

July 6, 2018

Credit Headlines: Sembcorp Industries Ltd, Industry Outlook – Singapore Property

Market Commentary

- The SGD swap curve was lower yesterday, with swap rates for the shorter tenors trading 2-3bps lower while the longer tenors traded 2bps lower (with the exception of the 12-year swap rates trading 3bps lower).
- Flows in SGD corporates were moderate yesterday, with better buying seen in UOBSP 3.50%'29s.
- The Bloomberg Barclays Asia USD IG Bond Index average OAS widened 2bps to 149bps while the Bloomberg Barclays Asia USD HY Bond Index average OAS widened 19bps to 551bps.
- 10Y UST yields rose 2bps to 2.86% as the release of the Fed's minutes hinted at the probability of raising short-term interest rates twice more in 2018. Yields subsequently tumbled 4bps to 2.82% as the ADP National Employment Report came in weaker than expected. 10Y UST yields recovered 1bps towards the end of the trading session to close at 2.83%.

Credit Headlines:

Sembcorp Industries Ltd ("SCI") | Issuer Profile: Neutral (4)

- SCI announced that it will be redeeming the SGD200mn 5.0% subordinated perpetual securities (SCISP 5.0%-PERP) on 21 August 2018 (the first call date). This is in line with our call in October 2017 which was reiterated in March 2018. We viewed the [call likelihood to be high](#) given significant compression in yield spreads after issuance.
- Credit and administrative issues aside, we have yet to see a SGD-perpetual miss their first call dates due to cost of funding reasons. Depending on interest rate trajectory, this may change going forward as issuers start prioritizing the benefits from lower cost long-term funding.
- The SCISP 3.7%-PERP with a first call date in June 2020 remains vulnerable to non-call risk in our view. If the perpetual is not called in June 2020, first reset date will occur two years later in June 2022, with a step-up margin of only 100 bps. Currently, we do not think this will be led by credit issues and we are comfortable maintaining SCI at an issuer profile of Neutral (4). (Company, OCBC)

Industry Outlook – Singapore Property

- Further to [yesterday's headline](#), the government last night announced the raising of the Additional Buyer's Stamp Duty and tightening of the loan to value ratio.
- Measures are directed largely towards second, third and subsequent timer buyers and foreigners as well as developers which looks to be a move to curb the enbloc 'euphoria'.
- The cooling measures are not surprising as we had mentioned in [our publication in early May](#) that the government will act, given the strong growth in Singapore property prices.
- We are currently updating our sector and issuer views and will publish a more detailed comment on the announcement shortly.

Table 1: Key Financial Indicators

| | 6-Jul | 1W chg (bps) | 1M chg (bps) |
|--------------------|-------|--------------|--------------|
| iTraxx Asiax IG | 95 | 3 | 18 |
| iTraxx SovX APAC | 15 | 0 | 2 |
| iTraxx Japan | 57 | 2 | 15 |
| iTraxx Australia | 85 | 5 | 15 |
| CDX NA IG | 66 | -2 | 2 |
| CDX NA HY | 106 | 0 | -1 |
| iTraxx Eur Main | 71 | -2 | 2 |
| iTraxx Eur XO | 311 | -9 | 10 |
| iTraxx Eur Snr Fin | 85 | -5 | 3 |
| iTraxx Sovx WE | 25 | 0 | -3 |
| AUD/USD | 0.740 | -0.14% | -3.55% |
| EUR/USD | 1.169 | 0.08% | -0.69% |
| USD/SGD | 1.365 | -0.15% | -2.35% |
| China 5Y CDS | 70 | 3 | 15 |
| Malaysia 5Y CDS | 106 | -1 | 11 |
| Indonesia 5Y CDS | 133 | -3 | 7 |
| Thailand 5Y CDS | 49 | 0 | 4 |

| | 6-Jul | 1W chg | 1M chg |
|----------------------------|----------|---------|--------|
| Brent Crude Spot (\$/bbl) | 77.45 | -2.51% | 2.77% |
| Gold Spot (\$/oz) | 1,257.84 | 0.42% | -2.97% |
| CRB | 196.21 | -1.38% | -1.41% |
| GSCI | 478.61 | -0.54% | 1.56% |
| VIX | 14.97 | -16.42% | 28.61% |
| CT10 (bp) | 2.835% | -2.56 | -13.72 |
| USD Swap Spread 10Y (bp) | 8 | 1 | 3 |
| USD Swap Spread 30Y (bp) | -4 | 2 | 4 |
| TED Spread (bp) | 38 | -4 | -2 |
| US Libor-OIS Spread (bp) | 39 | -1 | -2 |
| Euro Libor-OIS Spread (bp) | 4 | 0 | 0 |
| DJIA | 24,357 | 0.99% | -3.14% |
| SPX | 2,737 | 1.37% | -1.29% |
| MSCI Asiax | 658 | -2.18% | -9.83% |
| HSI | 28,182 | -0.61% | -9.84% |
| STI | 3,257 | -0.03% | -6.09% |
| KLCI | 1,691 | 1.50% | -4.87% |
| JCI | 5,739 | 1.27% | -5.44% |

New issues

- CCBL Cayman 1 Corp Ltd has priced a USD400mn 5-year bond (guaranteed by CCB Leasing International Corp Designated Activity Co Ltd, keepwell provider: CCB Financial Leasing Corp Ltd) at 3mL+125bps, tightening from its initial price guidance of 3mL+145bps area.

| Date | Issuer | Size | Tenor | Pricing |
|-----------|--------------------------------------|-----------|---------------|-------------------------|
| 5-Jul-18 | CCBL Cayman 1 Corp Ltd | USD400mn | 5-year | 3mL+125bps |
| 3-Jul-18 | New Dian Group Pte Ltd | USD100mn | 2-year | 7.50% |
| 27-Jun-18 | CapitaLand Retail China Trust | SGD130mn | 4-year | 3.25% |
| 27-Jun-18 | Korea National Oil Corp | USD400mn | 5-year | 3mL+87.5bps |
| 26-Jun-18 | Huarong Finance 2017 Co Ltd (re-tap) | USD150mn | HRAM 4.75%'27 | 95.941+accrued interest |
| 26-Jun-18 | Huarong Finance 2017 Co Ltd | USD550mn | 5-year | 3mL+132.5bps |
| 26-Jun-18 | Huarong Finance 2017 Co Ltd | USD400mn | 3-year | 3mL+117.5bps |
| 25-Jun-18 | Far East Horizon Ltd | USD400mn | 3-year | 3mL+200bps |
| 21-Jun-18 | Agile Group Holdings Ltd | USD100mn | Perp NC3 | 8.55% |
| 21-Jun-18 | Horse Gallop Finance Ltd | USD700mn | 3-year | 3mL+118bps |
| 21-Jun-18 | Zhenro Properties Group Ltd | USD250mn | 2-year | 11.5% |
| 20-Jun-18 | Guangsha Holding Group Co Ltd | USD300mn | 364-day | 7.0% |
| 20-Jun-18 | GS Caltex Corp | USD300mn | 5-year | CT5+120bps |
| 19-Jun-18 | Korea Development Bank | CNH1.75bn | 3-year | 4.6% |
| 19-Jun-18 | Greenland Hong Kong Holdings Ltd | USD200mn | 364-day | 7.875% |
| 15-Jun-18 | Greenland Global Investment Ltd | USD250mn | 3.25-year | 3mL+485bps |
| 14-Jun-18 | CFLD Cayman Investment Ltd | USD200mn | 3-year | 9.0% |

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