

Asian Credit Daily

26 February 2024

Market Commentary:

- The SGD SORA curve traded higher last Friday, with short and belly tenors trading 3-4bps higher, and 10Y trading 3bps higher.
- Flows in SGD corporates were heavy, with flows in UBS 5.75%-PERP, BNP 4.75% '34s, OLGSP 5.375%-PERP, STRTR 4.1% '26s
- According to Bloomberg, Korea Development Bank said in a statement that creditors have agreed to provide Taeyoung Engineering & Construction Co. as much as KRW400bn (USD300.5mn) in additional funds. This will allow the company to operate until a restructuring deal can be agreed upon.
- Elsewhere, Zhongliang Holdings Group received court approval for its offshore debt restructuring plan in a Hong Kong Court hearing on Friday. According to Bloomberg, Zhongliang is the latest developer to gain court approval for a debt restructuring following Sunac China Holdings Ltd. and China Aoyuan Group Ltd.
- Last Friday, Bloomberg Asia USD Investment Grade spreads widened by 1 bps to 92bps while the Asia USD High Yield spreads tightened 2 bps to 592bps, per Bloomberg.
- There were no notable bond issuances in the Asiadollar and Singdollar market last Friday.

Credit Summary:

- **Standard Chartered PLC (“StanChart”)**: StanChart announced its 2023 results with a 22% and 19% y/y rise in underlying and reported profit before taxation to USD5.68bn and USD5.09bn respectively. We continue to review the results which look in line with our fundamental views on StanChart.

Key Market Movements

	26-Feb	1W chg (bps)	1M chg (bps)		26-Feb	1W chg	1M chg
iTraxx Asiax IG	94	-4	-6	Brent Crude Spot (\$/bbl)	81.3	-2.7%	-2.7%
				Gold Spot (\$/oz)	2,033	0.8%	0.7%
iTraxx Japan	54	-1	-1	CRB Commodity Index	271	-0.2%	-1.0%
iTraxx Australia	63	-3	-7	S&P Commodity Index - GSCI	551	-0.9%	-1.9%
CDX NA IG	51	-2	-3	VIX	13.8	-1.9%	3.7%
CDX NA HY	106	0	0	US10Y Yield	4.22%	-5bp	9bp
iTraxx Eur Main	54	-2	-4				
iTraxx Eur XO	302	-8	-13	AUD/USD	0.656	0.3%	-0.3%
iTraxx Eur Snr Fin	63	-3	-4	EUR/USD	1.082	0.4%	-0.3%
iTraxx Eur Sub Fin	115	-7	-9	USD/SGD	1.344	0.1%	-0.2%
				AUD/SGD	0.881	-0.1%	0.0%
USD Swap Spread 10Y	-37	-1	-1	ASX200	7,648	-0.2%	1.2%
USD Swap Spread 30Y	-72	1	-1	DJIA	39,132	0.9%	2.7%
				SPX	5,089	1.2%	4.0%
China 5Y CDS	64	0	-1	MSCI Asiax	645	1.6%	5.2%
Malaysia 5Y CDS	39	-2	-6	HSI	16,685	3.3%	4.6%
Indonesia 5Y CDS	68	-3	-8	STI	3,170	-1.7%	0.3%
Thailand 5Y CDS	42	0	0	KLCI	1,548	0.6%	2.7%
Australia 5Y CDS	16	1	1	JCI	7,295	-0.6%	2.2%
				EU Stoxx 50	4,873	2.2%	5.1%

Source: Bloomberg

Credit Headlines:**Standard Chartered PLC ("StanChart")**

- StanChart announced its 2023 results with a 22% and 19% y/y rise in underlying and reported profit before taxation to USD5.68bn and USD5.09bn respectively. This was due to positive JAWS and lower credit impairments as follows on an underlying basis:
 - Operating income rose 10% y/y to USD17.38bn, mostly from higher net interest income (+23% y/y) due to a 23bps rise in net interest margins to 1.67%. Non-interest income rose 2% y/y while Wealth Management operating income rose 10% y/y on new client onboarding and net new money flows. Financial Markets operating income was down marginally by 2% y/y on absence of mark to market liability gains realised in 2022.
 - Operating expenses rose 7% y/y to USD11.14bn due to inflation, business growth and investments. The cost to income ratio improved 2ppt to 63% for 2023.
- Credit impairment expenses of USD528mn fell 37% on an underlying basis or an annualised loan loss rate of 17bps, well below the historical through the cycle rate of 30-35bps. Management expects the loan loss rate to normalise to historical levels. The y/y fall in credit impairment expenses was mostly related to lower provisions for its China commercial property exposures. Management highlighted that its China commercial property exposures have a stage 3 coverage ratio including collateral of 88% with stage 3 exposures of USD1.4bn and credit loss provisions of USD1.2bn. There also remains a USD141mn management overlay.
- Other influences on performance include USD585mn in restructuring, other items and goodwill reflecting:
 - a USD850mn impairment charge for the bank's investment in associate China Bohai Bank. The carrying value has been reduced based on a lower value-in-use computation that reflects the impact of lower forecasted interest rates and a lower net interest margin (lower asset yields and higher deposit costs) reported by China Bohai Bank in 2023 together with a subdued economic outlook. China Bohai Bank's carrying value has effectively halved to USD700mn.
 - Sale of its aviation business with a gain of USD309mn.
- StanChart's capital position improved 10bps y/y to 14.1% as at 31 December 2023 and remains 3.5% above its 10.5% regulatory minimum and at the top of the bank's 13-14% target range. Given the solid earnings and capital position, management have guided a target shareholder return of USD5bn over the next three years, announcing a new USD1bn share buyback.
- We continue to review the results which look in line with our fundamental views on StanChart. (Company, OCBC)

Mandates:

- IRB Infrastructure Developers Limited is planning to issue a benchmark sized 144A/Regulation S USD-denominated senior secured bond offering (the “Notes”) with 8 years door to door tenor & 7.25 years weighted average life (WAL).
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