

Credit Week in Brief

23 April 2024

Mix of old and new Asiadollar issuers amidst challenging developments

- **Wider spreads following all-time lows:** Amidst rates volatility and rising geopolitical concerns, Asiadollar spreads leaked wider last week. The Bloomberg Asia USD IG Index average option adjusted spreads widened 1bps w/w to 83bps after reaching its all-time low of 80bps in the prior week while the Bloomberg Asia USD HY Index average option adjusted spread widened 19bps w/w to 606bps.
- **Robust activity in Asiadollar last week:** Per Bloomberg league tables and OCBC estimates, USD4.1bn was issued last week in Asia ex-Japan primary markets, up from USD3.1bn in the prior week. The solid volume came mostly from the usual suspects including investment grade Korean issuers (~46%) and credit enhanced Chinese local government financing vehicles (~13%).
- Of note however was the presence of **several high yield energy and commodity related issuers**, possibly taking advantage of the still tight high yield spreads:
 - Yinson Production Financial Services Pte. Ltd. (“Yinson”) (Guarantor: Yinson Acacia Ltd, Yinson Production West Africa Pte Ltd) priced a USD500mn 5NC3 at 98.0 with final coupon of 9.625%. Yinson is an offshore equipment manufacturing company that designs, constructs, owns and operates floating storage, production, and offloading (“FPSO”) vessels for the offshore oil and gas industry. This is Yinson’s first USD bond with proceeds to be used to refinance the company’s existing corporate loan. Yinson is an indirect wholly owned subsidiary of oil and gas services firm Yinson Holdings Berhad and an application has been made for the bond to be listed on Oslo Børs.
 - Puma International Financing SA (Guarantor: Puma Energy Holdings Pte Ltd) priced a USD500mn 5NC2 with final pricing of 7.75%. Puma Energy Holdings Pte Ltd (“Puma”) owns and operates storage facilities, as well as refines, distributes, and sells petroleum products, lubricants, and aviation products. Proceeds of the new issue will be used to repurchase Puma’s existing USD720mn 5% senior notes due 2026 tendered as part of the company’s recent cash tender offer. Puma is a subsidiary of commodity trader Trafigura Group and recently had its ratings upgraded due to an improved financial risk profile and lower refinancing risk.
 - Perenti Finance Pty Ltd (Guarantors: Perenti Ltd and certain of its subsidiaries) priced a USD350mn 5NC2 with final

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pricing of 7.50%. Parenti Ltd (“Parenti”) is an Australian based provider of global mining services including contract mining, mining support services and future technology solutions. The USD350mn issue received over USD2.3bn in orders per Bloomberg. Proceeds will be used partially redeem up to USD230mn of Parenti’s USD433mn 6.5% Guaranteed Senior Unsecured Notes due October 2025 as well as partially repay USD120mn of its Syndicated Facility.

Date	Issuer	Type	Currency	Size (mn)	Tenor	Pricing
15 Apr	Zhejiang Boxin Bvi Ltd (Keepwell Provider: Hangzhou Shangcheng District Urban Construction Investment Group Co Ltd)	Fixed	USD	200	1Y	6.2%
16 Apr	Agricultural Bank of China Ltd/London	FRN	USD	300	3Y	SOFR+48bps
16 Apr	Hana Bank	Fixed	USD	300	3Y	T+70bps
16 Apr	Hana Bank	Fixed	USD	300	5Y	T+78bps
17 Apr	Guang Ying Investment Ltd (Guarantor: Guangzhou Finance Holdings Group Co Ltd)	Fixed	USD	150	2Y	5.45%
17 Apr	Hyundai Card Co Ltd	Fixed	USD	500	5Y	T+135bps
17 Apr	Industrial & Commercial Bank of China Limited of Macau	FRN	USD	100	3Y	SOFR+48bps
17 Apr	Huainan Construction Development Holdings Group Co Ltd (SBLC Provider: Industrial & Commercial Bank of China Ltd/Anhui)	Fixed	USD	96	3Y	5.5%
18 Apr	LG Electronics Inc	Fixed	USD	500	3Y	T+95bps
18 Apr	LG Electronics Inc	Fixed	USD	300	5Y	T+110bps
18 Apr	Puma International Financing SA (Guarantor: Puma Energy Holdings Pte Ltd)	Fixed	USD	500	5NC2	7.75%
18 Apr	Yinson Production Financial Services Pte. Ltd. (Guarantor: Yinson Acacia Ltd, Yinson Production West Africa Pte Ltd)	Fixed	USD	500	5NC3	9.625%
18 Apr	Parenti Finance Pty Ltd (Guarantors: Parenti Ltd and certain of its subsidiaries)	Fixed	USD	350	5NC2	7.50%

