

**Asian Credit Daily**

20 February 2024

**Market Commentary:**

- The SGD SORA curve traded higher yesterday, with short tenors trading 0-1bps higher, belly tenors trading 0-1bps higher, and the 10Y trading flat.
- Flows in SGD corporates were heavy, with flows in UBS 5.75%-PERP, BNP 4.75% '34s, UBS 4.85%-PERP, BACR 7.3%-PERP, ESRCAY 5.65%-PERP
- According to Bloomberg, China's offshore corporate-bond defaults have increased to USD5bn this year, including 10 dollar-denominated bonds. Local delinquencies remained at CNY600mn (USD83mn) so far this year. Country Garden Holding Co. failed to pay interest for five dollar-denominated bonds, as they said they would not meet all of its offshore payment obligations last year. Other notable companies that have missed interest payments for dollar bonds include Powerlong Real Estate Holdings Ltd, and China South City Holdings Ltd.
- In data published by China Real Estate Information Corp. ("CRIC"), home sales in 44 key cities dropped 40% from a year earlier during the week-long Lunar New Year holiday.
- Yesterday, Bloomberg Asia USD Investment Grade and High Yield spreads remained unchanged at 94bps and at 626bps respectively due to the Presidents Day holiday in the US.

**Credit Summary:**

- **Australia & New Zealand Banking Group Ltd ("ANZ"):** The Australian Competition Tribunal ("ACT") has authorized ANZ's AUD4.9bn proposed acquisition of Suncorp Group Limited's Suncorp Bank. This follows the Australian Competition & Consumer Commission's ("ACCC") decision in August to reject the acquisition.
- **Sembcorp Industries Ltd ("SCI"):** SCI announced its 2H2023 and 2023 financial results. Turnover for 2H2023 was lower by 14% y/y at SGD3.4bn when compared to 2H2022 results.

**Key Market Movements**

	20-Feb	1W chg (bps)	1M chg (bps)		20-Feb	1W chg	1M chg
iTraxx Asiax IG	99	-2	-5	Brent Crude Spot (\$/bbl)	83.5	0.9%	6.3%
				Gold Spot (\$/oz)	2,021	1.4%	0.0%
iTraxx Japan	55	-2	-1	CRB Commodity Index	273	-0.6%	2.7%
iTraxx Australia	66	-2	-4	S&P Commodity Index - GSCI	559	0.2%	3.7%
CDX NA IG	53	-2	-2	VIX	14.7	5.6%	10.6%
CDX NA HY	106	0	0	US10Y Yield	4.30%	-2bp	17bp
iTraxx Eur Main	56	-3	-3				
iTraxx Eur XO	310	-11	-14	AUD/USD	0.653	1.3%	-0.5%
iTraxx Eur Snr Fin	66	-2	-2	EUR/USD	1.077	0.6%	-1.0%
iTraxx Eur Sub Fin	122	-5	-5	USD/SGD	1.346	0.4%	-0.3%
				AUD/SGD	0.880	-0.9%	0.2%
USD Swap Spread 10Y	-36	0	2	ASX200	7,659	0.7%	3.2%
USD Swap Spread 30Y	-73	0	-2	DJIA	38,628	-0.1%	2.0%
				SPX	5,006	-0.4%	3.4%
China 5Y CDS	64	-1	-3	MSCI Asiax	635	2.1%	5.1%
Malaysia 5Y CDS	41	-2	-3	HSI	16,188	2.8%	5.7%
Indonesia 5Y CDS	71	-5	-3	STI	3,237	3.0%	2.7%
Thailand 5Y CDS	42	1	0	KLCI	1,551	1.3%	4.3%
Australia 5Y CDS	15	0	0	JCI	7,341	0.6%	1.6%
				EU Stoxx 50	4,763	0.4%	7.1%

*Source: Bloomberg*

**Credit Headlines:****Australia & New Zealand Banking Group Ltd (“ANZ”)**

- The Australian Competition Tribunal (“ACT”) has authorized ANZ’s AUD4.9bn proposed acquisition of Suncorp Group Limited’s Suncorp Bank. This follows the Australian Competition & Consumer Commission’s (“ACCC”) decision in August to reject the acquisition. Per the ACCC statement at the time, “We are not satisfied that the acquisition is not likely to substantially lessen competition in the supply of home loans nationally, small to medium enterprise banking in Queensland, and agribusiness banking in Queensland.”
- Completion of the acquisition is now subject to legislative amendments by the Queensland Parliament and approval by the Federal Treasurer.
- ANZ’s CET1 ratio was 13.06% as at 31 December 2023. On a proforma basis including ANZ’s proposed acquisition of Suncorp Bank (124bps) and adjusting for surplus capital in the Non-Operating Holding Company (4bps), the CET1 ratio falls to 11.86% as at 31 December 2023, still well above the Australian Prudential Regulation Authority’s ‘Unquestionably Strong’ benchmark of 10.25%.
- ANZ’s acquisition is expected to grow its retail banking footprint in Queensland while allowing Suncorp Group Ltd to focus on its insurance business. (Bloomberg, ACT, Company, OCBC)

