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## Credit Week in Brief

### Will another adjournment for EVERRE by good news or bad for Asiadollar?

- Following a solid prior week, spreads in the Asiadollar space were wider with the Bloomberg Asia USD IG Index average OAS widening 2bps w/w to 109bps while the Bloomberg Asia USD HY Index widened 7bps to 818bps. This possibly reflects the fall in UST yields and balance of developments skewed to the downside including:
  - China Vanke Co.’s (“Vanke”) long-term rating downgraded to Baa3 (negative outlook) from Baa1 by Moody’s on uncertainty surrounding Vanke’s ability to improve operating performance and recover access to funding amidst the weak and volatile property market.
  - Chinese authorities opening criminal investigations into the money management business of Zhongzhi Enterprise Group Co., (“Zhongzhi”) after the shadow banking giant revealed a shortfall of USD36.4bn in its balance sheet. Zhongzhi’s problem was first revealed in August after one of its trust-company affiliates failed to make payments to customers on high-yield investment products.
  - Evergrande Property Services unit taking legal action against a group of companies including parent, China Evergrande Group (“EVERRE”) to recover RMB2bn (USD279.6mn) in deposit certificate pledge guarantees according to a Hong Kong stock exchange filing.
- On EVERRE, the company was meant to announce its revised debt restructuring proposal for offshore creditors to Hong Kong’s High Court yesterday to avoid a possible liquidation. However in a last-minute reprieve, the High Court again adjourned proceedings to 29 January despite Judge Linda Chan previously stating in September that that would be the last adjournment. EVERRE’s debt restructuring proposal reportedly lacked crucial details and EVERRE was advised to seek input from relevant authorities while garnering more support from its creditors. The decision came as a surprise to stakeholders as the original petitioner didn’t push for an immediate liquidation yesterday. In other news, Zhao Changlong was removed as chairman of EVERRE’s onshore unit, Hengda Real Estate Development Co., and was succeeded by Liang Weikang in November. Reasons for leadership change were not mentioned.
- Primary activity recovered somewhat to USD2.9bn from USD2.2bn the week before not including USD2.25bn of Macquarie Bank Ltd issues, with last week’s issuance coming primarily from the Republic of the Philippines, issuing USD1bn for its debut sukuk and receiving USD3.8bn in orders.

Date	Issuer	Type	Currency	Size (mn)	Tenor	Pricing
27-Nov-2023	SND International Bvi Co Ltd (Guarantor: Suzhou SND Group Co Ltd)	Sustainability Fixed	USD	330	3-Year	5.95%
28-Nov-2023	China CITIC Bank International Ltd	Tier 2	USD	500	10NC5	T +165bps

28-Nov-2023	Mongolia Government International Bond	Fixed	USD	350	5.5-Year	8.10%
29-Nov-2023	ROP Sukuk Trust	Fixed	USD	1,000	5.5-Year	T +80bps
29-Nov-2023	Soar Wind Ltd (Guarantor: AVIC International Leasing Co Ltd)	Variable (Reset in Dec 2026)	USD	187	PerpNC3	6.125%
29-Nov-2023	Macquarie Bank Ltd	Fixed	USD	900	3-Year	5.391% (T +100bps)
29-Nov-2023	Macquarie Bank Ltd	FRN	USD	350	3-Year	SOFR +100bps
29-Nov-2023	Macquarie Group Ltd	Variable (Reset in Dec 2033)	USD	1,000	11NC10	T +200bps
01-Dec-2023	Guangzhou Development District Holding Group Co Ltd	Green Fixed	USD	500	2-Year	6.30%

