

Market Commentary

- The SGD swap curve traded higher yesterday, with shorter tenors trading 0-3bps higher, belly tenors trading 1-3bps higher and longer tenors trading 1bps higher.
- There were moderate flows in SGD corporates yesterday, with flows in OLAMSP 5.375%-PERPs.
- UST 10Y yields jumped 9bps higher to a 2-year high of 1.87% yesterday after the US holiday on Monday. Investors repositioned their portfolios to price in more aggressive monetary policy tightening by the Fed as Fed officials enter a blackout period this week ahead of the upcoming January 25-26 FOMC meeting. Last week before this blackout period, several Fed officials had expressed comments regarding monetary policy – including Powell’s testimony expressing intentions to raise interest rates more over time if necessary, and Harker’s comments on the possibility of raising interest rates 3-4 times this year. These have heightened investors’ expectations of tighter monetary policy by the Fed.

Credit Summary:

- [ARA LOGOS Logistics Trust \(“ALOG”\)](#) | **Issuer Profile: Neutral (4)** and [ESR-REIT \(“EREIT”\)](#) | **Issuer Profile: Unrated:** The Business Times reported that Institutional Shareholder Services (“ISS”) and Glass Lewis, both proxy advisory firms have recommended against the combination of ALOG and EREIT. If the transaction fails to complete, we are likely to still maintain ALOG’s issuer profile at Neutral (4). If an early redemption does not happen, we still expect the ALLTSP 5.5%-PERP to be called at first call.
- [Olam International Ltd \(“Olam”\)](#) | **Issuer Profile: Neutral (5):** Olam has launched a consent solicitation exercise (“CSE”) covering all of its bonds and perpetuals in the secondary market, excluding its JPY and other USD bonds that are likely privately placed. Broadly, the CSE is in relation to Olam’s ongoing restructuring into three parts, where the goal is for its two operating businesses to be separated. We continue to review the developments and would provide an update in due course.

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Credit Headlines

ARA LOGOS Logistics Trust ("ALOG") | Issuer Profile: Neutral (4) and ESR-REIT ("EREIT") | Issuer Profile: Unrated:

- The Business Times reported that Institutional Shareholder Services ("ISS") and Glass Lewis, both proxy advisory firms have recommended against the combination of ALOG and EREIT.
- Both proxy advisory firms raised questions over the transaction process including the extent as to whether alternative transactions has been considered. Other considerations surround valuation for ALOG's units, particularly given the strength of ALOG's logistics asset profile.
- ALOG has responded that the transaction includes a switching possibility to consider alternative offers. However, no alternative offer has emerge since October 2021.
- We expect third party institutional shareholders to take into account the recommendation of the proxy advisers in voting of the transaction. The sole perpetual at ALOG is expected to be redeemed early if the transaction goes through. If the transaction fails to complete, we are likely to still maintain ALOG's issuer profile at Neutral (4). If an early redemption does not happen, we still expect the ALLTSP 5.5%-PERP to be called at first call. (Business Times, Bloomberg, OCBC)

Asian Credit Daily**Credit Headlines****Olam International Ltd (“Olam”) | Issuer Profile: Neutral (5):**

- Olam has launched a consent solicitation exercise (“CSE”) on its:
 - OLAMSP 6.0% ‘22s (SGD bond)
 - OLAMSP 4.375% ‘23s (USD bond)
 - OLAMSP 4.0% ‘26s (SGD bond)
 - OLAMSP 5.5%-PERP (SGD perpetual)
 - OLAMSP 5.375%-PERP (SGD perpetual)
- The CSE covers all of Olam’s bonds and perpetuals that are traded in the secondary market, though exclude its JPY and other USD bonds that are likely privately placed.
- Broadly, the CSE is in relation to Olam’s ongoing restructuring into three parts where the goal is for its two operating businesses to be separated (namely a food ingredients business and its global agri business focusing on consumer foods, feed and fibre in high-growth emerging markets). We think this complicated restructuring exercise is driven by management and board’s intent to simplify the business and optimise the valuation of Olam on a “sum of the parts basis” versus its current market valuation. The food ingredient business is on track to be listed in 1H2022, with a dual listing in London and Singapore.
- The specific consents sought differ by instrument. This is interlinked to the original terms and conditions on each of the instruments, as well as what the company’s intended capital structure for each of the operating businesses post-transaction.
- As an illustration, Olam is asking bondholders on the two tranches of SGD bonds to waive the event of default that may arise from the restructuring. This is in line with our expectations as a significant asset disposal is considered an event of default. Olam, as the current issuer of the SGD bonds, will become an investment holding company of a smaller but attractive food ingredient business, while the issuer itself will be delisted. On the flipside, Olam is asking bondholders of the USD bond to waive the event of default as well as to agree to allow for a substitution of the issuer into Olam Group Limited (“OG”). OG is a new entity which would hold businesses focusing on consumer food products, wheat milling and cotton. OG would have no stake in the food ingredients business. The specific terms for the two SGD perpetuals differ as well, with perpetual holders on the OLAMSP 5.375%-PERP asked to consent to an exchange offer into new perpetuals and for the substitution of the issuer into OG, while the perpetual holders on the OLAMSP 5.5%-PERP are asked to consent to only the substitution of the issuer into OG.
- In the immediate term, OG is intended to be listed (a plus point for perpetual holders). However, it was flagged that Olam is conducting a confidential limited bidding process of OG, where new significant minority investors may be introduced. In our view, this means that there could be further corporate actions beyond the current restructuring at OG.
- The early consent deadline on both the CSE for the bonds and perpetuals are the same date on 31 January 2022 while the expiration date is 7 February 2022. The early consent fee and the normal consent fee differs by instruments. We think this is due to the differentiated risk profiles of the food ingredients business versus the global agri business and the consents that the company is seeking. We continue to review the developments and would provide an update in due course. (Company, OCBC)