**Sembcorp Industries Ltd (“SCI”)**

- SCI announced its 2H2023 and 2023 financial results. Turnover for 2H2023 was lower by 14% y/y at SGD3.4bn when compared to 2H2022 results.
- Reported net profit from continuing operations increased by 29% y/y to SGD426mn in 2H2023. This includes SGD11mn of income which SCI received in 2H2023 from the deferred payment note in relation to the SEIL transfer (SGD133mn for full year 2023).
- SCI has renamed its business segments versus 1H2023.
- The Gas and Related Services segment recorded net profit before exceptional items of SGD809mn for 2023, increasing by 30% y/y, driven by stronger performance from Singapore, offset by lower earnings in the UK and an expected credit loss provision of SGD18mn for Sembcorp Myingyan Power Company (power plant located in Myanmar) while the Renewables segment increased by 42% y/y to SGD200mn in 2023, driven by acquisitions in China and India and increased in capacity in Singapore. The Integrated Urban Solutions segment saw net profit before exceptional items of SGD121mn, declining by 19% y/y. Per SCI, despite higher land sales, commercial and residential land sales in Vietnam was weaker and there was an absence in one-time termination fee received from a customer in 2022. The Decarbonisation Solutions segment reported a larger loss before exceptional items of SGD13mn (2022: -SGD3mn) which per SCI was attributable to costs of scaling the business. The Decarbonisation Solutions segment include the trading of Energy Attribute Certificates, low-carbon feedstock (green hydrogen and ammonia), power imports and carbon capture, utilisation and storage (“CCUS”) businesses.
- Company’s reported EBITDA for 2H2023 was SGD796mn and adjusted EBITDA (which includes share of results from associates and joint ventures, net of tax) at SGD914mn. This resulted in reported EBITDA/Interest expense of 3.9x. For the full year 2023, reported EBITDA/Interest was 4.4x.
- Excluding lease liabilities, SCI has ~SGD1.3bn of short term debt due, representing 18% of total debt due. Cash balance as at 31 December 2023 was SGD767mn while unutilised committed facilities was stable at SGD2.5bn.
- While SCI’s net profit before exceptional items was driven by Gas and Related Services (comprising of 64% of reported EBITDA and 60% of Adjusted EBITDA in 2H2023), SCI’s capital expenditure and equity investments has been geared towards the Renewables segment. In 2023, ~70% of SCI’s capex and 100% of equity investments went towards the Renewables segment as the company transitions into becoming a greener company. We note that the proportion of capital expenditure going towards the Gas and Related Services segment was higher for 2023 at SGD213mn versus SGD109mn in 2022. Per company the increase was driven by the construction of a new multi-utilities centre and a 600MW hydrogen-ready combined cycle power plant facility on Jurong Island. (Company, OCBC)

**New Issues:**

Date	Issuer	Description	Currency	Size (mn)	Tenor	Final Pricing	Initial Pricing
19 Feb	Singapore Exchange Limited	Fixed	SGD	300	3-Yr	3.45%	3.6% area
19 Feb	Bocom Leasing Management Hong Kong Company Limited	FRN	USD	130	3-Yr	SOFR+92bps	NA

**Mandates:**

- Jubilant Year Investments Ltd. is planning a Reg S USD senior perpetual capital securities offering, in which issuance will be guaranteed by Del Monte Philippines Inc. and Philippine Packing Management Service Corp.
  - Shaanxi Financial Asset Management Co.,Ltd. is planning to issue a Regulation S (Category 1) senior unsecured offering of USD denominated bonds.
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## Macro Research

Selena Ling  
Head of Strategy & Research  
[LingSSSelena@ocbc.com](mailto:LingSSSelena@ocbc.com)

Tommy Xie Dongming  
Head of Greater China Research  
[XieD@ocbc.com](mailto:XieD@ocbc.com)

Keung Ching (Cindy)  
Hong Kong & Macau  
[Cindyckung@ocbcwh.com](mailto:Cindyckung@ocbcwh.com)

Herbert Wong  
Hong Kong & Macau  
[HerberhtWong@ocbc.com](mailto:HerberhtWong@ocbc.com)

Lavanya Venkateswaran  
Senior ASEAN Economist  
[LavanyaVenkateswaran@ocbc.com](mailto:LavanyaVenkateswaran@ocbc.com)

Ahmad A Enver  
ASEAN Economist  
[Ahmad.Enver@ocbc.com](mailto:Ahmad.Enver@ocbc.com)

Jonathan Ng  
ASEAN Economist  
[JonathanNg4@ocbc.com](mailto:JonathanNg4@ocbc.com)

Ong Shu Yi  
ESG Analyst  
[ShuyiOng1@ocbc.com](mailto:ShuyiOng1@ocbc.com)

## FX/Rates Strategy

Frances Cheung, CFA  
Rates Strategist  
[FrancesCheung@ocbc.com](mailto:FrancesCheung@ocbc.com)

Christopher Wong  
FX Strategist  
[ChristopherWong@ocbc.com](mailto:ChristopherWong@ocbc.com)

## Credit Research

Andrew Wong  
Credit Research Analyst  
[WongVKAM@ocbc.com](mailto:WongVKAM@ocbc.com)

Ezien Hoo, CFA  
Credit Research Analyst  
[EzienHoo@ocbc.com](mailto:EzienHoo@ocbc.com)

Wong Hong Wei, CFA  
Credit Research Analyst  
[WongHongWei@ocbc.com](mailto:WongHongWei@ocbc.com)

Chin Meng Tee, CFA  
Credit Research Analyst  
[MengTeeChin@ocbc.com](mailto:MengTeeChin@ocbc.com)

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