

SG Bonds Weekly

Week 21



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SINGAPORE | CORPORATE BONDS | SG BONDS WEEKLY

24 May 2021

Outlook for the week

We view high yield bonds as more favourable given historically cheap valuations (Figure 3) and higher buffers against rising interest rates.

Key economic releases for the week

- Mon, 24 May: SG: CPI Core (1:00PM)
- Tue, 25 May: SG: GDP (8:00AM), SG: Industrial Production (1:00PM)
- Thu, 27 May: Earnings: OPTUS FINANCE PTY – Bef Mkt, SINGAPORE TELECOMMUNICATIONS – Bef Mkt, US: GDP (8:30PM), US: Core PCE (8:30PM)

Last Week Summary

The 10yr treasury yield spiked to a high of 1.68% on Wednesday on the back of better than expected jobless claims, before settling down at 1.63%. However, new issue activity in Asia was heavily subdued, with the number of deals printed down 67% WoW. The weekly volume printed also dropped significantly by US\$5.78bn to US\$2.018bn. With a quiet market, average initial price guidance tightening decreased significantly as well, falling 15.8bps to 18.9bps. US\$2.018bn of bonds was issued from 7 deals. Breakdown: Investment Grade: US\$1.416bn, High Yield: US\$322mn, Non-Rated: US\$280mn.

- China Local Government Financing Vehicles (LGFV) issuers were active last week with US\$780mn issuance volume in total from 4 issuers. Nanning Communications Investment Group made its debut in the dollar bond market issuing US\$300mn of 3yr senior unsecured bonds at 3.5%. The deal tightened 40bps from the initial price guidance, one of the most aggressive tightening last week. The issuer is one of the eight major operators of state-owned assets of the Nanning Municipal Government, involved in urban planning and construction.
- United Overseas Bank (UOB) raised EUR750mn through a covered bond deal, Singapore's first covered bond for the year 2021. The deal tightened 2bps from IPG to price at mid swap+10bps, yielding 0.124% with a coupon of 0.1%. Majority of allocations were out of Asia, with banks taking up 37% and central banks 33% of total allocations. UOB has been an active issuer in the covered bond market, being the first in Singapore to issue EUR covered bonds in 2016.
- 5 outstanding mandates remain from last two weeks.

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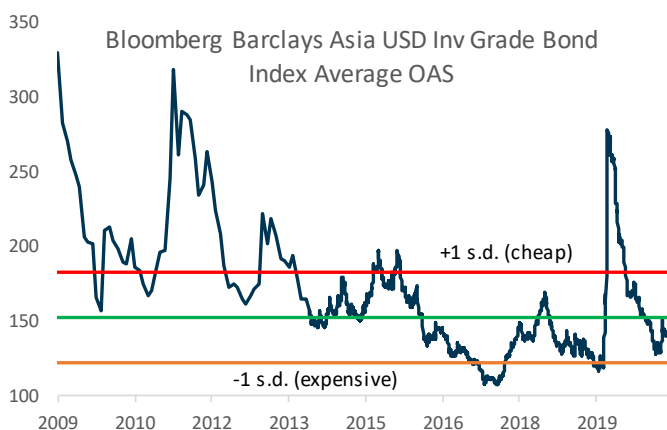
Figure 1: SGD Swap Offer Rates

Tenor	Rate (%)
1y	0.3450
2y	0.4310
3y	0.6150
4y	0.8200
5y	0.9850
7y	1.2850
10y	1.5600
15y	1.7410
20y	1.7550
30y	1.7600

