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Credit Week in Brief

Markets

Yields rose as economic outlook brightens:

- 10Y UST Yields rose last week due to the announcement of the proposed American Jobs Plan and economic updates. On Monday, yields gained 3bps to 1.71% as President Joe Biden announced that 90% of adults in the U.S. will be eligible for Covid-19 vaccines and will have a vaccination site within 5 miles of their residence by 19th April. On Tuesday, despite hitting an intraday high of 1.77%, yields fell back to 1.71% at the end of the day as investors anticipated an economic boost from the USD1.9tr fiscal relief along with the USD3.0tr recovery package. Yields then gained 4bps to 1.74% after President Biden announced an infrastructure plan which is expected to include over USD2.0tr of fiscal spending. Meanwhile, ADP's private payroll data for March showed a gain of 517,000 jobs, well above the 176,000 added in February. On Thursday, yields fell 7bps to 1.67% as investors digested mixed economic data from first-time claims for jobless benefits and domestic manufacturing. Friday saw yields gain 5bps to 1.72% on the back of a better-than-expected jobs report which came in at 916,000. W/w, 10Y UST gained 1bps from 1.71% to 1.72%. (Bloomberg, OCBC)

Cheap debt, for now:

- US IG new issuance fell to USD12.7bn from 16 issuers last week leading up to Good Friday:
  - The biggest deals came from Bayerische Motoren Werke AG (USD2.0bn in three tranches) and Lowe's Companies Inc (USD2.0bn in two tranches). The former's tap was a private placement while the latter's proceeds will be used for general corporate purposes.
  - Meanwhile, Kohl's Corp (a USD500mn 10-year bond at T+167bps) upsized its offering to take advantage of low rates to refinance its debt that was issued early in the Covid-19 pandemic last year in a scramble for liquidity. Furthermore, the order book was ~5x oversubscribed.
  - Several financial institutions also tapped the market, including Deutsche Bank (a USD750mn 4NC3 senior non-preferred bond at T+112.5 bps), Equitable Financial Life Global Funding (USD1.0bn in 2 parts), Ooredoo International Finance Limited (a USD1.0bn 10-year bond at MS+100bps), Principal Life Global Funding II (USD600mn in 2 tranches) and Met Tower Global Funding (a USD400mn 3-year bond at 0.727%).
  - Marvell Technology, Inc. (USD2.0bn in three parts), who will use its proceeds to fund its Inphi acquisition, brought the total new issue supply in the technology sector to ~USD53.0bn.
  - Duke Energy Carolinas LLC (USD1.0bn in two tranches) will use proceeds to repay its debt maturing in 2021 and pay down intercompany short-term debt with Duke Energy Corporation.
- Similarly, the HY market experienced a relatively slow week with issuance falling to USD8.8bn from 13 issuers last week.
  - Key issues included Imola Merger Corporation (a USD2.0bn 8NC3 bond at 4.75%) and Goodyear Tire & Rubber Company (USD1.0bn in two parts). The former, which has not sold notes since 2014, will use proceeds to fund its

buyout of Ingram Micro Inc. while the latter plans to use proceeds to repay its debt maturing in 2023.
  - Meanwhile, NCR Corp sold USD100mn more of its NCR 5.125%'29s to finance its acquisition of Cardtronics, the world's largest non-bank ATM operator and service provider.
  - Energy companies continued to capitalise on strong investor demand and low funding costs before potential inflationary pressures cause a rise in rates. Aside from Blackstone Group Inc.-controlled Vine Energy Holdings LLC (a USD950mn 8NC3 bond at 6.75%), Parkland Corporation of Canada (a USD800mn 8.5NC3 bond at 4.5%), ReNew Wind Energy AP2 and its other subsidiaries (a USD585mn 7NC2 bond at 4.5%), and BWX Technologies, Inc. (a USD400mn 8NC3 at 4.125%) tapped the market to redeem older bonds.
  - Aretec Escrow Issuer Inc. sold a USD400mn 8NC3 senior unsecured bond at 7.5% to fund its acquisition of assets from Voya Financial Advisors and repay its outstanding subordinated debt.
- W/w, the Bloomberg Barclays US Corporate High Yield Average OAS tightened 23bps to 302bps while the Bloomberg Barclays US Aggregate Corporate OAS tightened 7bps to 89bps. (Bloomberg, OCBC)

