

Credit Week in Brief

16 July 2024

Asiadollar Primary market abundant outside the usual

- Around USD3bn was reportedly priced in Asiadollar (excluding Japan and Australia) Bloomberg league tables last week, all ahead of US CPI data releases. However, including other Asia-Pacific issuers from Japan, Australia and others, issuance volumes swelled to USD14.98bn per Bloomberg league tables and OCBC estimates. Spreads remained broadly stable w/w with the Bloomberg Asia USD IG Index average option adjusted spread flat at 82bps, and the Bloomberg Asua USD HY Index average option adjusted spread also flat at 498bps as spreads were tighter to start the week before widening towards the end.
- Asiadollar issuance was anchored by two USD1bn deals from:
 - **China Construction Bank Corp/Hong Kong** which priced a USD1bn green bond to finance and/or refinance loans to customers involved in, as well as the Bank’s own operational activities in eligible green projects within the Green Eligible Categories in the Bank’s GSSS Bond Framework that, amongst other things, complies with the ICMA Green Bond Principles.
 - **Korean chemical manufacturer Kraton Corp** that priced a USD1bn bond that is guaranteed by Korea Development Bank. The deal attracted over USD2bn in orders and is the issuer’s first USD bond.
- Other Asiadollar deals were also from Chinese and Korean issuers with the next largest deal coming from maritime financial services provider Korea Ocean Business Corporation with a USD400mn 5-year deal. The Formosa bond will be listed in Taipei and Singapore and attracted over USD1bn in orders.

Andrew Wong
Credit Research Analyst
WongVKAM@ocbc.com

Ezien Hoo
Credit Research Analyst
EzienHoo@ocbc.com

Wong Hong Wei
Credit Research Analyst
WongHongWei@ocbc.com

Chin Meng Tee
Credit Research Analyst
MengTeeChin@ocbc.com

Date	Issuer	Type	Currency	Size (mn)	Tenor	Final Pricing	Initial Pricing
08 Jul	Australia & New Zealand Banking Group	Fixed	USD	750	3Y	T+50bps	T+75bps area
08 Jul	Australia & New Zealand Banking Group	FRN	USD	1250	3Y	SOFR+68bps	SOFR Equivalent
08 Jul	Kraton Corp (Guarantor: Korea)	Fixed	USD	1000	3Y	5.257%	N.A

	Development Bank)						
08 Jul	China Merchants Bank Co., New York branch	Social, FRN	USD	300	3Y	SOFR+54bps	SOFR+105bps area
09 Jul	Zhejiang Baron BVI Co Ltd (Guarantor: Hangzhou Shangcheng District Urban Construction & Comprehensive Development Co Ltd)	Fixed	USD	200	3-Year	6.05%	6.50%
09 Jul	Panasonic Holdings Corp	Fixed	USD	500	10Y	T+100bps	T+125bps area
09 Jul	Japan Bank for International Cooperation	Fixed	USD	1500	3Y	SOFR MS +44bps	SOFR MS +46bps area
09 Jul	China Construction Bank Corporation Hong Kong Branch	Green, FRN	USD	1000	3Y	SOFR+55bps	SOFR+105bps area
10 Jul	Korean Ocean Business Corp	FRN	USD	400	5Y	SOFR+88bps	T+90bps area
10 Jul	Saudi Arabian Oil Co	Fixed	USD	2000	10Y	T+105bps (5.336%)	T+140bps area
10 Jul	Saudi Arabian Oil Co	Fixed	USD	2000	30Y	T+145bps (5.932%)	T+180bps area
10 Jul	Saudi Arabian Oil Co	Fixed	USD	2000	40Y	T+155bps (6.032%)	T+195bps area
10 Jul	Mitsubishi Corp	Fixed	USD	500	10Y	T+93bps (5.214%)	T+120bps area
10 Jul	Ziyang Development Investment Group Co Ltd (Guarantor: Chongqing Xingnong Financing Guarantee Group Co Ltd)	Fixed	USD	42	2Y	7.5%	NA
10 Jul	Muthoot Finance Ltd	Fixed	USD	100	Retap of MUTHIN 7.125% 14/02/28	101+Accrued	7.011%

