd (“JBG”) has announced the sale of its domestic Brazilian unit to Banco BTG Pactual SA, Latin America’s biggest investment bank, for USD101mn.**
- **Singapore Post Ltd (“SingPost”) announced that the potential sale of freight forwarding business, Famous Holdings, is not finalised yet.** There is no certainty on the disposal even though SingPost has been in discussions with various parties. Per The Straits Times, this disposal should be completed by end-January 2025, raising SGD80mn and SGD100mn in proceeds. At this juncture, SingPost is disposing its assets including (1) Australian businesses, Freight Management Holdings Private Limited for gross proceeds of AUD775.9mn (SGD663mn), (2) Famous Holdings for gross proceeds of SGD80mn-SGD100mn per The Straits Times and (3) SingPost Centre (fair value of SGD 886mn as of 30 March 2024).



# Credit: Top Happenings in SGD Credit Market

## Others

- **UBS Group AG (“UBS”)** is expected to pay "at least hundreds of millions of dollars" to resolve violations by **Credit Suisse** related to a previous agreement with the Department of Justice (DOJ) concerning American clients who avoided paying taxes. In 2014, Credit Suisse pleaded guilty to aiding thousands of Americans in tax evasion, paying USD2.6 billion to U.S. authorities. The settlement included a USD1.33 billion criminal fine, half the maximum allowed, and mandated the closure of remaining accounts involved.
- **ABN AMRO Bank NV (“ABN”)** has announced that it intends to propose Marguerite Bérard as new CEO. Bérard served as the head of BNP Paribas French Commercial and Personal Banking and was a member of the Executive Committee from January 2019 to March 2024. Bérard is set to be ABN’s first female CEO, subject to regulatory approvals.

# Credit Research Views: SGD Weekly Overview

SGD Credit fell 0.07% w/w amidst higher SGD SORA OIS rates (7-14bps)

|  | Key Statistics     |         |            | Total Returns |       |       |                |
|--|--------------------|---------|------------|---------------|-------|-------|----------------|
|  | (1 Jan 2021 = 100) | Eff Mty | Market Cap | w/w           | m/m   | y/y   | Since Jan 2021 |
| <b><u>By Tenor &amp; Structure</u></b> |                    |         |            |               |       |       |                |
| AT1s                                   | 110.1              | 3.6     | \$11,939m  | 0.07%         | 0.3%  | 6.9%  | 10.1%          |
| Non-Financial Corp Perp                | 117.1              | 11.4    | \$13,455m  | 0.16%         | 0.6%  | 10.4% | 17.1%          |
| Tier 2s and Other Sub                  | 112.7              | 4.0     | \$16,781m  | -0.02%        | 0.2%  | 6.5%  | 12.7%          |
| Longer Tenors (>9Y)                    | 95.7               | 23.2    | \$13,503m  | -0.46%        | -1.0% | 8.1%  | -4.3%          |
| Mid Tenors (>3Y to 9Y)                 | 106.4              | 5.1     | \$38,389m  | -0.17%        | -0.4% | 5.0%  | 6.4%           |
| Short Tenors (>1Y to 3Y)               | 110.4              | 2.0     | \$25,653m  | -0.03%        | 0.1%  | 5.0%  | 10.4%          |
| Money Market (<12 months)              | 113.7              | 0.6     | \$12,747m  | 0.05%         | 0.3%  | 4.6%  | 13.7%          |
| <b><u>By Issuer Profile Rating</u></b> |                    |         |            |               |       |       |                |
| POS (2)                                | 109.8              | 8.0Y    | \$7,394m   | 0.02%         | 0.3%  | 6.2%  | 9.8%           |
| N(3)                                   | 111.8              | 3.7Y    | \$22,987m  | -0.02%        | 0.2%  | 6.2%  | 11.8%          |
| N(4)                                   | 112.4              | 7.4Y    | \$22,565m  | 0.04%         | 0.3%  | 6.8%  | 12.4%          |
| N(5)                                   | 111.5              | 2.2Y    | \$6,062m   | 0.06%         | 0.4%  | 9.8%  | 11.5%          |
| <b>OCBC MODEL PORTFOLIO</b>            | 118.4              | 3.0Y    | \$6m       | 0.13%         | 0.6%  | 10.3% | 18.4%          |
| <b>SGD Credit Universe</b>             | 107.0              | 6.3Y    | \$129,329m | -0.07%        | -0.1% | 6.2%  | 7.0%           |



Source: Bloomberg, OCBC full description in SGD Credit Outlook 2023, pg lxi

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