AMCs in focus in Asiadollar:

- Asiadollar issuance was USD9.1bn last week, higher than the prior's week USD6.2bn. Issuance last week was concentrated on a few large issuers with Jardine Matheson Holdings Ltd pricing USD1.2bn across two tranches, Huatai Securities Co. pricing USD1.2bn across two tranches and Ooredoo QPSC pricing USD1.0bn of 10Y paper. On the sovereign side, the Islamic Republic of Pakistan priced USD2.5bn across three tranches. In the middle of March 2021, the International Monetary Fund approved USD500mn disbursement to Pakistan, resuming a USD6bn facility to the country. Using data where information was available, last week's primary issues compressed by 33bps on average from initial price guidance while orderbooks were decent, averaging at 4.0x.
- Jardine Matheson's debut deal caught the bond market's attention and was well received with a combined final order of more than USD5.3bn. Last month, Jardine Matheson announced its intention to simplify the group's corporate structure by acquiring 15% of Jardine Strategic Holdings ("Jardine Strategic") it does not already own. While some minority shareholders of Jardine Strategic are opposing the acquisition price tag of USD33 (for each share) and reportedly considering to escalate this matter through Bermudan courts (where the company is incorporated), this disgruntlement was reportedly not a concern for bondholders.
- Last week, approval was given for state owned companies Sinochem Group and ChemChina Group ("ChemChina") to combine. The two companies will undertake restructuring which will see them becoming subsidiaries of a new holding company wholly-owned by the State-owned Assets Supervision and Administration Commission of the State Council ("SASAC"). ChemChina's USD bonds traded tighter by 15-20bps on the back of the announcement.
- China Huarong Asset Management Co Ltd ("Huarong"), an asset management company ("AMC") of bad debts and major Asiadollar issuer spooked markets last week, first by announcing a trading halt and a delay in reporting its annual financials. Subsequently, news emerged that the company had submitted a financial restructuring and recapitalisation plans to its major shareholders and authorities. The HRINTH curve has since suffered a large fall while the market

awaits further information. As of writing, the HRINTH 4.0%-PERP has fallen 8ppt.

- Despite the negative sentiments in the AMC space, spreads were stable in the investment grade space with the Bloomberg Barclays Asia USD IG Bond Index average OAS widened 1bps to 130bps while the Bloomberg Barclays Asia USD HY Bond Index average OAS tightened 28bps w/w to 622bps. (Bloomberg, IFR, Caixin, OCBC)

