

Jul 7, 2017

**Credit Headlines (Page 2 onwards):** ESR REIT, Sabana Shari'ah Compliant Industrial REIT, Sembcorp Industries/ Sembcorp Marine

**Market Commentary:** The SGD swap curve bear-steepened yesterday, with swap rates trading 1-3bps higher across all tenors. Flows in SGD corporates were heavy, with better buying seen in OLAMSP 5.5%-PERPs, HSBC 4.7%-PERPs, and mixed interest seen in LMRTSP 6.6%-PERPs. In the broader dollar space, the spread on JACI IG Corporates rose by 2bps to 186bps, while the yield on JACI HY Corporates fell by 1bps to 6.87%. 10y UST yields rose 4bps to 2.37% as hawkish ECB minutes spurred a global bond selloff.

**New Issues:** Sumitomo Mitsui Financial Group has priced a USD4.25bn three-tranche deal, with the USD2bn 5-year bond priced at CT5+85bps, tightening from initial guidance of CT5+105bps; the USD500mn 5-year bond priced at 3mL+78bps; and the USD1.75bn 10-year bond priced at CT10+100bps, tightening from initial guidance of CT10+125bps. The expected issue ratings are 'NR/A1/NR'. Longfor Properties Co Ltd has priced a USD450mn 5-year bond at CT5+205bps, tightening from initial guidance of CT5+235bps. The expected issue ratings are 'NR/NR/BBB-'. Commonwealth Bank of Australia has priced a USD1.5bn 30-year bond at CT30+103bps, tightening from initial guidance of CT30+120bps. SoftBank Group Corp has scheduled investor meetings for potential USD perpetuals issuance from 7 Jul. The expected issue ratings are 'B+/NR/NR'.

**Rating Changes:** Moody's has affirmed Mitsubishi Corporation's (Mitsubishi) issuer and senior unsecured debt ratings at 'A2' with a negative outlook. The rating action reflects Mitsubishi's volatile business profile due to its large investments in metals and energy commodities that causes its cash flow to be more variable than those of other Japanese trading companies. Moody's has affirmed ITOCHU Corporation's (ITOCHU) issuer rating at 'Baa1' while changing the outlook to positive from stable. The rating action reflects Moody's view that ITOCHU's cash flow has been more stable than those of other Japanese trading companies and the company appears poised to continue its recent deleveraging trend.

**Table 1: Key Financial Indicators**

	7-Jul	1W chg (bps)	1M chg (bps)		7-Jul	1W chg	1M chg
iTraxx Asiax IG	88	2	2	Brent Crude Spot (\$/bbl)	47.50	-0.88%	-1.17%
iTraxx SovX APAC	23	1	4	Gold Spot (\$/oz)	1,220.43	-1.71%	-5.18%
iTraxx Japan	41	1	0	CRB	174.43	2.02%	-0.67%
iTraxx Australia	84	0	-2	GSCI	371.31	2.40%	1.18%
CDX NA IG	62	2	1	VIX	12.54	25.02%	20.69%
CDX NA HY	107	0	-1	CT10 (bp)	2.380%	7.65	20.73
iTraxx Eur Main	56	0	-6	USD Swap Spread 10Y (bp)	-2	0	2
iTraxx Eur XO	254	7	5	USD Swap Spread 30Y (bp)	-30	0	13
iTraxx Eur Snr Fin	53	1	-15	TED Spread (bp)	27	-1	2
iTraxx Sovx WE	6	-1	-2	US Libor-OIS Spread (bp)	14	0	4
iTraxx Sovx CEEMEA	61	6	14	Euro Libor-OIS Spread (bp)	3	0	0
					<b>7-Jul</b>	<b>1W chg</b>	<b>1M chg</b>
				AUD/USD	0.758	-1.37%	0.46%
				USD/CHF	0.961	-0.28%	0.48%
				EUR/USD	1.142	-0.04%	1.46%
				USD/SGD	1.383	-0.50%	-0.04%
Korea 5Y CDS	60	8	7	DJIA	21,320	-0.63%	0.69%
China 5Y CDS	71	2	-2	SPX	2,410	-1.27%	-0.96%
Malaysia 5Y CDS	88	3	-5	MSCI Asiax	622	-0.51%	-0.70%
Philippines 5Y CDS	79	2	1	HSI	25,402	-1.41%	-2.20%
Indonesia 5Y CDS	122	4	1	STI	3,218	-0.26%	-0.39%
Thailand 5Y CDS	65	2	7	KLCI	1,765	0.09%	-1.16%
				JCI	5,850	0.53%	2.31%

