

December 7, 2017

Credit Headlines (Page 2 Onwards): Sembcorp Industries, Sembcorp Marine, Fraser and Neave Ltd

Market Commentary: The SGD swap curve bull-flattened yesterday, with swap rates trading 1-3bps higher across the shorter tenors, while the longer tenors traded 2-6bps lower. We did not observe any flows in SGD corporates yesterday. In the broader dollar space, the spread on JACI IG Corp traded little changed at 180bps, while the yield on JACI HY Corp fell 2bps to 6.9%. 10Y UST yields fell 1bps to 2.34% in a relatively uneventful day.

New Issues: Qinghai Province General Aviation Group Co has priced a USD300mn 363-day bond (guaranteed by Qinghai Provincial Investment Group Co) at 6.00%, tightening from initial guidance of 6.125% area. Chengdu Communications Investment Group Corporation Ltd has priced a USD300mn 10-year bond at CT10+245bps, tightening from initial guidance of CT10+275bps area. The expected issue ratings are 'NR/NR/BBB+'. ICBC London Branch has priced a two-tranche deal, with the USD600mn 3-year bond priced at 3mL+77bps, tightening from initial guidance of 3mL+100bps area; and the USD300mn 5-year bond priced at 3mL+87bps, tightening from initial guidance of 3mL+110bps area. The expected issue ratings are 'NR/A1/NR'.

Rating Changes: Moody's has affirmed China Everbright Bank Company Limited's (China Everbright) long-term deposit rating at 'Baa2', baseline credit assessment (BCA) and Adjusted BCA at 'Ba2', and Counterparty Risk (CR) Assessment at 'Baa2'. The outlook has been revised to stable from negative. The rating action reflects China Everbright's stabilizing asset quality metrics, efforts to strengthen its capital position, moderate liquidity profile and pressure on its profitability. Moody's also expects China Everbright's nonperforming loan ratio to stabilize and its capital position to strengthen. Moody's has affirmed Land Bank of the Philippines's (LBP) long-term deposit rating and CR Assessment of 'Baa2', while upgrading its BCA and adjusted BCA to 'Ba1' from 'Ba2'. The outlook is stable. The rating action reflects LBP's track record of steady asset quality, as well as its robust capital and liquidity buffer over the past three years, which are comparable with those of its peers in the Philippines.

Table 1: Key Financial Indicators

	7-Dec	1W chg (bps)	1M chg (bps)		7-Dec	1W chg	1M chg
iTraxx Asiax IG	74	0	-5	Brent Crude Spot (\$/bbl)	61.43	-3.37%	-3.55%
iTraxx SovX APAC	14	0	-1	Gold Spot (\$/oz)	1,263.46	-0.91%	-0.93%
iTraxx Japan	46	1	-1	CRB	184.72	-3.24%	-3.71%
iTraxx Australia	63	-1	-3	GSCI	414.64	-2.69%	-3.03%
CDX NA IG	52	0	-2	VIX	11.02	2.99%	11.43%
CDX NA HY	108	0	0	CT10 (bp)	2.342%	-6.77	2.75
iTraxx Eur Main	49	1	-2	USD Swap Spread 10Y (bp)	2	2	4
iTraxx Eur XO	235	5	8	USD Swap Spread 30Y (bp)	-20	3	6
iTraxx Eur Shr Fin	47	0	-5	TED Spread (bp)	23	3	1
iTraxx Sovx WE	4	0	0	US Libor-OIS Spread (bp)	12	1	2
iTraxx Sovx CEEMEA	45	-1	-5	Euro Libor-OIS Spread (bp)	2	1	-1
					7-Dec	1W chg	1M chg
				AUD/USD	0.755	-0.25%	-1.28%
				USD/CHF	0.990	-0.63%	1.01%
				EUR/USD	1.180	-0.87%	1.84%
				USD/SGD	1.348	-0.04%	1.17%
Korea 5Y CDS	58	0	-14	DJIA	24,141	0.84%	2.48%
China 5Y CDS	56	-1	-2	SPX	2,629	0.12%	1.49%
Malaysia 5Y CDS	64	1	-2	MSCI Asiax	681	-2.09%	-3.30%
Philippines 5Y CDS	64	1	-2	HSI	28,254	-3.16%	-2.55%
Indonesia 5Y CDS	95	2	-4	STI	3,406	-0.79%	-0.20%
Thailand 5Y CDS	48	1	-2	KLCI	1,721	0.04%	-1.70%
				JCI	6,022	-0.65%	-0.64%