SINGA bonds to come to the SGD market soon

- The Significant Infrastructure Government Loan Act ("SINGA") has been introduced. Infrastructure projects owned and controlled by the government, with a total project cost of at least SGD4bn, available for use for at least 50 years, and support national productivity or Singapore's economic, environmental, or social sustainability would qualify. Examples include the Cross Island and Jurong Regional MRT lines. The SINGA bonds will be named SGS (Infrastructure), which is a new category of Singapore government securities. The current SGS issuances will be renamed SGS (Market Development). Both will rank pari passu, with the same tax and regulatory treatment. Total borrowing limit across all SINGA bonds is capped at SGD90bn over the next 15 years, with an annual interest threshold of SGD5bn. These SINGA bonds may potentially impact the very high-grade part of the SGD bond universe such as bonds issued by Temasek Holdings and statutory boards. Worth noting, the total outstanding bonds is SGD10.5bn for Land Transport Authority of Singapore ("LTA") and Public Utilities Board ("PUB"), which are statutory boards that tend to issue longer term bonds. Potentially, we think the government may prefer to issue via SGS (Infrastructure) to LTA and PUB given the potential interest savings.
- On the corporate front, we have initiated coverage on SPH REIT at Neutral (4) Issuer Profile. Its Sponsor, Singapore Press Holdings Ltd ("SPH") announced last week that it is undergoing a strategic review, noting that the Media segment is facing a challenging environment while SPH's Board of Directors believe that SPH remains undervalued. That said, changes to shareholdings on SPH may be constrained due to the Newspaper and Printing Presses Act, which requires the approval of the Minister to become a substantial shareholder of SPH.
- Separately, Keppel Corp's ("Keppel", Issuer Profile: Neutral (4)) associate company KrisEnergy Ltd ("KrisEnergy") announced that based on its preliminary analysis, five of its key development wells appear less productive than initial forecast. The wells were supposed to provide cashflow to fund on-going operations and underpinned the debt restructuring at KrisEnergy. Given this development, it is highly uncertain if KrisEnergy is able to complete the restructuring and continue as a going concern. The risk of an outright default at KrisEnergy is looking very real, KrisEnergy has SGD470mn of bonds outstanding, though bondholders (which includes Keppel itself) have been grappling with financial stress at the company for more than five years. In addition, Keppel is on the hook for SGD250mn to make-whole a bank lender to KrisEnergy. (Business Times, Company, Bloomberg, OCBC)

Malaysia and China in talks on green lane:

- The MYR against USD strengthened marginally w/w to 4.14 last Friday. 10-year govvies fell 22bps w/w to 3.12% at end last week.
- Malaysia and China have agreed in principal to mutually recognise their

vaccination digital certificates. Both sides agreed to finalise the standard operating procedures and early conclusion to negotiations on a reciprocal green lane between Malaysia and China. Malaysia is considering to add the amount and further expand the application of second and third generation China-made vaccines. Within the country, Malaysia is considering allowing interstate travel for those who have completed their COVID-19 vaccinations.

- Separately, the China-linked East Coast Rail Link is expected to begin operations in 2027 and is 21.39% completed as of March. The estimated cost of the project will be MYR50bn.
- In other news, while Top Glove stumbles due to ESG concerns, Press Metal Aluminium Holdings Bhd surged as the company's plants run on hydropower, suggesting that its products are made with a smaller carbon footprint.
- Within the bond space, it was a busy week. Sapura TMC Sdn Bhd raised MYR6.38bn and Tanjung Bin Energy Sdn Bhd raised MYR2.97bn across multiple tranches. Other issues that tapped the market include Mercedes-Benz Services Malaysia Sdn Bhd, Tanjung Pinang Development Sdn Bhd and Tumpuan Azam Sdn Bhd. (Bloomberg, OCBC)

Still some challenges for Indonesia fund raising:

- Only one issuer tapped the IDR bond market last week with telecommunication tower company PT Tower Bersama Infrastructure Tbk ("Bersama") issuing IDR970bn for refinancing. Funding needs for Bersama are higher this month considering its plans to purchase up to 3,000 telecommunication towers from PT Inti Bangun Sejahtera Tbk for IDR3.97tr in April. Following the acquisition, total towers managed by Bersama will increase to 19,215 units.
- In the pipeline is integrated petrochemical producer PT Chandra Asri Petrochemical who is seeking to issue IDR1tr in sustainable bonds across three tranches. Proceeds are to be used for working capital but may be used for the construction of a petrochemical project in Cilegon, Banten.
- Elsewhere, Indonesia's Finance Ministry sold IDR4.75tn of conventional bonds last week, the smallest bond auction amount since at least 2016. The amount was well below the IDR30tn that was targeted and despite IDR33.95tn in bids received indicating a stronger desire to contain yields than meet sales targets with ample cash reserves on hand from unspent stimulus funds. Still, the Finance Ministry subsequently raised IDR15tr through a green shoe option, and while this is also lower than the maximum target of IDR25.25tr according to the debt management office, it still indicates solid underlying demand for Indonesian exposure, albeit at the right price.
- Fundamental developments were a mixed bag last week. On a positive note, Indonesia's Manufacturing PMI reading for March improved further into expansionary territory to 53.2 compared to 50.9 in February, the fifth month in a row of growth, while CPI data for March remained subdued. On the flipside, Indonesia's largest listed clothing firm Sri Rejeki Isman appointed Helios Capital and Assegaf Hamzah & Partners for its debt restructuring following the postponement of a loan extension signing that put pressure on the company's liquidity position. (Bloomberg, IDN Financials, The Insider Stories, OCBC)