Source: Bloomberg

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- Issues from Korean domiciled financial institutions issuers had a sustainability angle - LG Electronics Inc priced a USD500mn 3-year bond at CT3+95bps and a USD300mn 5-year sustainability bond at CT5+110bps with both tranches tightening 40bps each from its initial price guidance. Hana Bank priced a USD300mn 3-year sustainability bond at CT3+70bps and a USD300mn 5-year sustainability bond at CT5+78bps. These came alongside Hyundai Card Co Ltd's inaugural USD bond issue with the USD500mn 5-year issue the equal largest issue of the week and a 35bps tightening from its initial price guidance from final order book coverage of 6.4 times per Bloomberg.
- As for credit enhanced issues from Chinese domiciled issuers, they provided some of the largest tightening of the week with Guang Ying Investment Ltd (Guarantor: Guangzhou Finance Holdings Group Co Ltd) seeing a 55bps tightening from initial price guidance for its USD150mn 2-year bond. Proceeds may be used to refinance its last bond issue in April 2021 when it issued a USD300mn 3-year bond that matures on 6 May 2024. The tighter final pricing reflects the strong liquidity in China's onshore market as well as solid demand for the investment desks of Chinese banks for these papers.
- In terms of market developments:
 - China Vanke Co. ("Vanke") is looking to divest its entire stake in GLP Pte Ltd ("GLP"), a logistics property company to raise liquidity. Vanke has reportedly held discussions with various parties including Guangdong Holdings Ltd and a Tianjin-based company. In 2018, Vanke bought a ~21%-stake in GLP for SGD3.4bn. Vanke was part of a consortium (which included private equity asset managers) that took GLP private. Separately, Vanke is reportedly preparing collateral of RMB130bn to help obtain bank loans.
 - HNA Group (International) Co. has received a winding up petition in a Hong Kong court from private creditor Golden Morning Hong Kong Ltd.
 - Country Garden Holdings Co. is delaying some onshore bond payments despite extensions being made last year. The builder's main onshore unit plans to extend coupon and principal installment payments for a 4.8% RMB-denominated bond maturing in March 2026 to September.
 - Wang Chunying, spokeswoman of the People's Bank of China and State Administration of Foreign Exchange, mentioned that the regulator will continue to open up China's bond market and expand its size through increased holdings of Chinese bonds by Financial Institutions and promotion of domestic bonds to become qualified collateral offshore. (Bloomberg, Company, OCBC)

Decent SGD credit market returns amidst lower SGD SORA rates and strong corporate perpetual performance

- **Last week, SGD150mn in new issues was priced** (week prior: SGD500mn).
 - ELM B.V. priced a SGD150mn 1Y secured issue at 3.47%. ELM B.V. is the debt issuing special purpose entity for Netherlands based Stichting ELM.
- **SGD SORA yields traded lower w/w** last Friday. The shorter tenors traded lower by 2 to 7 bps, belly tenors traded lower by 3 to 5bps and 10Y traded lower by 1bps. As at 19 April 2024, 10Y SORA was 3.21% (10Y UST:4.62%). The falling SGD SORA trend is different from US Treasury yields, with 2-10Y rising in the range of 9 – 11bps w/w.
- **The SGD credit market improved meaningfully (+0.20%) w/w** amidst lower SGD SORA yields, lifted by all segments particularly from Corporate Perpetuals and Longer Tenors. For more information on the SGD tracker, please refer to our SGD Credit Outlook 2023 published on 4 January 2023.

Summary of Performance in the SGD Credit Market

By Tenor & Structure	Return w/w
AT1s	0.14%
Non-Financial Corp Perp	0.49%
Tier 2s and Other Non-perp Sub	0.11%
Longer Tenors (>9Y)	0.42%
Mid Tenors (>3Y to 9Y)	0.16%
Short Tenors (>1Y to 3Y)	0.13%
Money Market (Up to 12 months)	0.09%

By Issuer Profile	Return w/w
POS (2)	0.21%
N (3)	0.15%
N (4)	0.10%
N (5)	0.06%

Source: Bloomberg, OCBC

Key headlines for the week were:

- Lippo Malls Indonesia Retail Trust (“LMRT”)** is seeking consent from bank lenders to change the pledged assets of its SGD Loan Facilities. Currently, LMRT still has SGD198mn under the SGD Loan Facilities with two valuable assets (Sun Plaza and Lippo Mall Kemang) pledged under the SGD Loan Facilities. With this latest announcement, LMRT is seeking to withdraw Sun Plaza as a collateral asset for the SGD Loan Facilities, replacing it with six smaller assets. It is likely that the withdrawn Sun Plaza will be used for the upcoming secured loan. Notwithstanding that more assets are contemplated to be pledged (leaving USD bondholders with less unencumbered assets in the event of a liquidation), we believe **this could be a credit positive event for LMRT** as this consent request is expected to pave the way for the banks to provide a secured loan to LMRT, which helps address LMRT’s liquidity crunch. That said, LMRT’s liquidity risk remains high if there is no additional funding as LMRT is expected to pay USD138.4mn (SGD189mn) LMRTSP 7.25% ‘24s (due 19 June 2024) and SGD25.9mn loan repayment in 2024.
- We published Lendlease Group (“LLC”)'s credit update.** While LLC’s earnings are more volatile and credit metrics are weaker than our expectations, we see credit fundamentals as not overly concerning in the near-mid term as its business outlook is still underpinned by the (1) project cash inflow of AUD2.6bn by FY2025 (albeit regulatory uncertainty over AUD1.3bn), (2) sustainable and stable earnings from Investment segment and (3) high Development completions in FY2025-FY2027 amidst high work-in-progress (AUD20.8bn as at 31 December 2023).
- Industry Outlook – Singapore Property, City Developments Ltd (“CDL”) and GuocoLand Ltd (“GUOL”):** The Urban Redevelopment Authority has awarded two sites at Zion Road and Upper Thomson Road for SGD1.1bn and SGD779.6mn respectively. The bid for Zion Road site was 30.6% lower than the bid for Jiak Kim Street parcel in December 2017. Potentially, the bid was accepted because the Zion Road site is unique, and it is the first site to pilot a new class of long-stay serviced apartments. With CDL being the joint venture partner of the Zion Road site and GUOL holding 60% interest in the Upper Thomson Road site, we expect substantial cash outlay to fund the land purchase by both developers.
- UBS Group AG (“UBS”):** Last week the Federal Council of Switzerland proposed that systematically important Swiss banks **must hold significantly more capital** against their foreign units, according to wide-ranking report