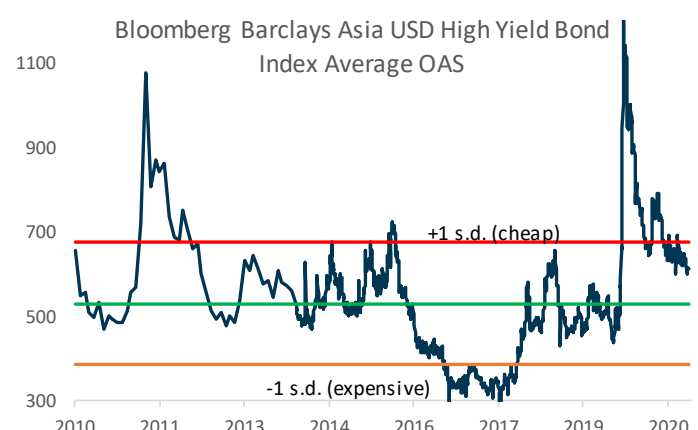
Source: Bloomberg

Figure 2: Asian USD investment grade corporate bond spreads were relatively flat WoW, widening 0.7bps or 0.5%.

Figure 3: Asian USD high yield corporate bond spreads also remained flat, tightening 3.2bps or 0.5% WoW.

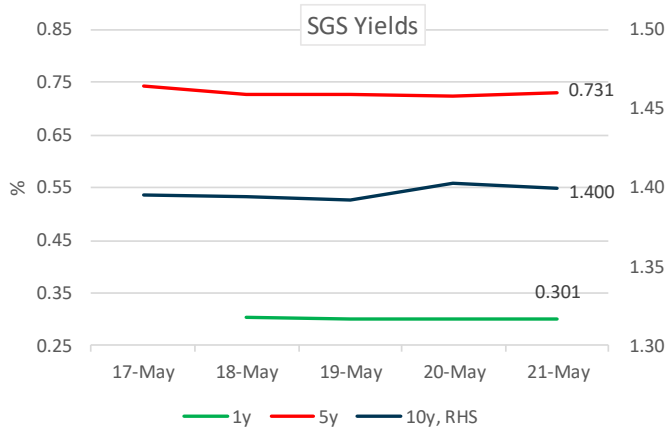


Source: Bloomberg



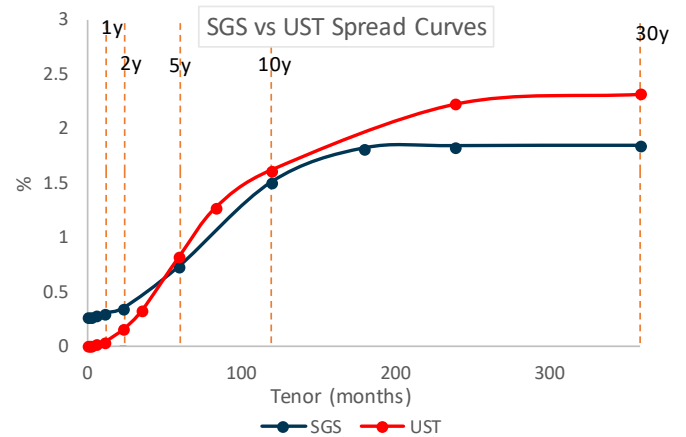
Source: Bloomberg

Figure 4: Singapore Government bond yields remained relatively flat WoW.



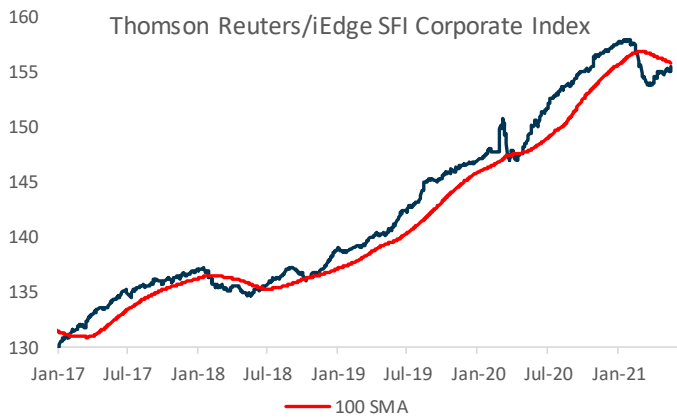
Source: Bloomberg

Figure 5: US Treasury yields vs Singapore Government Securities yields.