10 Jul	Astrea 8	Class A-2	USD	150	15NC6	6.35%	6.7% area
11 Jul	Bayfront Infrastructure Management Pte Ltd	FRN (Class A1)	USD	208.7	19Y / NC3.9yr	SOFR+140bps	NA
11 Jul	Bayfront Infrastructure Management Pte Ltd	FRN (Class A1-SU)	USD	145	19Y/ NC3.9yr	SOFR+137.5bps	NA
11 Jul	Bayfront Infrastructure Management Pte Ltd	FRN (Class B)	USD	76.8	19Y / NC8.7yr	SOFR+180bps	NA
11 Jul	Bayfront Infrastructure Management Pte Ltd	FRN (Class C)	USD	32	19Y/ NC10.3yr	SOFR+350bps	NA
11 Jul	First Abu Dhabi Bank PJSC	Green Formosa FRN	USD	800	5Y	SOFR+105bps	NA

- Away from Asiadollar (excluding Japan and Australia), it was a much more diverse issuer set with issuers from Australia, Japan, India and Singapore as well as the Middle East. This included Saudi Arabian Oil Co (“Aramco”) that attracted over USD31bn in orders for its 3 tranche USD6bn bond sale, its first issue in three years. Demand was even across the 10- 30-, and 40-year tenors. Demand for capital from Aramco and Saudi Arabia’s government (per Bloomberg, the country and its related companies are the biggest issuer of international debt among emerging markets as of June) will remain high as the country executes its economic diversification strategy via Saudi Vision 2030 away from hydrocarbons and government spending.
- Despite buoyant primary issuance, there still remains selectivity toward better quality credits as news flow remains somewhat tepid, especially out of China.
 - In June, China experienced a new record low in credit growth, indicating subdued demand for borrowing and leading a publication supported by the central bank to downplay concerns about economic weakness.
 - People’s Bank of China has asked some rural lenders to reduce the average duration of their bond holdings to avoid an asset pricing bubble that may lead to losses should yields rise in the future.
- In company specific news:
 - **Guangzhou R&F Properties** has reported that its subsidiary, Trillion Glory, has received a winding-up petition from Seatown Private Credit Master Fund. The petition was filed at the High Court in Hong Kong last week.
 - **China Vanke Co Ltd (“VANKE”)**. has announced that it has consolidated RMB4.3bn of onshore bonds due in the second half of the year and has made repayment arrangements to fulfill these obligations. However, the company has also **issued a warning that its losses have significantly increased in the second quarter**. VANKE attributes these losses to over-optimistic investments in certain projects. The company anticipates a first-half loss of RMB7bn (USD962mn) to RMB9bn (USD1.2bn).

- **Logan Group Co Ltd**, a Chinese developer, has stated that it is **actively engaged in negotiations with its offshore creditors**, with the aim of achieving a comprehensive management of its offshore debts. The company also mentioned that adjustments to payment arrangements for the principal and interest of 21 onshore corporate bonds and asset-backed securities issued by its Shenzhen unit have been approved through voting at the bondholders' meeting. Moreover, over 92% of the total outstanding principal amount of the existing notes have already agreed to the creditor support agreement. (Bloomberg, OCBC)

Modest SGD primary issuance market with decent w/w return amidst lower SORA OIS yields

- There were three issues last week, with a total issuance of SGD305mn.

Issuance Trends

01-Jul to 05-Jul (Two weeks ago)	08-Jul to 12-Jul (Last week)	Amount Change (SGD'mn)	Amount Change (%)
SGD945mn	SGD305mn	-SGD640mn	-68%

