

Asian Credit Daily

28 March 2024

Market Commentary:

- The SGD SORA curve traded mixed yesterday, with short tenors trading flattish to 1bps lower, belly tenors trading 1-2bps higher and 10Y trading 1bps higher.
- Flows in SGD corporates were heavy, with flows in HSBC 4.75% '34s, DB 4.4% '28s, AVSING 3.375% '31s, UBS 5.75%-PERP, BNP 4.75% '34s, OCBCSP 4.05%-PERP.
- Country Garden has hired Kroll for liquidation analysis, though Country Garden further clarified that the liquidation analysis is necessary material to be submitted to the court during debt restructuring.
- Bloomberg Asia USD Investment Grade spreads were relatively flat at 85bps, while the Asia USD High Yield spreads tightened by 1bps to 573bps. (Bloomberg, OCBC)

Credit Summary:

- **UBS Group AG ("UBS"), Credit Suisse Group AG ("CS"):** UBS has renegotiated a previous deal signed by CS for the sale of a significant portion of its Securitized Products Group ("SPG") and related financing businesses to Apollo Global Management and affiliates ("Apollo").
- **Keppel Ltd ("KEP"):** We expect current events SMM to have very minimal implication on the credit profile of KEP. In 1Q2023, KEP completed the sale of Keppel Offshore & Marine Ltd ("KOM") to Sembcorp Marine Ltd ("SMM", renamed to Seatrium Limited). The sale though excludes certain assets and business which KEP has retained, as well as excluding legacy rigs and related assets which has been sold to a newly set up entity.
- **Seatrium Limited ("SMM"):** SMM (formerly known as Sembcorp Marine Ltd) announced a trading halt pending release of announcements. Former SMM President, Executive Director and Chief executive of SMM and Managing Director of Jurong Shipyard Pte Ltd ("Jurong Shipyard", a wholly-owned subsidiary of SMM) as well as the former Senior General Manager of Jurong Shipyard have been charged with corruption offenses in relation to the company's Brazil operations.

Key Market Movements

	28-Mar	1W chg (bps)	1M chg (bps)		28-Mar	1W chg	1M chg
iTraxx Asiax IG	103	2	4	Brent Crude Spot (\$/bbl)	86.3	0.7%	3.2%
				Gold Spot (\$/oz)	2,189	0.3%	7.6%
iTraxx Japan	46	-1	-7	CRB Commodity Index	287	0.4%	4.2%
iTraxx Australia	65	1	1	S&P Commodity Index - GSCI	574	-0.6%	2.9%
CDX NA IG	52	1	-1	VIX	12.8	-2.0%	-7.7%
CDX NA HY	107	0	1	US10Y Yield	4.21%	-5bps	-5bps
iTraxx Eur Main	55	1	-1				
iTraxx Eur XO	299	9	-10	AUD/USD	0.652	-0.7%	0.4%
iTraxx Eur Snr Fin	64	2	-1	EUR/USD	1.082	-0.4%	-0.2%
iTraxx Eur Sub Fin	116	3	-2	USD/SGD	1.349	-0.3%	-0.2%
				AUD/SGD	0.880	0.4%	-0.6%
USD Swap Spread 10Y	-36	0	2	ASX200	7,901	1.5%	3.1%
USD Swap Spread 30Y	-72	1	1	DJIA	39,760	0.6%	2.1%
				SPX	5,248	0.5%	3.5%
China 5Y CDS	72	5	5	MSCI Asiax	651	-1.4%	2.0%
Malaysia 5Y CDS	42	1	1	HSI	16,393	-0.9%	-0.9%
Indonesia 5Y CDS	73	2	1	STI	3,252	1.0%	3.0%
Thailand 5Y CDS	44	1	1	KLCI	1,531	-0.3%	-1.0%
Australia 5Y CDS	16	0	1	JCI	7,310	-0.3%	-0.3%
				EU Stoxx 50	5,082	1.6%	4.1%

Source: Bloomberg

Credit Headlines:**UBS Group AG ("UBS"), Credit Suisse Group AG ("CS")**

- UBS has renegotiated a previous deal signed by CS for the sale of a significant portion of its Securitized Products Group ("SPG") and related financing businesses to Apollo Global Management and affiliates ("Apollo").
- CS agreed to the deal in November 2022 as part of its major restructuring plan at the time with Apollo taking over a large part of the assets contained within CS's SPG. CS was expected to provide financing for some of the assets and keep around USD20bn with Apollo managing for a fee.
- UBS in early October 2023 however decided to cancel the asset management deal with Apollo. UBS will now sell USD8bn in senior secured financing facilities while ending the investment management agreement and transition service agreement. UBS will book a net gain of USD300mn as it continues to wind down risk weighted assets in the non-core and legacy ("NCL") portfolio.
- Separately, UBS announced it will almost double its previously announced rental space in Hong Kong when it moves to a new 14 story office building that is expected to be ready in 2026. (Company, Bloomberg, OCBC).

Keppel Ltd ("KEP")

- We expect current events SMM to have very minimal implication on the credit profile of KEP.
- In 1Q2023, KEP completed the sale of Keppel Offshore & Marine Ltd ("KOM") to Sembcorp Marine Ltd ("SMM", renamed to Seatrium Limited). The sale though excludes certain assets and business which KEP has retained, as well as excluding legacy rigs and related assets which has been sold to a newly set up entity.
- Bulk of the shares which KEP received as part of the sale has been distributed-in-specie to KEP's shareholders with only a 5% retained for a 48-month period to cater for identified (but undisclosed) contingent liabilities. Since then, some of the shares have been encashed, though the cash is still retained in a segregated account. As of writing, KEP holds only ~2%-stake in Seatrium.
- Earlier in December 2022, it was announced that KOM has reached a joint resolution with the authorities in Brazil, namely Brazilian Attorney-General's Office ("AGU") and Comptroller General of the Union ("CGU"). This is in relation to events surrounding Operation Car Wash. In December 2017, KOM had also reached a global resolution with authorities in the US, Brazil and Singapore in relation Operation Car Wash with penalty amounts paid. (Company, OCBC)

Seatrium Limited ("SMM")

- SMM (formerly known as Sembcorp Marine Ltd) announced a trading halt pending release of announcements. Former SMM President, Executive Director and Chief executive of SMM and Managing Director of Jurong Shipyard Pte Ltd ("Jurong Shipyard", a wholly-owned subsidiary of SMM) as well as the former Senior General Manager of Jurong Shipyard have been charged with corruption offenses in relation to the company's Brazil operations.
- The public prosecutor is also in discussions with SMM on a deferred prosecution agreement ("DPA"). Under the proposed DPA, SMM will be required to pay a financial penalty of USD110mn (~SGD149mn). The contents and terms of the DPA remain to be worked out and agreed upon by the Public Prosecutor and the company. The DPA will also have to be approved by the General Division of the High Court, before it comes into force.
- In 2023, SMM reported EBITDA of SGD236mn while net loss attributable to owners of the company was ~SGD1.9bn. Cash balance as at 31 December 2023 was ~SGD2.3bn. (Company, Business Times, CPIB)

New Issues:

Date	Issuer	Description	Currency	Size (mn)	Tenor	Final Pricing	Initial Pricing
27 Mar	Bank Negara Indonesia Persero Tbk PT (BBNIIJ)	Fixed	USD	500	5Y	T+107bps	T+145bps area
27 Mar	Mapletree Logistics Trust	Fixed	SGD	75	7Y	3.81%	N.A

Mandates:

- There are no Asiadollar mandates today.
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