

Asian Credit Daily

11 April 2024

Market Commentary:

- The SGD SORA curve traded lower on Tuesday, with short tenors trading 3-4bps lower, belly tenors trading 4-5bps lower and 10Y trading 5bps lower.
- Flows in SGD corporates were heavy, with flows in GESP 3.928% '39s, BNP 4.75% '34s, UBS 5.75%-PERP, HSBC 4.75% '34s, STTGDC 5.7%-PERP, BACR 7.3%-PERP, DB 4.4% '28s, SOCGEN 8.25%-PERP, BPCEGP 5% '34s, OLAMSP 4% '26s, BNP 5.9%-PERP.
- China Vanke Co. said that a regional manager in the city of Jinan was assisting in an investigation. Following this news, bond prices of Vanke generally reacted lower while its Hong Kong listed shares lost more than 4%. Separately, Shimao Group is contemplating applying to the High Court for a validation order after considering the progress of its offshore restructuring.
- Yesterday, Bloomberg Asia USD Investment Grade spreads tightened by 4bps to 80bps, which is at another all-time lows, while Asia USD High Yield spreads tightened by 21bps to 571bps. (Bloomberg, OCBC)

Credit Summary:

- **Frasers Property Ltd ("FPL"):** FPL is in the process of reviewing the valuations and carrying values of its properties as at 31 March 2024. Based on preliminary results, FPL is expecting to record fair value losses and impairment, primarily on certain commercial properties in the United Kingdom, arising mainly due to weaker market sentiments.
- **ESR-LOGOS REIT ("EREIT"):** EREIT has entered into a contract of sale to divest 182-198 Maidstone Street, Altona, VIC, Australia for a sale consideration of AUD65.5mn (~SGD57.8mn) (excluding divestment costs and applicable goods and services tax). The sale consideration represents a 7.4% premium to valuation of the property of AUD61mn (~SGD53.8mn) per valuation as at 31 December 2023.
- **Société Générale S.A. ("SocGen"):** SocGen has signed a memorandum of understanding ("MOU") with Groupe BPCE with a view to sell its professional equipment financing businesses to Groupe BPCE for EUR1.1bn. Groupe BPCE will take over most of the equipment financing activities excluding those in the Czech Republic and Slovakia, which will remain part of SocGen.

Key Market Movements

	11-Apr	1W chg (bps)	1M chg (bps)		11-Apr	1W chg	1M chg
iTraxx Asiax IG	104	1	4	Brent Crude Spot (\$/bbl)	90.6	-0.1%	10.2%
				Gold Spot (\$/oz)	2,343	2.3%	7.3%
iTraxx Japan	47	1	-2	CRB Commodity Index	298	0.9%	7.1%
iTraxx Australia	64	--	3	S&P Commodity Index - GSCI	598	-0.2%	6.5%
CDX NA IG	53	0	3	VIX	15.8	10.3%	3.8%
CDX NA HY	106	0	0	US10Y Yield	4.53%	22bps	43bps
iTraxx Eur Main	55	2	2				
iTraxx Eur XO	307	11	11	AUD/USD	0.652	-1.1%	-1.5%
iTraxx Eur Snr Fin	62	0	2	EUR/USD	1.075	-0.8%	-1.7%
iTraxx Eur Sub Fin	113	1	3	USD/SGD	1.353	-0.3%	-1.7%
				AUD/SGD	0.882	0.7%	-0.2%
USD Swap Spread 10Y	-38	-1	-1	ASX200	7,817	0.0%	1.5%
USD Swap Spread 30Y	-76	-2	-2	DJIA	38,462	-1.7%	-0.8%
				SPX	5,161	-1.0%	0.8%
China 5Y CDS	70	-3	4	MSCI Asiax	665	1.1%	1.5%
Malaysia 5Y CDS	42	0	3	HSI	17,009	1.7%	2.5%
Indonesia 5Y CDS	74	-2	5	STI	3,226	0.1%	2.5%
Thailand 5Y CDS	44	-1	1	KLCI	1,554	0.4%	0.9%
Australia 5Y CDS	15	0	0	JCI	7,287	0.0%	-1.3%
				EU Stoxx 50	5,001	-1.3%	1.4%

