

**Market Commentary:**

- The SGD SORA yields traded higher yesterday, with short tenors trading 1-2bps higher, belly tenors trading 2bps higher and 10Y trading 1bps higher.
- Flows in SGD corporates were heavy, with flows in BNP 4.75% '34s, HSBC 4.75% '34s, BNP 5.9%-PERP, STSP 3.3%-PERP, HSBC 5.25% '32s.
- China Vanke Co. ("Vanke") looking to auction off a piece of land for office use in Shenzhen for RMB2.2bn (USD304.5mn), according to Securities Times. The auction price is lower than the price of RMB3.1bn that Vanke initially paid for in 2017.
- Bloomberg Asia USD Investment Grade spreads tightened by 1bps to 80bps while Asia USD High Yield spreads tightened by 5bps to 557bps. (Bloomberg, OCBC)

**Credit Summary:**

- **DBS Group Holdings Ltd ("DBS"):** DBS announced the appointment of Eugene Huang as Chief Information Officer effective 10 May 2024. He will be tasked with continuing to build DBS's technology resiliency.
- **Keppel Ltd ("KEP"), StarHub Ltd ("STH"):** The Edge reported that STH and M1 (majority owned by KEP) are said to be back to exploring a potential merger of their businesses according to sources.
- **Lippo Malls Indonesia Retail Trust ("LMRT"):** LMRT has obtained a secured amortising term loan facility of up to IDR1.5 trillion (~SGD126mn) with an average life of ~6 years.
- **Commonwealth Bank of Australia ("CBA"):** CBA reported its trading update for the 3QFY2024 ended 31 March 2024. Results are compared to the quarterly average for 1HFY2024.
- **Frasers Hospitality Trust ("FHREIT"):** FHREIT reported the first half results for the financial year ending 30 September 2024 ("1HFY2024"). Decline in profitability although credit metrics remains manageable.

**Key Market Movements**

	9-May	1W chg (bps)	1M chg (bps)		9-May	1W chg	1M chg
iTraxx Asiax IG	103	-4	0	Brent Crude Spot (\$/bbl)	83.9	0.3%	-6.2%
				Gold Spot (\$/oz)	2,317	0.6%	-1.5%
iTraxx Japan	52	-1	5	CRB Commodity Index	289	1.3%	-2.6%
iTraxx Australia	67	-4	2	S&P Commodity Index - GSCI	577	0.7%	-3.1%
CDX NA IG	50	-1	-1	VIX	13.0	-15.5%	-13.2%
CDX NA HY	107	0	0	US10Y Yield	4.50%	-8bp	14bp
iTraxx Eur Main	52	-3	-2				
iTraxx Eur XO	300	-17	-3	AUD/USD	0.658	0.2%	-0.8%
iTraxx Eur Snr Fin	59	-4	-3	EUR/USD	1.074	0.2%	-1.0%
iTraxx Eur Sub Fin	110	-5	-3	USD/SGD	1.356	-0.1%	-0.8%
				AUD/SGD	0.892	-0.3%	0.0%
USD Swap Spread 10Y	-37	0	0	ASX200	7,719	1.7%	-1.3%
USD Swap Spread 30Y	-76	0	-1	DJIA	39,056	3.0%	0.4%
				SPX	5,188	3.4%	-0.4%
China 5Y CDS	65	-1	-4	MSCI Asiax	675	1.2%	2.2%
Malaysia 5Y CDS	46	-1	3	HSI	18,535	1.8%	10.1%
Indonesia 5Y CDS	73	-2	0	STI	3,266	-0.9%	0.9%
Thailand 5Y CDS	43	-1	-1	KLCI	1,600	1.3%	3.0%
Australia 5Y CDS	14	0	-2	JCI	7,089	-2.0%	-2.7%
				EU Stoxx 50	5,038	2.4%	0.9%