China encouraging listings onshore

- Excluding CDs, last week's issuance was RMB284.4bn, down 45.5% w/w. The two largest issues last week were convertible bonds, with Bank of Hangzhou Co Ltd issuing RMB15bn and Wens Foodstuff Group issuing RMB9.3bn.

- The Bloomberg Barclays China Aggregate Total Return Index declined for a second consecutive week by 0.4% w/w. The 10Y government bond yield ended the week flat at 3.19%. On capital markets, China is reportedly considering to establish a stock exchange to attract Chinese firms to list on the onshore market. Apart from targeting Chinese firms currently listed in Hong Kong and the USA, the initiative is also hoping to target global companies to carve out their Chinese business to list on the bourse.
- Encouragingly, official data from the National Bureau of Statistics showed that the non-manufacturing Purchasing Manager's Index ("PMI") was 56.3 in March 2021, increasing from 51.4 in February. The PMI for China's manufacturing sector was 51.9, increasing from 50.6 in the previous month.
- The People's Bank of China and the China Banking and Insurance Regulatory Commission stated in draft rules that banks considered too big to fail will face a surcharge of 0.25% and 1.5% on top of mandatory capital adequacy ratios. Bank lenders will also need to detail plans on how to recover from a crisis and draft living wills with disposal plans.
- Elsewhere in geopolitics, US Secretary of State Anthony Blinken announced that he has certified to congress that Hong Kong does not warrant differential treatment under a US law where Hong Kong was treated differently from other Chinese cities. (Bloomberg, Reuters, Barron's, OCBC)

Housing boom in Australia
- Housing prices rose at the fastest pace since with home prices surging 2.8% m/m in March. Exceptional gains were posted in Sydney (3.7%) though other cities also saw strong increases such as Melbourne (2.4%) and Brisbane (2.4%).
- That said, it remains to be seen if the Australian government would impose property cooling measures as housing affordability weakens. Separately, Australians may cheer as a travel bubble is expected to open with New Zealand on 19 April, allowing quarantine-free travel.
- For Australian wine producers, the outlook turned bleak with tariffs between 116.2% and 218.4% imposed by China – Australia was the biggest wine exporter to China.
- It looked like a quiet week leading up to Good Friday with only AUD1.95bn in issuance, with the bulk from Australia & New Zealand Banking Group Ltd (AUD1.4bn) with the rest from Volkswagen Financial Services Australia Pty Ltd (AUD550mn).
- S&P/ASX 200 remains largely unchanged w/w though 10Y Australia Government Yield rose 19bps in the meantime. (AFR, CoreLogic, OCBC)

Ride with me:
- Singapore began the six-month proof-of-concept trial of public buses fitted with solar panels last Tuesday. The panels generate a total of 1000MW of energy while the two buses will be used on service 15, which starts and ends at Pasir Ris Bus Interchange.
- Panellists at Mapletree Investment's annual lecture at Singapore Management University last week expressed concern that valuations of green assets are growing beyond their intrinsic values due to the chase for ESG-related assets. Professor Stijn Van Nieuwerburgh, from Columbia Business School, stated that investors should expect lower returns on green buildings in the near future as investors are overpaying for such assets today.
- Sembcorp Industries Ltd ("SCI", Issuer Profile: Neutral (4)) said it plans on

pivoting its focus to growing its renewables and sustainable urban solutions business in its annual report. The firm aims to be a regional front-runner in renewable energy, including wind, solar and energy storage.