Source: OCBC, Bloomberg

**Table 2: Recent Asian New Issues**

Date	Issuer	Ratings	Size	Tenor	Pricing
6-Jul-17	Sumitomo Mitsui Financial Group	'NR/A1/NR'	USD2bn	5-year	CT5+85bps
6-Jul-17	Sumitomo Mitsui Financial Group	'NR/A1/NR'	USD500mn	5-year	3mL+78bps
6-Jul-17	Sumitomo Mitsui Financial Group	'NR/A1/NR'	USD1.75bn	10-year	CT10+100bps
6-Jul-17	Longfor Properties Co Ltd	'NR/NR/BBB-'	USD450mn	5-year	CT5+205bps
6-Jul-17	Commonwealth Bank of Australia	Not Rated	USD1.5bn	30-year	CT30+103bps
5-Jul-17	Hindustan Petroleum Corp Ltd	'NR/Baa3/BBB-'	USD500mn	10-year	CT10+167.5bps
5-Jul-17	Shanghai Pudong Development Bank Co Ltd, Hong Kong branch	'BBB/NR/NR'	USD400mn	3-year	3mL+85bps
5-Jul-17	Shanghai Pudong Development Bank Co Ltd, Hong Kong branch	'BBB/NR/NR'	USD350mn	5-year	3mL+95bps

Source: OCBC, Bloomberg

## Credit Headlines:

**ESR REIT (formerly Cambridge REIT, “EREIT”):** EREIT has announced the proposed sale of 87 Defu Lane 10 Singapore for SGD17.5mn. As at 31 December 2016, the property was independently valued at SGD17.4mn and the building was purchased in 2006 for SGD14.8mn. The completion of the sale is subject to approval by the Housing & Development Board and is expected to take place in 3Q2017. The divestment is in line with EREIT’s strategy of divesting non-core assets. We estimate that aggregate leverage will rise to 39% (end-December 2016: 38%).

**Sabana Shari’ah Compliant Industrial REIT (“SSREIT”):** SSREIT has announced the termination of the proposed acquisition of 107 Eunos Avenue 3. The proposed acquisition was originally announced in December 2016 for SGD36.1mn. Following feedback from unitholders, SSREIT and the vendor of the properties, the parties have agreed to terminate the agreement. Thus far, two of the three proposed acquisitions announced in December 2016 has been terminated. SSREIT completed a rights issue in January 2017 which raised SGD80.2mn to fund the three acquisitions. SGD60mn (of the SGD80.2mn) was earlier used to repay debt originally due in August 2017, pending deployment for acquisitions. As it stands, such equity raised looks to be permanently deployed for debt repayment. We see it as a credit positive that SSREIT is no longer pursuing this acquisition. (Company, OCBC)

**Sembcorp Industries (“SCI”) / Sembcorp Marine (“SMM”):** SMM announced that it has again extended the standstill agreement it currently has with North Atlantic Drilling, with regards to the West Rigel semi-submersible drilling rig. The standstill agreement was first announced on 03/12/15, more than 18 months ago. The extension would be till 06/01/18. The West Rigel, with a contract value of ~USD568mn, was originally scheduled for delivery by 4Q2015, and had a balance of USD455mn due to SMM upon the delivery of the rig. The other terms remain the same. In the event that neither the employment of the rig is secured nor an alternative transaction is completed, SMM would enter into a JV with North Atlantic Drilling, with SMM owning 77% of the rig. It was reported previously that Transocean may be interested in acquiring the West Rigel, but since then there has been no further developments. (Company)

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Co.Reg.no.:193200032W