Source: Bloomberg, OCBC

### SGD credit market continues delivering strong performance

- Last week, there were SGD290mn (previous week: SGD100mn) in issuances priced in the SGD primary credit market as follows:
  - Cagamas Global PLC priced 2 tranches (SGD100mn each) of 1Y senior unsecured bond at 4.06%.
  - Keppel DC Reit Mtn Pte. Ltd. priced a 3Y SGD90mn senior unsecured floating rate note at SORA+35bps.
- **SGD SORA yields traded substantially lower w/w** last Friday. The shorter tenors traded lower by 12 to 14bps, belly tenors lower by 12 to 13bps and 10Y lower by 12bps. As at 1 December 2023, 10Y SORA was 2.88%.
- **The SGD credit market rose 0.34% w/w primarily due to the lower SGD SORA yields**, boosting the (1) Tier 2 and Other Non-perpetual Subordinated issues, (2) Longer Tenors and (3) Mid Tenors the most. For more information on the SGD tracker, please refer to our SGD Credit Outlook 2023 published on 4 January 2023.
- **The SGD credit market gained 5.72% YTD** as at 30 November 2023, outperforming both Asia ex-Japan Investment Grade (+4.12% YTD) and High Yield markets (+2.67% YTD).

### Summary of Performance in the SGD Credit Market

By Tenor & Structure	Return w/w
AT1s	0.17%
Non-Financial Corp Perp	0.25%
Tier 2s and Other Non-perp Sub	0.58%
Longer Tenors (>9Y)	0.54%
Mid Tenors (>3Y to 9Y)	0.39%
Short Tenors (>1Y to 3Y)	0.24%
Money Market (Up to 12 months)	0.11%

By Issuer Profile	Return w/w
POS (2)	0.28%
N (3)	0.44%
N (4)	0.31%
N (5)	0.41%

Source: Bloomberg, OCBC

### Some of the key headlines last week were:

- Industry Outlook – Financial Institutions, Credit Agricole SA (“CASA”), Credit Agricole Group (“CAG”), BNP Paribas SA (“CCB”)** have announced the results of the European Central Bank’s 2023 Supervisory Review and Evaluation Process (“SREP”). For BNP, the minimum common equity tier 1 (“CET1”) requirement as at 1 January 2024 is 10.02%. BNPP’s CET1 ratio was 13.44% as at 30 September 2023, up 110bps from 12.3% as at 31 December 2022. For CAG, the minimum CET1 ratio is 9.7% from 1 January 2024 while CASA’s minimum requirement is 8.5%. CAG’s phased in CET1 capital ratio was 17.5% (17.3% on a fully loaded basis) as at 30 September 2023, down 10bps from 31 December 2022.
- ABN Amro Bank N.V. (“ABN”).** The Dutch government announced its plan to further reduce its ownership in ABN. This is in line with the government’s February 2023 announcement that it was reducing its stake through the sale of depositary receipts. The Dutch government reduced its ownership in ABN to 49.5% in late September 2023 from ~52%. Through a pre-arranged trading plan, the stake may be reduced further to ~40% subject to certain price levels under the trading plan.
- Starhill Global REIT (“SGREIT”) renewed the master lease of Ngee Ann City with Toshin Development Singapore Pte Ltd (“Toshin”)** which is due to expire in June 2025. The renewed master lease will be **extended by 12 years** from June 2025 to **June 2037**. Besides, the lease may be further renewed for 6 years to June 2043 at the option of either party. Thereafter, the lease may be further renewed for another 3 years to June 2046 at the option of Toshin. This renewal will **extend SGREIT’s weighted average lease expiry to 8.4 years** from 4.2 years by gross rent as at 30 September 2023. As at 30 September 2023, the current master lease with Toshin contributed approximately 23.6% of SGREIT’s portfolio gross rent.
- Keppel Corporation Ltd (“KEP”)** announced the proposed acquisition of Aermont Capital S.à r.l (“Aermont”), an independent asset manager that focuses on real estate and real estate related investment activities in Europe. KEP is buying the fee-based income that comes with Aermont managing the underlying funds (ie: on a Fund

Related Earnings (“FRE”) basis which excludes performance-related fees and investment income). The maximum consideration payable by KEP is EUR932mn (~SGD1.36bn). The consideration is expected to comprise a mix of shares in KEP and cash.