*Source: Bloomberg*

**Credit Headlines:****DBS Group Holdings Ltd (“DBS”)**

- DBS announced the appointment of Eugene Huang as Chief Information Officer effective 10 May 2024. He will be tasked with continuing to build DBS’s technology resiliency.
- Last week, the Monetary Authority of Singapore (“MAS”) announced that it had ended the six-month suspension that restricted DBS from all changes to DBS Bank Ltd’s IT systems except those related to security, regulatory compliance and risk management. This was implemented in early November 2023 along with other restrictions following disruptions to its online banking services.
- Mr Huang was previously with Ping An Group, where he was responsible for IT offerings across all of Ping An’s businesses as Chairman and CEO of Ping An Technology, the technology arm of Ping An Group.
- Over 36 years, Mr Huang has held various senior technology related roles in major financial institutions.
- Mr Huang be a member of the DBS Group Executive Committee, and report to CEO Piyush Gupta. (Company, MAS, OCBC)

**Keppel Ltd (“KEP”)****StarHub Ltd (“STH”)**

- The Edge reported that STH and M1 (majority owned by KEP) are said to be back to exploring a potential merger of their businesses according to sources. We note that neither STH or M1 has made official announcements on this news, although in 2020, STH’s then CEO denied a potential merger.
- The news report adds that STH is working with a bank on this although it is uncertain if M1 had appointed a bank. Discussion on the matter is understood to be in the early stages. There is no guaranteeing that a deal will surface.
- In January 2020, STH and M1 submitted a joint bid and was awarded one of the two available nationwide 5G network licenses. (The Edge, OCBC)

**Lippo Malls Indonesia Retail Trust (“LMRT”)**

- LMRT has obtained a secured amortising term loan facility of up to IDR1.5 trillion (~SGD126mn) with an average life of ~6 years.
- Besides, LMRT has commenced debt restructuring, inviting USD bondholders of LMRTSP 7.25% ‘24s to exchange their bonds for upfront cash payment and the remaining balance in LMRTSP 7.5% ‘26s. USD bondholders of LMRTSP 7.25% ‘24s for each USD1,000 will get:
  - USD432 principal amount of LMRTSP 7.5% ‘26s
  - USD600 in cash
- We believe it would be **critical to consent to the exchange offer based on our calculations, given that the most valuable investment properties have already been pledged for secured loans.** We believe there will be significant losses to bondholders if LMRT defaults as there will be little assets left for bondholders.
- As shown in Figure 1, **LMRT will face a liquidity shortfall of SGD29mn on 19 June 2024, the maturity date of LMRTSP 7.25% ‘24s, without exchange offer consents of bondholders.**
- As shown in Figure 2, LMRT will have liquidity of SGD47mn after redeeming LMRTSP 7.25% ‘24s if all bondholders consent to the exchange offer. That said, it appears that there will still be a shortfall of SGD49mn for the remaining of 2024.
- As shown in Figure 3, LMRT will require at least 40% of bondholders to consent in order to have sufficient liquidity to redeem LMRTSP 7.25% ‘24s. (Company, OCBC)

**Figure 1: Liquidity without the exchange offer**

	SGD'mn
Unrestricted Cash as at 31 March 2024	34
New IDR 1.5 trillion secured loan	126
<b>Potential Liquidity after new IDR secured loan</b>	<b>160</b>
LMRTSP 7.25% '24s	-188
<b>Funding shortfall for LMRTSP 7.25% '24s</b>	<b>-29</b>
Capex incurred yet not paid	-25
Cash needed to operate (operation + interest payment)	-20
Term Loans Repayment in 2024	-51
<b>Funding shortfall in 2024 if without the exchange offer</b>	<b>-124</b>

**Figure 2: Liquidity with 100% exchange offer consents from bondholders**

	SGD'mn
Unrestricted Cash as at 31 March 2024	34
New IDR 1.5 trillion secured loan	126
<b>Potential Liquidity after new IDR secured loan</b>	<b>160</b>
LMRTSP 7.25% '24s if all accepted exchange offer @ 60% cash payment	-113
<b>Liquidity after LMRTSP 7.25% '24s</b>	<b>47</b>
Capex incurred yet not paid	-25
Cash needed to operate (operation + interest payment)	-20
Term Loan Repayment in 2024	-51
<b>Funding shortfall in 2024 if all accepted the exchange offer</b>	<b>-49</b>

