

July 23, 2018

**Credit Headlines:** Sembcorp Marine Ltd

## **Market Commentary**

- The SGD swap curve flattened last Friday, with swap rates for the shorter tenors trading around 1-2bps lower while the longer tenors traded 1-3bps lower.
- Flows in SGD corporates were heavy last Friday.
- The Bloomberg Barclays Asia USD IG Bond Index average OAS tightened 1bps to 144bps while the Bloomberg Barclays Asia USD HY Bond Index average OAS tightened 7bps to 524bps.
- Overall, 10Y UST yields rose 5bps to close at 2.89% on the back of mounting fears that US President Donald Trump's criticism on the rate hikes would encourage the Fed to slow down the pace of rate hikes and possibly contribute to an overheating economy.

## **Credit Headlines:**

### **Sembcorp Marine Ltd ("SMM") | Issuer Profile: Unrated**

- SMM (a 61%-owned subsidiary of Sembcorp Industries Ltd ("SCI"), Issuer profile: Neutral (4)) announced its 2Q2018 results. Revenue was up 150.8% y/y to SGD1.6bn mainly due to higher revenue recognition for rigs & floaters (2 jack-up rigs delivered to Borr Drilling) and sale of a semi-submersible rig, the West Rigel.
- In 2Q2018, SMM recognised a gross loss of SGD47.1mn (2Q2017 gross profit: SGD73.0mn) mainly due to the loss on the sale of the semi-submersible (loss of SGD27.0mn), lower overall business volume of rigs, floaters and offshore platforms).
- Cash flow from operations before taking into account of interest and tax was an outflow of SGD69.3mn against an outflow of SGD225.9mn in 2Q2017. In contrast, interest payments was SGD24.4mn, down 6.3% y/y. Investing outflows was SGD61.7mn while net repayment of debt was SGD4.8mn and dividends paid was SGD20.9mn. The cash gap at SMM was funded via the drawdown of existing cash balance. SMM begun the period with SGD1.02bn of cash though this had reduced to SGD848.0mn by 30 June 2018.
- As at 30 June 2018, resultant net gearing was higher at 1.3x versus 1.1x in the previous quarter. Total net orderbook was SGD4.15bn (excluding the Sete Brasil drillship contracts which are suspended).
- While global exploration and production capex has increased, the rig market which SMM has traditionally focused on remains oversupplied. We continue to see the Utilities segment as the main driver at SCI for the next 6 months. (Company, OCBC)

**Table 1: Key Financial Indicators**

	23-Jul	1W chg (bps)	1M chg (bps)
iTraxx Asiax IG	87	-1	2
iTraxx SovX APAC	13	0	-1
iTraxx Japan	55	1	6
iTraxx Australia	81	0	6
CDX NA IG	62	1	-5
CDX NA HY	107	0	0
iTraxx Eur Main	66	3	-7
iTraxx Eur XO	295	6	-18
iTraxx Eur Snr Fin	81	7	-6
iTraxx Sovx WE	25	0	-2
AUD/USD	0.743	0.09%	0.16%
EUR/USD	1.174	0.22%	0.28%
USD/SGD	1.361	0.06%	0.06%
China 5Y CDS	65	0	3
Malaysia 5Y CDS	93	-3	-14
Indonesia 5Y CDS	119	2	-17
Thailand 5Y CDS	46	2	-1

	23-Jul	1W chg	1M chg
Brent Crude Spot (\$/bbl)	73.18	1.87%	-3.14%
Gold Spot (\$/oz)	1,231.97	-0.72%	-2.66%
CRB	192.62	-0.57%	-2.49%
GSCI	457.58	-1.25%	-2.94%
VIX	12.86	5.58%	-6.61%
CT10 (bp)	2.893%	3.49	-0.18
USD Swap Spread 10Y (bp)	6	0	-1
USD Swap Spread 30Y (bp)	-6	-2	1
TED Spread (bp)	37	0	-4
US Libor-OIS Spread (bp)	35	-1	-5
Euro Libor-OIS Spread (bp)	4	0	0
DJIA	25,058	0.15%	1.94%
SPX	2,802	0.02%	1.70%
MSCI Asiax	667	-0.27%	-3.17%
HSI	28,224	-1.06%	-3.80%
STI	3,298	1.15%	0.32%
KLCI	1,755	1.90%	3.57%
JCI	5,873	-1.20%	0.88%

## New issues

- Export-Import Bank of China has priced a USD300mn 5-year bond at 3mL+70bps.
- Malayan Banking Bhd has priced a USD280mn 5-year bond at 3mL+90bps.
- Orient HuiZhi Ltd has priced a USD750mn 4.5-year bond at CT4+170bps.
- Weifang Urban Construction and Development Investment Group Co Ltd has scheduled for investor meetings from 23 July for its potential USD bond issuance.

<u>Date</u>	<u>Issuer</u>	<u>Size</u>	<u>Tenor</u>	<u>Pricing</u>
20-Jul-18	Export-Import Bank of China	USD300mn	5-year	3mL+70bps
20-Jul-18	Malayan Banking Bhd	USD280mn	5-year	3mL+90bps
19-Jul-18	Orient HuiZhi Ltd	USD750mn	4.5-year	CT4+170bps
19-Jul-18	Agile Group Holdings Ltd (re-tap)	USD400mn	AGILE 8.50%'21s	100
19-Jul-18	SF Holding Investment Ltd	USD500mn	5-year	CT5+140bps
19-Jul-18	Export-Import Bank of China	USD200mn	3-year	3mL+60bps
18-Jul-18	Korea Hydro & Nuclear Power Co Ltd	USD600mn	5-year	CT5+112.5bps
18-Jul-18	Industrial & Commercial Bank of China Ltd/Hong Kong	USD150mn	2-year	3mL+70bps
17-Jul-18	United Overseas Bank Ltd	AUD600mn	3.5-year	3mBBSW+81bps
17-Jul-18	Housing and Development Board	SGD700mn	5-year	2.42%
17-Jul-18	Mitsubishi UFJ Financial Group Inc	USD750mn	3-year	CT3+85bps
17-Jul-18	Mitsubishi UFJ Financial Group Inc	USD750mn	3-year	3mL+65bps
17-Jul-18	Mitsubishi UFJ Financial Group Inc	USD1bn	5-year	CT5+100bps
17-Jul-18	Mitsubishi UFJ Financial Group Inc	USD800mn	5-year	3mL+86bps
17-Jul-18	Mitsubishi UFJ Financial Group Inc	USD500mn	20-year	CT20+132bps
17-Jul-18	Mitsubishi UFJ Financial Group Inc (re-tap)	USD800mn	MUFG 3.961%'28s	CT10+120bps

Source: OCBC, Bloomberg

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