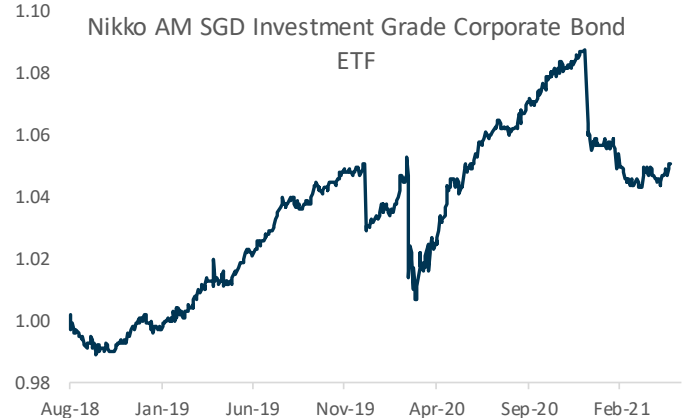
Source: Bloomberg

Figure 6: Total return index for Singapore corporate bonds issued in SGD.



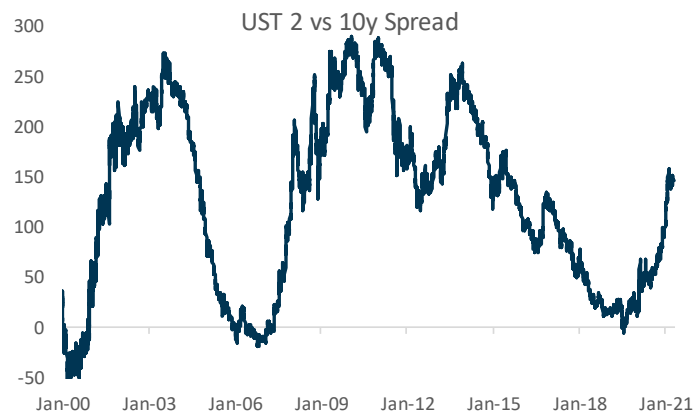
Source: Bloomberg

Figure 7: Price return index for Singapore corporate bonds issued in SGD.



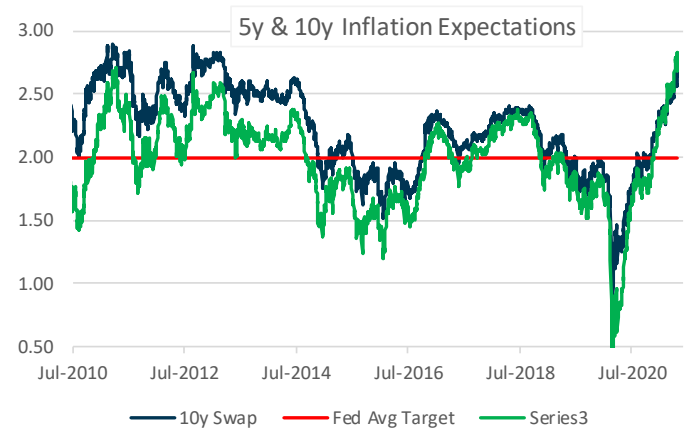
Source: Bloomberg

Figure 8: US Treasury bond yield 2y vs 10y spread difference was relatively unchanged at -1.1bps or -0.7% WoW.