Source: OCBC, Bloomberg

Table 2: Recent Asian New Issues

Date	Issuer	Ratings	Size	Tenor	Pricing
7-Dec-17	Qinghai Province General Aviation Group Co	Not Rated	USD300mn	363-day	6.00%
7-Dec-17	Chengdu Communications Investment Group Corporation Ltd	'NR/NR/BBB+'	USD300mn	10-year	CT10+245bps
7-Dec-17	ICBC London Branch	'NR/A1/NR'	USD600mn	3-year	3mL+77bps
7-Dec-17	ICBC London Branch	'NR/A1/NR'	USD300mn	5-year	3mL+87bps
5-Dec-17	Haitian (BVI) International Investment Development Ltd	'BBB-/NR/BBB+'	USD400mn	3-year	CT3+200bps
5-Dec-17	Indian Railway Finance Corporation Ltd	'BBB-/Baa2/NR'	USD500mn	10-year	CT10+145bps
5-Dec-17	Cheung Kong Infrastructure Finance (BVI) Ltd	'A-/NR/NR'	EUR500mn	7-year	MS+60bps
4-Dec-17	Republic of Indonesia	'BBB-/Baa3/BBB-'	USD1bn	5-year	3.00%
4-Dec-17	Republic of Indonesia	'BBB-/Baa3/BBB-'	USD1.25bn	10-year	3.55%
4-Dec-17	Republic of Indonesia	'BBB-/Baa3/BBB-'	USD1.75bn	30-year	4.40%

Source: OCBC, Bloomberg

Rating Changes (Cont'd): Moody's has upgraded Bank of America Corporation's (BAC) long-term issuer and senior unsecured rating to 'A3' from 'Baa1' and senior subordinate rating to 'Baa2' from 'Baa3'. At the same time, Moody's has upgraded BAC's principal bank subsidiary, Bank of America NA's (BANA) deposits and senior debt rating to 'Aa3' from 'A1' and BCA to 'Baa1' from 'Baa2'. The rating action reflects Moody's expectation that the improvement in BAC's profitability can be sustained, and that the commitment to a conservative risk profile will reduce the bank's earnings volatility going forward.

Credit Headlines:

Sembcorp Industries ("SCI") / Sembcorp Marine ("SMM"): SMM has announced that it secured a USD490mn (~SGD660mn) contract from Statoil Petroleum AS ("Statoil"). SMM will be providing turnkey Engineering, Procurement and Construction of Hull and Living Quarters for a newbuild FPSO vessel. The FPSO will be deployed at the Johan Castberg field development in the Barents Sea. The project is scheduled for completion in 1Q2020. Though the contract win is a credit positive, aiding to rebuild SMM's greatly depleted order book, it would not have a meaningful impact on near-term performance. (Company, OCBC)

Fraser and Neave Ltd ("FNN"): FNN announced that it has purchased an additional ~4.7mn shares in Vinamilk, increasing its stake in Vinamilk from 18.74% to 19.06%. We note that this is the first purchase by FNN in more than 6 months, with the previous purchase announced in May 2017. (Company, OCBC)

Andrew Wong

Treasury Research & Strategy
Global Treasury, OCBC Bank
(65) 6530 4736
wongVKAM@ocbc.com

Nick Wong Liang Mian, CFA

Treasury Research & Strategy
Global Treasury, OCBC Bank
(65) 6530 7348
NickWong@ocbc.com

Ezien Hoo, CFA

Treasury Research & Strategy
Global Treasury, OCBC Bank
(65) 6722 2215
EzienHoo@ocbc.com

Wong Hong Wei

Treasury Research & Strategy
Global Treasury, OCBC Bank
(65) 6722 2533
WongHongWei@ocbc.com

This publication is solely for information purposes only and may not be published, circulated, reproduced or distributed in whole or in part to any other person without our prior written consent. This publication should not be construed as an offer or solicitation for the subscription, purchase or sale of the securities/instruments mentioned herein. Any forecast on the economy, stock market, bond market and economic trends of the markets provided is not necessarily indicative of the future or likely performance of the securities/instruments. Whilst the information contained herein has been compiled from sources believed to be reliable and we have taken all reasonable care to ensure that the information contained in this publication is not untrue or misleading at the time of publication, we cannot guarantee and we make no representation as to its accuracy or completeness, and you should not act on it without first independently verifying its contents. The securities/instruments mentioned in this publication may not be suitable for investment by all investors. Any opinion or estimate contained in this report is subject to change without notice. We have not given any consideration to and we have not made any investigation of the investment objectives, financial situation or particular needs of the recipient or any class of persons, and accordingly, no warranty whatsoever is given and no liability whatsoever is accepted for any loss arising whether directly or indirectly as a result of the recipient or any class of persons acting on such information or opinion or estimate. This publication may cover a wide range of topics and is not intended to be a comprehensive study or to provide any recommendation or advice on personal investing or financial planning. Accordingly, they should not be relied on or treated as a substitute for specific advice concerning individual situations. Please seek advice from a financial adviser regarding the suitability of any investment product taking into account your specific investment objectives, financial situation or particular needs before you make a commitment to purchase the investment product. OCBC and/or its related and affiliated corporations may at any time make markets in the securities/instruments mentioned in this publication and together with their respective directors and officers, may have or take positions in the securities/instruments mentioned in this publication and may be engaged in purchasing or selling the same for themselves or their clients, and may also perform or seek to perform broking and other investment or securities-related services for the corporations whose securities are mentioned in this publication as well as other parties generally.

Co.Reg.no.:193200032W