**Figure 3: Liquidity with 40% exchange offer consents from bondholders**

	SGD'mn
Unrestricted Cash as at 31 March 2024	34
New IDR 1.5 trillion secured loan	126
<b>Potential Liquidity after new IDR secured loan</b>	<b>160</b>
LMRTSP 7.25% '24s if 40% accepted exchange offer @ 60% cash payment	-158
<b>Liquidity after LMRTSP 7.25% '24s</b>	<b>2</b>
Capex incurred yet not paid	-25
Cash needed to operate (operation + interest payment)	-20
Term Loan Repayment in 2024	-51
<b>Funding shortfall in 2024 if all accepted the exchange offer</b>	<b>-94</b>

**Commonwealth Bank of Australia (“CBA”)**

- CBA reported its trading update for the 3QFY2024 ended 31 March 2024. Results are compared to the quarterly average for 1HFY2024. Unaudited statutory and cash net profit was ~AUD2.4bn in 3QFY2024, with cash net profit down 3% compared to the 1HFY2024 quarterly average and down 5% y/y.
- The weaker results were driven by negative JAWs with operating expenses up 2% due to higher staff costs and amortisation while operating income was flat (factoring in one less day in 3QFY2024) as lower margins from competition and deposit mix changes and lower income from minority investments (dividends) and Markets (trading income) was offset by lending volume growth, particularly in business lending.
- Loan impairment expense was AUD191mn with both individual and collective provisions higher due to increases in consumer arrears and corporate troublesome exposures. Troublesome and impaired assets of AUD8.0bn as at 31 March 2024 is up from AUD6.9bn as at 31 December 2023 due to specific exposures and a rise in impaired home loans.
  - The percentage of troublesome and impaired assets to total committed exposures ratio was at 0.56%, below the 0.91% historic average but up from 0.49% as at 31 December 2023.
  - The ratio of 90+ days consumer arrears for personal loans, credit cards and home loans all rose q/q to 1.34%, 0.68% and 0.61% respectively as at 31 March 2024 although credit cards and home loans remain below the historic average over August 2008-June 2023.
  - That said, the annualized loan loss rate (loan impairment expense as a percentage of average gross loans and acceptances) was 8bps in 3QFY2024, down from 9bps in 1HFY2024, 10bps in 3QFY2023 and 12bps in FY2023.
  - Total provision coverage ratios are up q/q and y/y by 2bps and 10bps to 1.66% as at 31 March 2024. Total provisions of AUD6.15bn are up 1.4% q/q although individual provisions are broadly stable while the rise in collective provisions is driven by portfolio growth.
  - CBA highlighted the ongoing impact of the higher cost of living on its consumer customers and likely higher arrears in the coming months although the Australian economy continues to be somewhat resilient with overall portfolio quality remaining sound.
- CBA’s reported CET1 capital ratio compliant with Australian Prudential Regulation Authority (“APRA”) as at 31 March 2024 was 11.9%, down from 12.3% as at 31 December 2023 but up from 11.8% as at 30 September 2023. Key influences on q/q movements include 1HFY2024 dividends (-76bps) and risk weighted asset growth (-20bps) that offset earnings (+52bps). CBA’s CET1 ratio equates to a AUD7.7bn surplus to APRA’s minimum 10.25% requirement.
- Other credit ratios remain solid with the liquidity coverage ratio and net stable funding ratio at 138% and 120% respectively at 31 March 2024 (136% and 121% respectively as at 31 December 2023). (Company, OCBC)