- Indonesia's Ministry of Industry is targeting to produce 600,000 electric vehicles (EV) and 2.45mn units of battery-powered motorcycles in 2030. The Ministry expects this to result in a reduction of carbon emissions from cars and motorcycles by 2.7mn tonnes and 1.1mn tonnes respectively.
- Indonesia, the world's top exporter of thermal coal, plans to pass legislation in October that sets investment terms and incentives to build towards affordable renewable energy prices. The law will include financial incentives and green certificates for greener businesses. Additionally, it will allocate state budget funds and export tax revenue from non-renewable businesses to fund the green incentives.
- ASEAN revealed the ASEAN Taxonomy last week, which will develop and maintain a set of categories and definitions to guide member states on sustainable economic activities. The regulatory infrastructure will first focus on decarbonatization and aims to incorporate other sustainability aspects after. According to the ASEAN Working Committee on Capital Markets Development, green financing opportunities in the region could be worth up to USD3.0tr between 2016 and 2030.
- Hang Seng Indexes Co launched the Hang Seng Shanghai-Shenzhen-Hong Kong Clean Energy Index, and the Hang Seng Shanghai-Shenzhen-Hong Kong Autonomous and Electric Vehicles Index last week. The former tracks the performance of the 30 largest Hong Kong and mainland China firms engaged in clean energy while the latter tracks the performance of the 30 largest companies involved in the value chain of the EV and autonomous driving segment.
- China's regulatory body is contemplating several tax changes for its steel industry to encourage imports and reduce exports in a bid to reduce emissions. Such changes may include lowering the export rebate for certain products, lowering import duty on certain products, and cutting income tax for domestic iron ore producers.
- Xiaomi Corp's co-founder Lei Jun plans on leading a new standalone division that will invest ~RMB10.0bn on smart vehicle manufacturing. In a battle for EV market share, the company could invest a total of ~RMB100.0bn in the project in the next three years, including external financing.
- The World Bank announced that it will provide USD120mn to Pakistan for its Green Stimulus initiative, which launched in 2020 and created over 87,000 green jobs for youths who became jobless due to COVID-19. The World Bank is considering replicating Pakistan's scheme in other countries.
- Money managers such as Aberdeen Standard Investments, BlackRock Inc and Vanguard Group Inc pledged to join the Net Zero Asset Managers Initiative. The initiative includes 43 asset managers which manage over USD22.8tr of assets. As part of the commitment, the managers will target a net-zero emissions portfolio by 2050 and will set a public goal for the proportion of their assets that in 2030 will be on course for net zero.
- Lastly, global sales of sustainability-linked loans reached a record of over USD77.0bn in the first quarter. Impressively, first-quarter sales doubled from a year earlier while European borrowers accounted for ~70% of issuance. (Bloomberg, OCBC)

Key Market Movements

	6-Apr	1W chg (bps)	1M chg (bps)
iTraxx Asiax IG	62	-2	-1
iTraxx SovX APAC	27	-1	-3
iTraxx Japan	45	-4	-2
iTraxx Australia	62	-2	-1
CDX NA IG	51	-5	-5
CDX NA HY	109	1	1
iTraxx Eur Main	50	-3	1
US 10Y Yield	1.70%	-1	13
Singapore 10Y Yield	1.73%	7	21
Malaysia 10Y Yield	3.17%	-13	-12
Indonesia 10Y Yield	6.57%	-23	-12
China 10Y Yield	3.21%	-1	-4
Australia 10Y Yield	1.78%	0	-5
USD Swap Spread 10Y	4	1	1
USD Swap Spread 30Y	-21	1	6
Malaysia 5Y CDS	43	-1	0
Indonesia 5Y CDS	84	-5	1
China 5Y CDS	33	-1	-1

