

Asian Credit Daily

9 April 2024

Market Commentary:

- The SGD SORA curve traded higher yesterday, with short tenors trading 4-8bps higher, belly tenors trading 9bps higher and 10Y trading 8bps higher.
- Flows in SGD corporates were heavy, with flows in BPCEGP 5% '34s, UBS 5.75%-PERP, HSBC 4.75% '34s, CMZB 6.5% '34s, SINTEC 4.2%-PERP, BNP 5.9%-PERP.
- Shimao Group Holdings Ltd (“Shimao”) shares fell as much as 12% after China Construction Bank (Asia) Corporation Limited filed a winding-up petition against the company at the High Court of the HKSAR. This is in relation to a financial obligation amounting to ~HKD1.6bn. Shimao which defaulted in mid-2022 is in the midst of a debt restructuring of its USD bonds and has offered bondholders with four options in its recently announced Creditor Support Agreement. That said, we note that the company has not obtain support from key bondholders on the proposal.
- Bloomberg Asia USD Investment Grade spreads tightened by 1bps to 83bps while Asia USD High Yield spreads widened by 2bps to 589bps, respectively. (Bloomberg, OCBC)

Credit Summary:

- **Wing Tai Holdings Ltd ("WINGTA"):** In line with our expectation, WINGTA announced that it will redeem its SGD150mn WINGTA 4.48%-PERP. The perpetual's first reset/call date is on 24 May 2024.
- **HSBC Holdings PLC ("HSBC"):** HSBC will sell its business in Argentina to Grupo Financiero Galicia for USD550mn, according to a HKEX filing. HSBC will recognize USD1bn pre-tax loss on disposal in 1Q2024.

Key Market Movements

	9-Apr	1W chg (bps)	1M chg (bps)		9-Apr	1W chg	1M chg
iTraxx Asiax IG	105	0	4	Brent Crude Spot (\$/bbl)	90.8	2.1%	10.6%
				Gold Spot (\$/oz)	2,341	2.7%	7.3%
iTraxx Japan	46	0	-2	CRB Commodity Index	297	1.8%	7.5%
iTraxx Australia	66	1	5	S&P Commodity Index - GSCI	599	2.6%	7.1%
CDX NA IG	51	-1	2	VIX	15.2	11.3%	3.1%
CDX NA HY	107	0	0	US10Y Yield	4.43%	8bp	35bp
iTraxx Eur Main	54	-2	1				
iTraxx Eur XO	300	-8	4	AUD/USD	0.660	1.3%	-0.2%
iTraxx Eur Snr Fin	62	-2	2	EUR/USD	1.086	0.8%	-0.6%
iTraxx Eur Sub Fin	113	-4	2	USD/SGD	1.348	0.3%	-1.3%
				AUD/SGD	0.890	-1.0%	-1.1%
USD Swap Spread 10Y	-38	0	-3	ASX200	7,817	-0.9%	-0.4%
USD Swap Spread 30Y	-75	0	-2	DJIA	38,893	-1.7%	0.4%
				SPX	5,202	-0.8%	1.5%
China 5Y CDS	71	-2	5	MSCI Asiax	656	-0.6%	0.6%
Malaysia 5Y CDS	44	1	5	HSI	16,733	1.2%	2.3%
Indonesia 5Y CDS	74	-1	5	STI	3,226	-0.7%	2.5%
Thailand 5Y CDS	45	0	2	KLCI	1,560	0.8%	1.3%
Australia 5Y CDS	15	0	0	JCI	7,287	0.0%	-1.3%
				EU Stoxx 50	5,046	-0.7%	1.7%

Source: Bloomberg

Credit Headlines:**Wing Tai Holdings Ltd (“WINGTA”)**

- In line with our expectation, WINGTA announced that it will **redeem its SGD150mn WINGTA 4.48%-PERP**. The perpetual’s first reset/call date is on 24 May 2024.
- We note that Wing Tai issued a SGD100mn WINGTA 4.38% ‘29s senior unsecured bond on 26 March 2024, which somewhat matches the redemption timing of this perpetual.
- Should WINGTA doesn’t redeem this perpetual, we estimate that the reset distribution yield will increase to ~6.0%, which is significantly higher than the existing curve of senior unsecured bonds (4.0% - 4.2%).
- As previously mentioned, we are Overweight corporate perpetuials as we believe (1) more perpetuials are expected to be called and (2) even if the issuer does not redeem, increased distribution rates (upon reset) may attract demand from credit investors looking for yield.
- **For more information and trade recommendations of perpetuials, readers may refer to [Perpetual Series 9: 9 lives](#)** of perpetuials published by OCBC Global Markets Credit Research on 18 March 2024. (Company, OCBC)

HSBC Holdings PLC (“HSBC”)

- HSBC will sell its business in Argentina to Grupo Financiero Galicia for USD550mn, according to a HKEX filing. HSBC will recognize USD1bn pre-tax loss on disposal in 1Q2024.
- HSBC sees insignificant impact on its CET1 ratio by the transaction, which will complete in the next 12 months. HSBC expects an initial reduction on CET1 ratio of around 0.1 percentage points in 1Q2024 on the recognition of the pre-tax loss on disposal, broadly offset by the estimated reduction in Risk-Weighted Assets on closing.
- This disposal transaction will be treated as a material notable item and excluded from the dividend payout calculation. (Company, OCBC)

New Issues:

Date	Issuer	Description	Currency	Size (mn)	Tenor	Final Pricing	Initial Pricing
08 Apr	ICBCIL Finance Co. Limited	Fixed	USD	100	3Y	5.2%	N.A
08 Apr	Shinhan Bank Co Ltd	Fixed	USD	500	10Y	T+140bps	T+175bps
08 Apr	Putian State-owned Assets Investment Co Ltd	Green, Fixed	USD	265	3Y	7.4%	7.8% area
08 Apr	Mitsubishi UFJ Financial Group Inc	Fixed	USD	900	6NC5	T+82bps	T+110 area
08 Apr	Mitsubishi UFJ Financial Group Inc	Fixed	USD	1,600	11NC10	T+100bps	T+130 area
08 Apr	The Great Eastern Life Assurance Company Limited	Sub Variable	SGD	500	15NC10	3.928%	4.25% area

Mandates:

- LG Electronics Inc. (“LGE”) is planning to issue USD-denominated Rule 144A/Reg S fixed rate senior unsecured bonds with expected tenor of 3Y and/or 5Y, of which one will be a sustainability bond.
- Nippon Life Insurance Company is planning to issue a benchmark size offering of USD 144A / Reg S 30NC10 step-up callable subordinated notes.
- Far East Horizon Limited is planning to issue a proposed USD denominated benchmark Regulation S (Category 1) registered senior unsecured notes.

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