**Frasers Hospitality Trust (“FHREIT”)**

- FHREIT reported the first half results for the financial year ending 30 September 2024 (“1HFY2024”). Decline in profitability although credit metrics remains manageable.
- **Net property income (“NPI”) fell from higher cost while Singapore saw weaker performance**
  - FHREIT’s 1HFY2024 gross revenue increased by 1.7% y/y to SGD63.3mn although NPI fell by 1.3% y/y to SGD44.7mn. Per FHREIT the y/y increase in gross revenue was driven by the debut contribution from Koto no Hako Kobe (mall attached to FHREIT’s ANA Crowne Plaza in Kobe) and marginal improvement in the rest of the portfolio following further travel recovery in FHREIT’s markets. NPI though decreased y/y due to elevated property taxes and inflation driven increase in labour costs and utilities.
  - Revenue per available room (“RevPAR”) for Australia, Japan and Malaysia grew y/y in local currency terms in 1HFY2024; however, Singapore and the UK fell y/y in local currency terms.
  - In 1HFY2024, Australia contributed 30% to NPI, followed by Singapore at 27% and the UK at 14%.
  - **Singapore:** RevPAR declined 6.7% y/y to SGD263. Despite a y/y increase in average daily rate (“ADR”) by 3.4%, occupancy dipped to only 68.9% in 1HFY2024 (1HFY2023: 76.3%) mainly dragged by Fraser

Suites Singapore. Per management, there has been an easing of relocation demand and a slowdown in the long-stay market while the stronger SGD has negatively impacted corporate budgets for accommodation.

- **UK:** RevPAR declined 4.4% y/y, mainly as ADR has softened somewhat to maintain occupancy in line with market trends. Occupancy for 1HFY2024 was relatively flat compared to a year ago at 77.6%.
- **Australia:** RevPAR increased by 7.8% y/y, mainly driven by strong occupancy of 84.2% in 1HFY2024 versus 78.5% a year ago. Per FHREIT, its properties in Australia have been benefiting from major events and a stronger demand from corporate, group and leisure segments.
- **Japan:** RevPAR increased by 15.3% y/y, helped by spillover demand from strong inbound tourism into Japan amidst a weaker JPY. Occupancy also saw an increase to 63.8% for 1HFY2024 versus 57.9% in 1HFY2023.
- **Malaysia:** RevPAR increased significantly by 20.9% y/y in 1HFY2024 driven by strong occupancy at 83.3% and a 12.9% y/y growth in ADR. FHREIT's sole property in Kuala Lumpur has been benefiting from meeting, incentive, convention, exhibition ("MICE") activities.
- **Germany:** Improved y/y, supported by recovery in domestic travel.
- **Slight corrosion in credit metrics but remains manageable:**
  - As at 31 March 2024, FHREIT's reported aggregate leverage increased to 35.5% (one percentage point higher than end-2023) which we think is driven by the payment in relation to the ANA Crowne Kobe retail mall, although still at healthy levels. Reported interest coverage for the 12 months to 31 March 2024 was 3.1x, somewhat lower than the 3.4x for the 12 months to 31 December 2023.
  - As at 31 March 2024, SGD127mn (representing 17% of total debt) is due in the remaining of FY2024. Maturities due in FY2025 is higher at SGD270mn (representing 36% of total debt). In FY2025, this includes SGD120mn of bonds due in November 2024, FHREIT's sole SGD-denominated bond which is intended to be refinanced. That said, bulk of FHREIT's debt are unsecured debt and the portfolio can be used to raise secured funding if need be. Borrowings on fixed rate remains relatively high at 75.1% as at 31 March 2024 (31 December 2023: 73.8%). (Company, OCBC)

**New Issues:**

Date	Issuer	Description	Currency	Size (mn)	Tenor	Final Pricing	Initial Pricing
08 May	China Ping An Insurance Overseas Holdings Ltd	Fixed	USD	300	10Y	T+173bps	T+210bps area
08 May	Export Import Bank of Thailand	Fixed	USD	400	5Y	T+85 bps	T+120bps area
08 May	Security Bank Corp	Fixed	USD	400	5Y	T+110bps	T+140bps area
08 May	Manappuram Finance Ltd	Fixed, Secured	USD	300	4Y	7.5%	7.75% area
08 May	HSBC Holdings PLC	TLAC	USD	1,850	4NC3	T+95bps	T+120bps area
08 May	HSBC Holdings PLC	TLAC	USD	1,400	8NC7	T+125bps	T+150bps area

**Mandates:**

- There are no Asiadollar mandates for today.

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