	6-Apr	1W chg	1M chg
Brent Crude Spot ($/bbl)	62.94	-3.14%	-9.26%
Gold Spot ($/oz)	1733.13	2.84%	2.95%
CRB	184.08	-1.95%	-4.84%
CPO	4210.00	4.75%	6.66%
GSCI	464.33	-0.99%	-5.51%
VIX	17.91	-5.04%	-27.37%
SGD/USD	0.75	-0.56%	-0.72%
MYR/USD	0.24	-0.58%	0.50%
IDR/USD	0.07	-0.21%	-0.13%
CNY/USD	0.15	-0.32%	0.37%
AUD/USD	0.76	0.58%	-0.12%
DJIA	33527	1.37%	6.45%
SPX	4078	2.60%	6.14%
MSCI Asiax	878	1.06%	-0.73%
HSI	28939	3.72%	-0.54%
STI	3198	0.70%	6.10%
KLCI	1580	-1.80%	-1.25%
JCI	5998	-2.74%	-4.17%
CSI300	5143	1.90%	-2.28%
ASX200	6886	0.90%	1.83%

Source: Bloomberg

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Explanation of Issuer Profile Rating / Issuer Profile Score

Positive ("Pos") – The issuer's credit profile is either strong on an absolute basis or expected to improve to a strong position over the next six months.

Neutral ("N") – The issuer's credit profile is fair on an absolute basis or expected to improve / deteriorate to a fair level over the next six months.

Negative ("Neg") – The issuer's credit profile is either weaker or highly geared on an absolute basis or expected to deteriorate to a weak or highly geared position over the next six months.

To better differentiate relative credit quality of the issuers under our coverage, we have further sub-divided our Issuer Profile Ratings into a 7-point Issuer Profile Score scale.

IPR	Positive		Neutral			Negative	
IPS	1	2	3	4	5	6	7

Explanation of Bond Recommendation

Overweight ("OW") – The bond represents **better relative value** compared to other bonds from the same issuer, or bonds of other issuers with similar tenor and comparable risk profile.

Neutral ("N") – The represents **fair relative value** compared to other bonds from the same issuer, or bonds of other issuers with similar tenor and comparable risk profile.

Underweight ("UW") – The represents **weaker relative value** compared to other bonds from the same issuer, or bonds of other issuers with similar tenor and comparable risk profile.

Please note that Bond Recommendations are dependent on a bond's price, underlying risk-free rates and an implied credit spread that reflects the strength of the issuer's credit profile. Bond Recommendations may not be relied upon if one or more of these factors change.

Other

Suspension – We may suspend our issuer rating and bond level recommendation on specific issuers from time to time when OCBC is engaged in other business activities with the issuer. Examples of such activities include acting as a joint lead manager or book runner in a new issue or as an agent in a consent solicitation exercise. We will resume our coverage once these activities are completed. We may also suspend our issuer rating and bond level recommendation in the ordinary course of business if (1) we believe the current issuer profile is incorrect and we have incomplete information to complete a review; or (2) where evolving circumstances and increasingly divergent outcomes for different investors results in less conviction on providing a bond level recommendation.

Withdrawal ("WD") – We may withdraw our issuer rating and bond level recommendation on specific issuers from time to time when corporate actions are announced but the outcome of these actions are highly uncertain. We will resume our coverage once there is sufficient clarity in our view on the impact of the proposed action.

Analyst Declaration

The analyst(s) who wrote this report and/or her or his respective connected persons held financial interests in the following above-mentioned issuers or companies as at the time of the publication of this report: Singapore Airlines Ltd, GuocoLand Ltd, Oxley Holdings Ltd, Suntec Real Estate Investment, Mapletree Commercial Trust, Frasers Hospitality Trust, United Overseas Bank Ltd, CapitaLand Integrated Commercial Trust, Aims APAC REIT and Ascott Residence Trust.

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