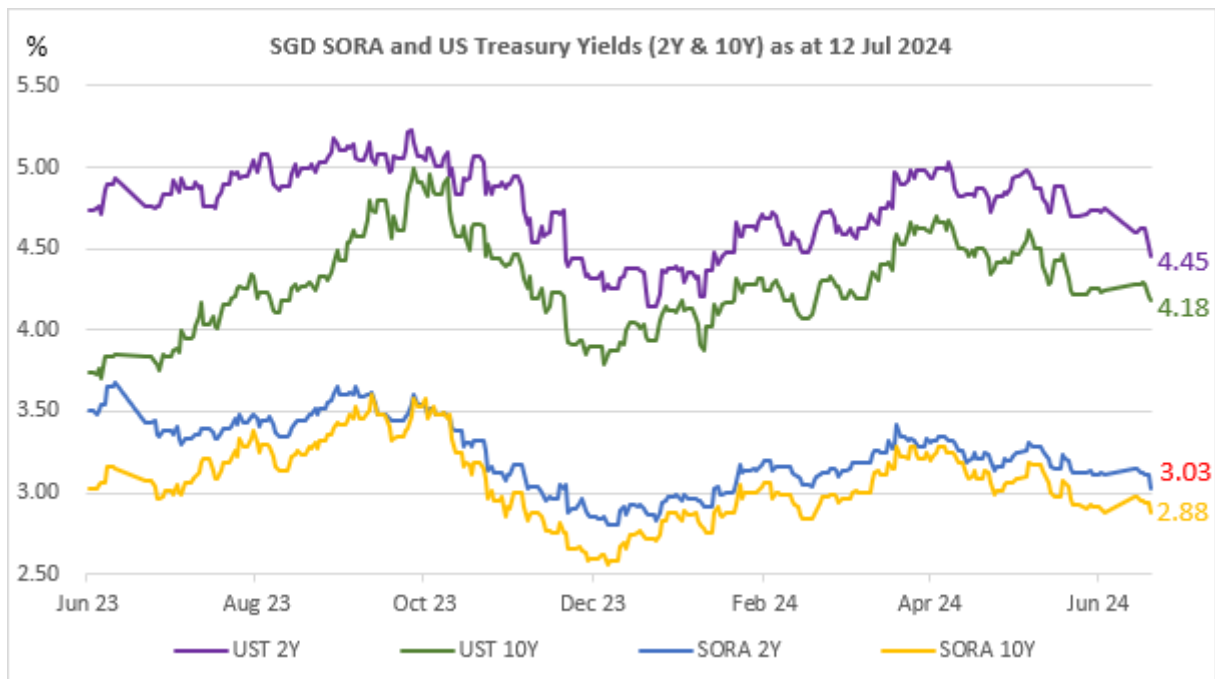
Source: Bloomberg, OCBC

Date	Issuer	Type	Currency	Size (mn)	Tenor	Final Pricing	Initial Pricing
08 Jul	Thomson Medical Group Ltd	Fixed	SGD	20	Retap of TMGSP 5.25% '27s	100 + Accrued	NA
08 Jul	Thomson Medical Group Ltd	Fixed	SGD	25	Retap of TMGSP 5.5% '28s	100 + Accrued	NA
10 Jul	Astrea 8	Class A-1	SGD	260	15NC5	4.35%	4.7% area

- SGD SORA OIS yields traded meaningfully lower w/w last Friday.

Tenor	Direction	Magnitude (bps)	Yield (05-Jul)	Yield (12-Jul)
1Y	Tightened	-8	3.39%	3.31%
1.5Y	Tightened	-10	3.26%	3.16%
2Y	Tightened	-12	3.15%	3.03%
3Y	Tightened	-13	3.04%	2.91%
4Y	Tightened	-12	3.00%	2.88%
5Y	Tightened	-12	2.98%	2.86%
7Y	Tightened	-11	2.98%	2.86%
10Y	Tightened	-10	2.98%	2.88%