Source: Bloomberg

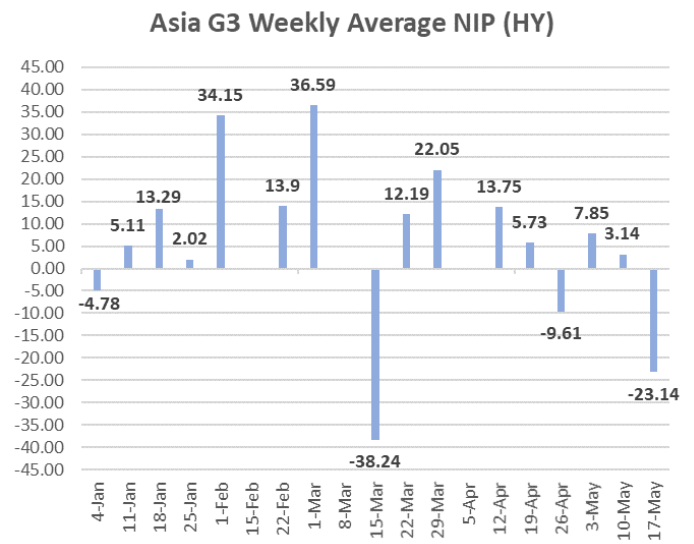
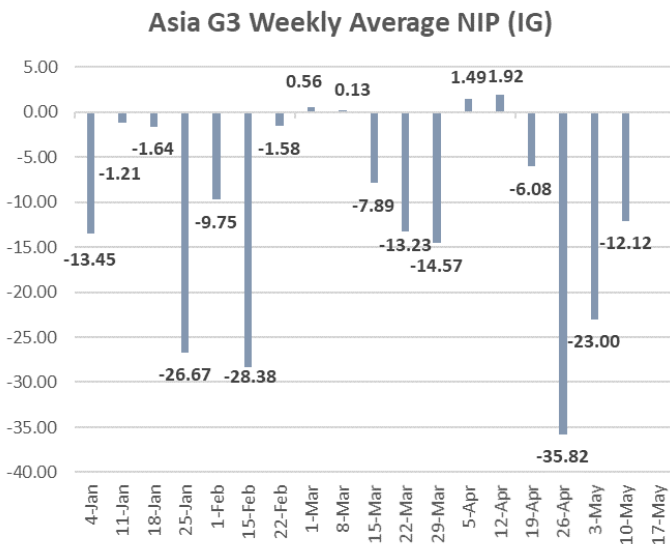
Figure 9: US zero coupon inflation 5y and 10y swaps. Indicates market expectations of inflation in 5y and 10y.



Source: Bloomberg

Figure 10: Asian Investment Grade bonds were relatively muted last week with New Issue Premiums at -12.1bps.

Figure 11: Asian High Yield bond New Issue Premiums showed demand last week at -23.1bps.



Source: Covalent Capital

Source: Covalent Capital

Figure 12: Upcoming SGD bond maturities and call dates

Issuer	Bond	Maturity date	Call date
Manulife Financial Corp	MFCCN 3.850% 25May2026 Corp (SGD)	25-May-2026	25-May-2021
Hyflux Ltd	HYFSP 6% Perp 2020 Corp (SGD)	-	27-May-2021
Hotel Properties Ltd	HPLSP 3.850% 27May2021 Corp (SGD)	27-May-2021	
United Engineers Ltd	UEMSP 3.680% 01Jun2021 Corp (SGD)	01-Jun-2021	
Chip Eng Seng Corp Ltd	CHIPEN 4.750% 14Jun2021 Corp (SGD)	14-Jun-2021	
BPCE SA	BPCEGP 4.500% 03Jun2026 Corp (SGD)	03-Jun-2026	03-Jun-2021
Singapore Airlines Ltd	SIASP ZERO 08Jun2030 Corp (SGD)	08-Jun-2030	08-Jun-2021
FCT MTN Pte Ltd	FCTSP 2.760% 21Jun2021 Corp (SGD)	21-Jun-2021	
Mapletree Treasury Services Ltd	MAPLSP 2.888% 21Jun2021 Corp (SGD)	21-Jun-2021	
KrisEnergy Ltd	KRISSP 5.000% 09Jun2022 Corp (SGD)	09-Jun-2022	22-Jun-2021
Ascott Residence Trust	ARTSP 3.070% Perpetual Corp (SGD)	-	30-Jun-2021
ASL Marine Holdings Ltd	ASLSP 3.000% 01Oct2026 Corp (SGD)	01-Oct-2026	01-Jul-2021
Fullerton Healthcare Corp Ltd	FHCL 2.750% 07Jul2023 Corp (SGD)	07-Jul-2023	07-Jul-2021
Fullerton Healthcare Corp Ltd	FHCL 2.450% 07Jul2021 Corp (SGD)	07-Jul-2021	
First Real Estate Investment Trust	FIRTSP 5.680% Perpetual Corp (SGD)	-	08-Jul-2021
Suntec REIT MTN Pte Ltd	SUNSP 3.000% 16Jul2021 Corp (SGD)	16-Jul-2021	
Heeton Holdings Ltd	HTONSP 6.080% 19July2021 Corp (SGD)	19-Jul-2021	
Housing & Development Board	HDBSP 1.470% 19Jul2021 Qsov (SGD)	19-Jul-2021	
Straits Trading Co Ltd/Singapore	STRTR 3.730% 19Jul2021 Corp (SGD)	19-Jul-2021	
Wharf Finance No 1 Ltd	WHARF 4.500% 20Jul2021 Corp (SGD)	20-Jul-2021	
Housing & Development Board	HDBSP 2.815% 26Jul2021 Qsov (SGD)	26-Jul-2021	

