

January 31, 2017

Credit Headlines (Page 2 onwards): Sembcorp Industries/ Sembcorp Marine

Market Commentary: The SGD dollar swap curve traded downwards last Friday with swap rates trading 1-2bps lower across all tenors. Swap rates were range-bounded yesterday, trading +/- 1bps across all tenors as Singapore's market was closed due to Chinese New Year holiday. Flows in SGD corporates last Friday was moderate, with better buying seen in GUOLSP 4%'22s and mixed interest in GENSSP 5.13%'49s. The Itraxx Asia ex-Japan IG index closed at 115bps yesterday, widening 4bps from last Friday's close. 10y UST yields fell 2bps to 2.48% on Friday and rose 1bps to 2.49% yesterday. 10y UST yield fell to a 2.46% low during Asian trading yesterday, mainly over the weekend confusion about President Trump's executive orders restricting immigration.

Rating Changes: Moody's assigned 'A1/P-1' provisional ratings to Mizuho Securities Co., Ltd. (MHSC) and its overseas affiliates: Mizuho International plc and Mizuho Securities USA Inc. (MSUSA) with stable outlooks. The ratings reflect these entities' strategic importance to parent Mizuho Financial Group, Inc. (Mizuho) and that they will benefit from the same level of government support as Mizuho and its major subsidiaries, including Mizuho Bank and Mizuho Trust & Banking Co., Ltd. Fitch revised the Outlook on PT Soechi Lines Tbk (Soechi) to Negative from Stable, while affirming the Long-Term Issuer Default Rating at 'B+'. The agency is simultaneously withdrawing the rating, as it is no longer considered by Fitch to be relevant to its coverage because Soechi has no bonds outstanding. The rating action reflects the risk that Soechi's FFO-adjusted net leverage will remain higher than the negative rating action guideline of 4.0x (2015 and 2016E: 4.1x), given a lack of cash flow visibility for its shipyard business.

Table 1: Key Financial Indicators

	31-Jan	1W chg (bps)	1M chg (bps)		31-Jan	1W chg	1M chg
iTraxx Asiax IG	114	0	-7	Brent Crude Spot (\$/bbl)	55.26	-0.32%	-2.75%
iTraxx Sovx APAC	33	-1	-3	Gold Spot (\$/oz)	1,197.41	-0.95%	4.35%
iTraxx Japan	54	-2	-4	CRB	191.26	-1.63%	-0.65%
iTraxx Australia	93	-4	-11	GSCI	393.51	-1.32%	-1.18%
CDX NA IG	66	1	-2	VIX	11.88	0.93%	-15.38%
CDX NA HY	106	0	0	CT10 (bp)	2.492%	2.66	4.75
iTraxx Eur Main	72	2	0	USD Swap Spread 10Y (bp)	-9	2	2
iTraxx Eur XO	299	10	11	USD Swap Spread 30Y (bp)	-42	2	7
iTraxx Eur Snr Fin	90	4	-4	TED Spread (bp)	53	-1	7
iTraxx Sovx WE	23	2	2	US Libor-OIS Spread (bp)	35	1	2
iTraxx Sovx CEEMEA	76	0	-4	Euro Libor-OIS Spread (bp)	2	0	0
					31-Jan	1W chg	1M chg
				AUD/USD	0.756	-0.28%	5.25%
				USD/CHF	0.995	0.58%	2.84%
				EUR/USD	1.070	-0.33%	2.31%
				USD/SGD	1.421	0.05%	2.12%
Korea 5Y CDS	48	1	4	DJIA	19,971	0.87%	1.06%
China 5Y CDS	112	0	-6	SPX	2,281	0.69%	1.88%
Malaysia 5Y CDS	132	2	-5	MSCI Asiax	548	1.11%	6.62%
Philippines 5Y CDS	99	0	-11	HSI	23,361	2.07%	6.18%
Indonesia 5Y CDS	151	1	-7	STI	3,047	0.70%	5.76%
Thailand 5Y CDS	73	-1	-6	KLCI	1,683	0.67%	2.48%
				JCI	5,303	0.98%	0.11%

Source: OCBC, Bloomberg

Table 2: Recent Asian New Issues

Date	Issuer	Ratings	Size	Tenor	Pricing
25-Jan-17	China Water Affairs Group Ltd.	"BB+/Ba1/NR"	USD300mn	5NC3	5.5%
25-Jan-17	Jain International Trading BV	"B+/NR/B+"	USD200mn	5NC3	7.375%
24-Jan-17	Vedanta Resources Plc	"B+/B3/NR"	USD1bn	5.5-year	6.375%
24-Jan-17	Fujian Zhanglong Group Co. Ltd. (re-tap)	"NR/NR/BB+"	USD150mn	3-year	4.8%
23-Jan-17	Industrial Bank of Korea	"AA-/Aa2/AA-"	USD300mn	3-year	CT3+85bps
23-Jan-17	Shui On Development (Holding) Ltd.	"NR/NR/NR"	USD500mn	4-year	5.875%
23-Jan-17	Siam Commercial Bank PCL	"BBB+/Baa1/BBB+"	USD400mn	5.5-year	CT5+150bps
23-Jan-17	Biostime International Holdings Ltd. (retap)	"BB-/Ba3/NR"	USD200mn	5-year	104.50

Source: OCBC, Bloomberg

Credit Headlines:

Sembcorp Industries (“SCI”) / Sembcorp Marine (“SMM”): SMM has announced on 30/01/17 that it has received relevant Chinese regulatory approval for the divestment of its 30% equity interest in Cosco Shipyard Group (“CSG”). As mentioned previously, SMM had acquired the 30% stake in CSG in 2004, and now no longer considers CSG as a strategic investment. The aggregate consideration for the transaction was RMB1059.2mn (~SGD220.7mn), with SMM expecting to book a divestment gain of SGD48.3mn. The transaction is currently expected to be completed in 1Q2017 and hence the performance of CSG would still impact FY2016 figures. We reiterate our view that though the sale of CSG would be a positive for SCI / SMM’s P&L (given the losses that CSG has been reporting), the impact on SCI’s balance sheet would be minimal. As such, we will retain our Neutral Issuer Profile rating on SCI. (Company, OCBC)

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