Source: Bloomberg, OCBC



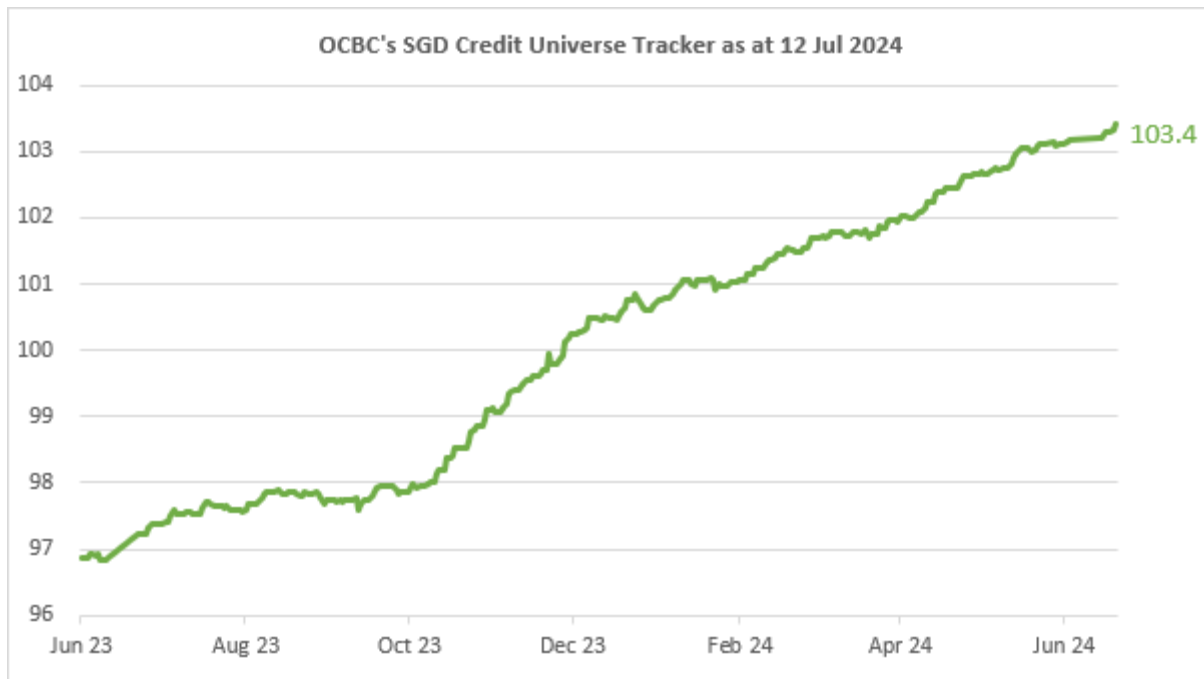
Source: Bloomberg, OCBC

- The **SGD credit market gained 0.19% w/w** amidst meaningfully lower SORA OIS yields, benefiting Mid Tenors and Longer Tenors the most. 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	0.13%
Non-Financial Corp Perp	0.14%
Tier 2s and Other Non-perp Sub	0.12%
Longer Tenors (>9Y)	0.32%
Mid Tenors (>3Y to 9Y)	0.28%
Short Tenors (>1Y to 3Y)	0.17%
Money Market (Up to 12 months)	0.07%

By Issuer Profile	Return w/w
POS (2)	0.11%
N (3)	0.10%
N (4)	0.10%
N (5)	0.23%

Source: Bloomberg, OCBC



Key headlines last week are as below:

Negative Headlines

- ANZ Group Holdings Ltd / Australia & New Zealand Banking Group Ltd (“ANZ”)** has reportedly hired external lawyers to investigate possible irregularities in government bond trading within its markets business. Per the Australian Financial Review, ANZ overstated the traded value of Australian government bonds by more than AUD50bn over a one year period. This may have influenced ANZ’s selection as deal manager by the Australian Office of Financial Management, for the sale of government bonds. A key focus of ANZ’s investigations include allegations of inappropriate employee conduct and suspected market manipulation that is related to the Australian Securities and Investments Commission’s (“ASIC”) separate investigation into ANZ’s 10-year Treasury sale in 2023 and its role as risk manager. (AFR, Bloomberg, Company, OCBC)

Merger & Acquisitions

- Australia & New Zealand Banking Group Ltd (“ANZ”)** will complete acquisition of Suncorp Bank on 31 July 2024. ANZ is expected to gain 3,000 employees and 1.2mn customers from the acquisition on 1 August 2024. The impact of the acquisition on CET1 ratio is -105bps, which is revised lower from -123bps that was announced on 28 June 2024. Including the recently announced AUD2.0bn share buyback (-46bps), ANZ’s proforma CET1 ratio of 12.0% post-acquisition and buyback should remain above the Australian Prudential Regulation Authority’s (“APRA”) ‘Unquestionably Strong’ benchmark of 10.25%. (Company, OCBC)
- Olam Group Ltd (“OG”):** Regarding OG’s acquisition of all the shares of Namoi Cotton Limited through its subsidiary Olam Agri Holdings Limited (“Olam Agri”, which it owns 64.57% of), Olam Agri has announced an extension of the offer’s closing date to 13 August 2024. (Company)
- Mapletree Investments Pte Ltd (“MAPL”)** is selling an eight-storey office building at 20 Harbour Drive to an entity linked to Keppel Education Asset Fund (“KEAF”, a pan-Asia value-added education real estate fund) for SGD160mn per The Business Times. Reportedly, KEAF has been exploring the possibility of converting this property into an international school campus. Separately, MAPL and Marriot International have signed an

agreement to operate MAPL's existing hotel and serviced apartments in District 1 of Ho Chi Minh City, as well as introduce the "JW Marriot" brand to the city. (Company, Business Times)