- **Singapore Post Ltd (“SingPost”)** announced the **completion of acquiring an additional 10% stake in Freight Management Holdings Pty Ltd. (“FMH”)** for AUD62.8mn (~SGD55.3mn). **Post this acquisition, SingPost owns a 98% stake on FMH.** As a sidenote, FMH is a leading 4th party logistics (“4PL”) service company, providing integrated supply chain and distribution solutions to customers in Australia through a 4PL technology platform. FMH provides these services under the tradename of ‘EFM’ to over 500 businesses across Australia.
- **Julius Baer Group Ltd (“JBG”)** has confirmed that the higher credit provisions mentioned in its interim unaudited management statement for the 10 months ended 31 October 2023 (“10M2023”) is related to its largest exposure within the private debt loan book of CHF1.5bn (JBG’s total loan book was CHF41bn as at 31 October 2023). The higher credit provisions along with higher taxes are expected to result in a lower 2023 net profit compared to 2022. JBG has indicated a provision of CHF70mn was booked post 31 October 2023 against a CHF606mn exposure that is now entering restructuring and is secured by commercial real estate and luxury retail. Other large exposures in JBG’s private debt book of CHF216mn and CHF140mn are unrelated to real estate exposures.
- **Industry Outlook – Financial Institutions, UBS Group AG (“UBS”), China Construction Bank Corporation (“CCB”).** The Financial Stability Board published its 2023 list of global systemically important banks with the members and total number reducing to 29 from 30 as Bank of Communications Co Ltd has been added while Credit Suisse Group AG and Unicredit SpA have been removed. Other changes include UBS, CCB and Agricultural Bank of China increasing in systemic importance and a 50bps rise in future capital requirements from 1 January 2025
- **Sembcorp Industries Ltd (“SCI”)** announced that it has signed two agreements to acquire a total of 428MW of wind assets in China and India. The total equity considerations are ~SGD200mn. The acquisitions will be funded through a mix of internal cash resources and external fundings and are expected to be completed by 1H2024. (Company, OCBC)

### Key Market Movements

	5-Dec	1W chg (bps)	1M chg (bps)		5-Dec	1W chg	1M chg
iTraxx Asiax IG	98	-3	-22	<b>Brent Crude Spot (\$/bbl)</b>	78.2	-4.2%	-7.9%
iTraxx SovX APAC	20	--	0	<b>Gold Spot (\$/oz)</b>	2,036	-0.2%	2.9%
iTraxx Japan	63	-3	-9	<b>CRB Commodity Index</b>	268	-1.1%	-5.0%
iTraxx Australia	73	-4	-10	<b>S&amp;P Commodity Index - GSCI</b>	543	-1.2%	-6.0%
<b>CDX NA IG</b>	62	-1	-9	<b>VIX</b>	13.1	3.1%	-12.3%
<b>CDX NA HY</b>	104	0	3	<b>US10Y Yield</b>	4.25%	-7bp	-32bp
iTraxx Eur Main	67	-1	-11				
iTraxx Eur XO	367	-10	-51	<b>AUD/USD</b>	0.661	-0.6%	1.9%
iTraxx Eur Snr Fin	76	-4	-14	<b>EUR/USD</b>	1.084	-1.4%	1.1%
iTraxx Eur Sub Fin	139	-7	-27	<b>USD/SGD</b>	1.338	-0.5%	1.0%
				<b>AUD/SGD</b>	0.885	0.1%	-0.9%
<b>USD Swap Spread 10Y</b>	-38	-1	-8	<b>ASX200</b>	7,063	0.7%	1.2%
<b>USD Swap Spread 30Y</b>	-67	1	-1	<b>DJIA</b>	36,204	2.5%	6.3%
				<b>SPX</b>	4,570	0.4%	4.9%
<b>China 5Y CDS</b>	59	-2	-11	<b>MSCI Asiax</b>	616	-0.8%	2.7%
<b>Malaysia 5Y CDS</b>	41	-1	-15	<b>HSI</b>	16,646	-4.1%	-5.8%
<b>Indonesia 5Y CDS</b>	74	-2	-11	<b>STI</b>	3,089	0.8%	-1.7%
<b>Thailand 5Y CDS</b>	42	-2	-16	<b>KLCI</b>	1,448	0.0%	-0.1%
<b>Australia 5Y CDS</b>	16	-2	-4	<b>JCI</b>	7,094	0.7%	4.5%
				<b>EU Stoxx 50</b>	4,415	1.4%	5.8%

Source: Bloomberg

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**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 bond 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 bond represents **weaker relative value** compared to other bonds from the same issuer, or bonds of other issuers with similar tenor and comparable risk profile.

Tuesday, December 05, 2023

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

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