on banking stability. In response to media questions posed by local media on analyst estimates that UBS would require additional capital of USD15bn to USD25bn, Switzerland's finance minister opined that "those orders of magnitude are plausible".

- **Singapore Airlines Ltd ("SIA") reported its March 2024 operating data.** On a group airline basis, passenger load was 87.7% in March 2024, increasing by 1.4 pts versus the 86.3% in February 2024. In March 2023, passenger load factor was 89.0%. Passenger load factor was 84.5% in January 2020 (before COVID-19 went globally).
- **Société Générale S.A. ("SocGen") agreed to sell its Moroccan businesses** (57.67% stake in Société Générale Marocaine de Banques and full stake in La Marocaine Vie) to Saham Group for EUR745mn. The deal is expected to complete by end of 2024, improving ~15bps on SocGen's CET1 ratio. However, the deal is also expected to have a negative impact of ~EUR75mn on SocGen's 1Q2024 results.
- **BNP Paribas SA ("BNPP") announced that it has signed an agreement with Fosun Group to buy the latter's** ~9% stake in Ageas SA, a Belgian insurer. The total consideration is estimated at ~EUR730mn, corresponding to a marginal impact on BNPP's CET1 ratio of ~2bps.

As we are stepping into earnings season, one company has already reported their latest results:

- **CapitaLand Integrated Commercial Trust ("CICT") reported its 1Q2024 business update with decent results and stable credit metrics q/q.** Net property income rose 6.3% y/y to SGD293.7mn, with increase in retail (+6.0% y/y to SGD107.3mn), office (+7.6% y/y to SGD100.0mn) and integrated development (+5.1% y/y to SGD86.4mn). Portfolio occupancy fell 0.3 pts q/q to 97.0%, mainly due to dips in the office portfolio (-0.9 pts q/q to 95.8%). Credit metrics remain stable, with aggregate leverage flattish q/q at 40.0% (4Q2023: 39.9%) and reported interest coverage remaining at 3.1x (4Q2023: 3.1x) despite average cost of debt inching up to 3.5% (31 December 2023: 3.4%). (Company, OCBC)

Key Market Movements

	23-Apr	1W chg (bps)	1M chg (bps)		23-Apr	1W chg	1M chg
iTraxx Asiax IG	114	-2	10	Brent Crude Spot (\$/bbl)	87.4	-2.9%	2.4%
				Gold Spot (\$/oz)	2,331	-2.2%	7.3%
iTraxx Japan	55	3	9	CRB Commodity Index	298	0.1%	4.3%
iTraxx Australia	75	3	10	S&P Commodity Index - GSCI	590	-1.2%	2.7%
CDX NA IG	54	-3	2	VIX	16.9	-11.9%	29.7%
CDX NA HY	106	1	-1	US10Y Yield	4.61%	-5bp	42bp
iTraxx Eur Main	58	-4	3				
iTraxx Eur XO	325	-17	28	AUD/USD	0.646	0.8%	-1.3%
iTraxx Eur Snr Fin	66	-4	2	EUR/USD	1.066	0.4%	-1.7%
iTraxx Eur Sub Fin	119	-8	3	USD/SGD	1.361	0.3%	-1.1%
				AUD/SGD	0.879	-0.6%	0.2%
USD Swap Spread 10Y	-38	1	-7	ASX200	7,688	1.0%	-1.1%
USD Swap Spread 30Y	-76	0	-8	DJIA	38,240	1.3%	-3.1%
				SPX	5,011	-1.0%	-4.3%
China 5Y CDS	70	-3	0	MSCI Asiax	635	0.2%	-2.8%
Malaysia 5Y CDS	48	0	7	HSI	16,512	1.6%	0.1%
Indonesia 5Y CDS	79	-2	7	STI	3,253	3.5%	1.1%
Thailand 5Y CDS	46	-1	2	KLCI	1,563	1.8%	1.4%
Australia 5Y CDS	15	0	-1	JCI	7,074	-2.9%	-3.8%
				EU Stoxx 50	4,937	-1.0%	-1.9%

Source: Bloomberg

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