Corporate Actions

- **Olam Group Ltd ("OG")** announced that its wholly owned subsidiary, olam food ingredients ("ofi"), has obtained its first dual currency (USD and CNH) term loan facility aggregating USD1.075bn. This is ofi's first facility that contains a CNH tranche which diversifies ofi's borrowing mix. The facility comprises a two-year USD950mn term loan tranche and a one-year CNH875mn (USD125mn) tranche with a lenders' extension option of one year. (Company)
- **Mapletree Pan Asia Commercial Trust ("MPACT")** have entered into a HKD600mn term loan facility. (Company)
- **PARAGON REIT ("SPHR")** announced that it will be redeeming its SGD300mn SPHRSP 4.1% PERP on 31 August 2024. Aside from the perpetual, there is no outstanding issue by SPHR. (Company, OCBC)
- **First Real Estate Investment Trust ("FIRT")**: OLH Healthcare Investments Pte. Ltd. ("OHI"), an indirect wholly owned subsidiary of OUE Healthcare Limited ("OUEH"), has repledged the 100mn units (4.79% of FIRT's outstanding units) of FIRT that was initially pledged in Sept 2023. The total pledged units remain unchanged at 580mn (27.8% of FIRT's total outstanding units). (Company, OCBC)

Key Market Movements

	16-Jul	1W chg (bps)	1M chg (bps)		16-Jul	1W chg	1M chg
iTraxx Asiax IG	92	1	-9	Brent Crude Spot (\$/bbl)	84.8	0.1%	2.6%
	0	0	0	Gold Spot (\$/oz)	2,421	2.4%	4.4%
iTraxx Japan	48	0	-6	CRB Commodity Index	288	-0.9%	-1.9%
iTraxx Australia	61	0	-10	S&P Commodity Index - GSCI	569	-1.9%	-1.1%
CDX NA IG	49	-1	-4	VIX	13.1	6.1%	3.6%
CDX NA HY	107	0	1	US10Y Yield	4.21%	-8bp	-1bp
iTraxx Eur Main	51	-2	-12				
iTraxx Eur XO	285	-8	-44	AUD/USD	0.676	0.2%	2.2%
iTraxx Eur Snr Fin	58	-3	-15	EUR/USD	1.089	0.7%	1.5%
iTraxx Eur Sub Fin	104	-4	-27	USD/SGD	1.344	0.5%	0.6%
				AUD/SGD	0.908	0.3%	-1.5%
USD Swap Spread 10Y	-44	-2	-10	ASX200	8,012	2.3%	3.7%
USD Swap Spread 30Y	-79	0	-8	DJIA	40,212	2.2%	4.2%
				SPX	5,631	1.0%	3.7%
China 5Y CDS	59	2	-9	MSCI Asiax	718	0.8%	3.4%
Malaysia 5Y CDS	41	-1	-8	HSI	18,016	2.8%	0.4%
Indonesia 5Y CDS	72	0	-6	STI	3,500	2.8%	6.1%
Thailand 5Y CDS	40	1	-5	KLCI	1,630	1.2%	1.4%
Australia 5Y CDS	12	0	0	JCI	7,279	0.4%	8.1%
				EU Stoxx 50	4,983	0.3%	3.0%

Source: Bloomberg

Macro Research

Selena Ling
Head of Strategy & Research
LingSSSelena@ocbc.com

Tommy Xie Dongming
Head of Greater China Research
XieD@ocbc.com

Keung Ching (Cindy)
Hong Kong & Macau Economist
Cindyckeung@ocbc.com

Herbert Wong
Hong Kong & Macau Economist
HerbertWong@ocbc.com

Lavanya Venkateswaran
Senior ASEAN Economist
LavanyaVenkateswaran@ocbc.com

Ahmad A Enver
ASEAN Economist
Ahmad.Enver@ocbc.com

Jonathan Ng
ASEAN Economist
JonathanNg4@ocbc.com

Ong Shu Yi
ESG Analyst
ShuyiOng1@ocbc.com

FX/Rates Strategy

Frances Cheung, CFA
Rates Strategist
FrancesCheung@ocbc.com

Christopher Wong
FX Strategist
ChristopherWong@ocbc.com

Credit Research

Andrew Wong
Credit Research Analyst
WongVKAM@ocbc.com

Ezien Hoo, CFA
Credit Research Analyst
EzienHoo@ocbc.com

Wong Hong Wei, CFA
Credit Research Analyst
WongHongWei@ocbc.com

Chin Meng Tee, CFA
Credit Research Analyst
MengTeeChin@ocbc.com

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