Source: Bloomberg

Credit Headlines:**Frasers Property Ltd (“FPL”)**

- **Fair value losses on UK commercial property:** FPL is in the process of reviewing the valuations and carrying values of its properties as at 31 March 2024. Based on preliminary results, FPL is expecting to record fair value losses and impairment, primarily on certain commercial properties in the United Kingdom, arising mainly due to weaker market sentiments.
- **Bottom-line to be impacted:** As a result of the fair value losses and impairment, FPL is expecting to report a significant y/y decrease in attributable profit in 1HFY2024.

We think the impact should be manageable: We estimate that FPL holds a total of ~SGD1.9bn commercial and business parks in both EU and UK as of end 30 September 2023, which represents around 6% of total property assets. As at 30 September 2023, the commercial portfolio in UK comprise over 538k sqm of commercial and industrial business space, with 6 business parks in England and 1 in Scotland. 100%-owned investment assets in the UK include Chineham Park (SGD214.1mn), Hilington Park (SGD230.6mn), Lakeshore Business Park (SGD123.4mn) and Winnersh Triangle (SGD542.3mn), which total SGD1.1bn in book value. (Company, OCBC)

ESR-LOGOS REIT (“EREIT”)

- EREIT has entered into a contract of sale to divest 182-198 Maidstone Street, Altona, VIC, Australia for a sale consideration of AUD65.5mn (~SGD57.8mn) (excluding divestment costs and applicable goods and services tax). The sale consideration represents a 7.4% premium to valuation of the property of AUD61mn (~SGD53.8mn) per valuation as at 31 December 2023.
- The net proceeds from the divestment will be deployed to repay outstanding borrowings, finance potential acquisitions, asset enhancement initiatives and redevelopments and/or fund general working capital requirements.
- This is a small transaction relative to EREIT’s total assets as at 31 December 2023 of SGD5.1bn. We note that EREIT has been divesting assets as part of active management of the portfolio. (Company, OCBC)

Société Générale S.A. (“SocGen”)

- SocGen has signed a memorandum of understanding (“MOU”) with Groupe BPCE with a view to sell its professional equipment financing businesses to Groupe BPCE for EUR1.1bn. Groupe BPCE will take over most of the equipment financing activities excluding those in the Czech Republic and Slovakia, which will remain part of SocGen.
- The outstanding loans of the businesses covered by the MOU amount to ~EUR15bn as at end-2023 (~EUR8bn in risk-weighted assets).
- The transaction (subject to approvals) is expected to be completed in 1Q2025 and would have an estimated positive impact of ~25bps on the CET1 ratio. (Dow Jones, Company)

New Issues:

Date	Issuer	Description	Currency	Size (mn)	Tenor	Final Pricing	Initial Pricing
09 Apr	Jinan Hi-Tech International (Cayman) Investment (Guarantor: Jinan Hi-tech Holding Group Co Ltd)	Fixed	USD	180	3Y	6.1%	6.8% area
09 Apr	China Development Bank	FRN	USD	500	3Y	SOFR+33bps	N.A
09 Apr	Far East Horizon Ltd (FRESHK)	Fixed	USD	500	3Y	6.7%	T+250bps area
09 Apr	Melco Resorts Finance Ltd (MPEL)	Fixed	USD	750	8NC3	7.625%	7.75% area
09 Apr	Nippon Life Insurance Co (NIPLIF)	Fixed	USD	1,320	30NC10	5.95%	6%-6.125%

Mandates:

- Yinson Production Offshore Pte. Ltd. is planning to issue a new USD500mn 5NC3 senior secured bond.

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