Source: Bloomberg

We provide below a list of reinvestment ideas for SGD bonds maturing or callable soon. The reinvestment ideas are picked based on similar issuer profiles to the corresponding maturing/callable bond to maintain investments in the same or a similar company.

Figure 13: Maturing/calling bonds reinvestment ideas.

Maturing/calling bonds:				Reinvestment ideas:				
Issuer	Bond	Maturity	Call	Bond	Issuer	Ask Px	Yield	Rank
Fragrance Group Ltd	FRAG 6.125% '21s	26/4/21	-	FRAG 4.75% 23Nov2021	FRAGRANCE GROUP LTD	100.6	3.70%	Sr Unsecured
Housing & Development Board	HDBSP 1.75% '21s	26/4/21	-	HDBSP 2.35% 25May2027	HOUSING & DEVELOPMENT BOARD	106.51	1.24%	Sr Unsecured
Valuemax Group Ltd	VMAXSP 5.1% '21s	26/4/21	-	F 4.125% 20Jun2024	FORD MOTOR CREDIT CO LLC	101.55	3.60%	Sr Unsecured
Huarong Finance 2017 Co Ltd	HRINTH 3.2% '21s	27/4/21	-	F 4.125% 20Jun2024	FORD MOTOR CREDIT CO LLC	101.55	3.60%	Sr Unsecured
mm2 Asia Ltd	MMASIA 7% '21s	27/4/21	-	-	-	-	-	-
GSH Corp Ltd	GSHSP 5.15% '21s	3/5/21	-	GSHSP 5.2% 21Oct2022	GSH CORP LTD	100.35	4.95%	Sr Unsecured
Ascendas Pte Ltd	JTCSP 2.68% '21s	10/5/21	-	AREIT 2.65% 24Aug2030	ASCENDAS REIT	103.7	2.21%	Sr Unsecured
Frasers Hospitality REIT	FHREIT 4.45% Perp	-	12/5/21	HPLSP 4.65% Perpetual	HOTEL PROPERTIES LTD	95.2	9.74%	Jr. Subordinated
United Overseas Bank Ltd	UOBSP 4% Perp	-	18/5/21	UOBSP 3.58% Perpetual	UNITED OVERSEAS BANK LTD	104.6	2.63%	Jr. Subordinated
Tuan Sing Holdings Ltd	TSHSP 7.75% '22s	19/5/22	19/5/21	CHIPEN 6% 15Mar2022	CES TREASURY PTE	100.35	5.55%	Sr Unsecured
Societe Generale SA	SOCGEN 4.3% '26s	19/5/26	19/5/21	SOCGEN 6.125% Perpetual	SOCIETE GENERALE	104.9	4.34%	Jr. Subordinated

Source: Bloomberg, PSR

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