Key Market Movements

	19-Jan	1W chg (bps)	1M chg (bps)		19-Jan	1W chg	1M chg
iTraxx Asiax IG	90	10	5	Brent Crude Spot (\$/bbl)	88.47	4.49%	20.33%
iTraxx SovX APAC	24	2	2	Gold Spot (\$/oz)	1,813.29	-0.70%	1.25%
iTraxx Japan	49	1	0	CRB	247.07	4.41%	9.74%
iTraxx Australia	71	5	4	GSCI	603.72	2.67%	11.74%
CDX NA IG	55	4	2	VIX	22.79	17.47%	5.66%
CDX NA HY	108	-1	0	CT10 (%)	1.874%	13.07	47.14
iTraxx Eur Main	54	4	2				
iTraxx Eur XO	264	15	5	AUD/USD	0.719	-1.30%	1.08%
iTraxx Eur Snr Fin	62	5	3	EUR/USD	1.133	-0.97%	0.46%
iTraxx Eur Sub Fin	120	8	5	USD/SGD	1.350	-0.30%	1.25%
iTraxx Sovx WE	4	0	0	AUD/SGD	0.971	1.01%	0.15%
USD Swap Spread 10Y	6	0	-1	ASX 200	7,333	-1.43%	0.39%
USD Swap Spread 30Y	-18	-1	0	DJIA	35,368	-1.94%	0.01%
US Libor-OIS Spread	5	-3	-7	SPX	4,577	-2.00%	-0.94%
Euro Libor-OIS Spread	-7	0	1	MSCI Asiax	795	-1.70%	2.18%
				HSI	24,033	-1.51%	3.62%
China 5Y CDS	49	6	6	STI	3,280	0.75%	5.40%
Malaysia 5Y CDS	57	9	9	KLCI	1,529	-2.24%	1.82%
Indonesia 5Y CDS	88	10	9	JCI	6,610	-0.56%	0.12%
Thailand 5Y CDS	30	2	3	EU Stoxx 50	4,258	-0.55%	2.32%
Australia 5Y CDS	14	0	0				

Source: Bloomberg

Asian Credit Daily

New Issues

- Caofeidian State Holding Investment Group Company Ltd (SBLC provider: China Zheshang Bank Co., Ltd. Beijing Branch) priced a USD100mn 35-month senior unsecured bond at 2.1%, tightening from an IPT of 2.2% area.
- Hyundai Capital Services Inc priced a USD700mn deal across 2 tranches: (1) a USD400mn 3.25-year senior unsecured bond at T+87bps, tightening from an IPT of T+110bps area and (2) a USD300mn 5-year senior unsecured green bond at T+97bps, tightening from an IPT of T+125bps area.
- Huzhou City Investment Development Group Co Ltd priced a USD300mn 3-year senior unsecured bond at 2.85%, tightening from an IPT of 3.3% area.
- Xin Yue Co. (Guarantor: Guangdong Provincial Communications Group Co Ltd) priced a USD500mn 5-year senior unsecured bond at T+75bps, tightening from an IPT of T+120bps area.
- The Islamic Republic of Pakistan has arranged investor calls commencing 18 January for its proposed USD Sukuk bond offering.
- Quzhou Communications Investment Group Co. has mandated banks for its proposed USD bond offering.

Date	Issuer	Size	Tenor	Pricing
18-Jan-22	Caofeidian State Holding Investment Group Company Ltd (SBLC provider: China Zheshang Bank Co., Ltd. Beijing Branch)	USD100mn	35-month	2.1%
18-Jan-22	Hyundai Capital Services Inc	USD400mn USD300mn	3.25-year 5-year	T+87bps T+97bps
18-Jan-22	Huzhou City Investment Development Group Co Ltd	USD300mn	3-year	2.85%
18-Jan-22	Xin Yue Co. (Guarantor: Guangdong Provincial Communications Group Co Ltd)	USD500mn	5-year	T+75bps

Source: OCBC, Bloomberg

Temporary Suspension

- Do note that our official coverage on **Keppel Corporation Ltd**, **City Development Limited** and **Frasers Centrepoint Trust** is temporarily suspended due to OCBC's other business.

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