

November 16, 2016

**Credit Headlines (Page 2 onwards):** Sembcorp Industries ("SCI") / Sembcorp Marine ("SMM")

**Market Commentary:** The SGD swap curve traded downwards yesterday with swap rates traded 1-4bps lower across all tenors. Flows in the SGD corporates were moderate with better buying seen in SOCGEN 4.3%'26s and mixed interests seen in GENSSP 5.13%'49s, FRESHK 4.25%'17s and ABNANV 4.7%'22s. In the broader dollar space, the spread on JACI IG corporates was steady at 202bps while the yield on JACI HY corporates decreased 6bps to 6.87%. 10y UST's sell-off halted for the first time since the presidential election, with yields down 3bps to 2.22%.

**New Issues:** Housing & Development Board has priced a SGD900mn 5-year bond at 2.22% with expected issue ratings of "NR/Aaa/NR". Doosan Infracore Co. has priced a USD300mn 3-year bond at CT3+115bps, tightening from its initial price guidance at CT3+125bps with expected issue ratings of "AA/NR/NR". China Huarong Asset Management Co. Ltd. has priced a 3-tranche deal with the USD1bn 3-year bond priced at CT3+170bps, USD1.35bn 5-year bond priced at CT5+200bps and the USD650mn 10-year bond priced at CT10+270bps. The expected issue ratings are "BBB+/NR/A". Yancheng Oriental Investment & Development Group Co. priced a USD300mn 3-year bond at 5.4% at a re-offer price of 99.316, tightening from its initial guidance at 5.5% and with expected issue ratings of "NR/NR/BB+". Westpac Banking Corporation priced a USD1.5bn 15NC10 Tier-2 bond at CT15+210bps, tightening from its initial guidance at CT15+237.5bps, and with expected issue ratings of "BBB+/A3/A+". Yanlord Land (HK) Co. has scheduled investor meetings in Singapore and Hong Kong for a potential USD bond with expected issue ratings of "BB-/Ba3/NR". Shandong Ruyi Technology Group Co. Ltd. has scheduled investor road shows from 16 November onwards for a potential USD bond issue with expected issue ratings of "B-/B3/NR". Chengdu Xingcheng Investment Group Co. Ltd. has scheduled investor road shows from 16 November for a potential USD bond issue.

**Table 1: Key Financial Indicators**

	16-Nov	1W chg (bps)	1M chg (bps)		16-Nov	1W chg	1M chg
iTraxx Asiax IG	125	6	7	Brent Crude Spot (\$/bbl)	46.95	1.98%	-9.62%
iTraxx SovX APAC	43	6	8	Gold Spot (\$/oz)	1,227.51	-3.95%	-2.26%
iTraxx Japan	57	-2	2	CRB	183.08	-0.23%	-3.37%
iTraxx Australia	110	4	5	GSCI	359.36	1.33%	-4.33%
CDX NA IG	74	-1	-2	VIX	13.37	-28.54%	-17.06%
CDX NA HY	104	0	0	CT10 (bp)	2.224%	16.71	42.65
iTraxx Eur Main	77	4	4	USD Swap Spread 10Y (bp)	-14	-1	3
iTraxx Eur XO	340	12	4	USD Swap Spread 30Y (bp)	-55	0	1
iTraxx Eur Snr Fin	101	4	1	TED Spread (bp)	40	-9	-19
iTraxx Sovx WE	21	1	1	US Libor-OIS Spread (bp)	36	0	-5
iTraxx Sovx CEEMEA	103	12	8	Euro Libor-OIS Spread (bp)	4	0	0
					16-Nov	1W chg	1M chg
				AUD/USD	0.755	-1.09%	-1.01%
				USD/CHF	1.002	-1.73%	-1.28%
				EUR/USD	1.072	-1.72%	-2.53%
				USD/SGD	1.414	-1.07%	-1.77%
Korea 5Y CDS	50	4	9	DJIA	18,923	3.22%	4.33%
China 5Y CDS	116	7	8	SPX	2,180	1.91%	2.22%
Malaysia 5Y CDS	154	26	30	MSCI Asiax	514	-2.83%	-5.52%
Philippines 5Y CDS	125	10	5	HSI	22,324	-2.56%	-3.91%
Indonesia 5Y CDS	178	18	24	STI	2,798	-0.80%	-0.63%
Thailand 5Y CDS	93	0	-7	KLCI	1,631	-2.00%	-1.71%
				JCI	5,079	-7.17%	-5.95%

Source: OCBC, Bloomberg

**Table 2: Recent Asian New Issues**

Date	Issuer	Ratings	Size	Tenor	Pricing
15-Nov-16	Housing & Development Board	"NR/Aaa/NR"	SGD900mn	5-year	2.2%
15-Nov-16	Doosan Infracore Co.	"AA/NR/NR"	USD300mn	3-year	CT3+115bps
15-Nov-16	China Huarong Asset Management	"BBB+/NR/A"	USD1bn	5-year	CT3+170bps
15-Nov-16	China Huarong Asset Management	"BBB+/NR/A"	USD1.35bn	10-year	CT5+200bps
15-Nov-16	China Huarong Asset Management	"BBB+/NR/A"	USD650mn	3-year	CT10+270bps
15-Nov-16	Yancheng Oriental Inv. & Dev.	"NR/NR/BB+"	USD300mn	3-year	5.4%
15-Nov-16	Westpac Banking Corp.	"BBB+/A3/A+"	USD1.5bn	10NC10	CT15+210bps
14-Nov-16	Jiangsu Hanrui Investment (Re-Tap)	"NR/NR/BB+"	USD190mn	3-year	5.3%
10-Nov-16	Gansu Provincial Highway	"BBB-/NR/BBB-"	USD500mn	3-year	CT3+195bps

Source: OCBC, Bloomberg

**Rating Changes:** S&P assigned a “B” corporate credit rating to Shandong Ruyi Technology Group Co. Ltd. (Ruyi) with a stable outlook. The rating on Ruyi reflects the company’s operations in China’s highly competitive and fragmented textile industry that is exposed to volatile commodity prices. Additionally, Ruyi has weaker profitability than its international peers and S&P expects the company’s financial leverage to remain high due to its aggressive debt-funded expansion appetite. Moody’s similarly assigned a “B2” rating to Ruyi with a stable outlook.

## **Credit Headlines:**

**Sembcorp Industries (“SCI”) / Sembcorp Marine (“SMM”):** SMM has announced that it has divested its 30% equity interest in Cosco Shipyard Group (“CSG”). The acquirer is China Ocean Shipping (Group) Company (“COSCO”). SMM had previously acquired the 30% stake in CSG in 2004, and now no longer considers CSG as a strategic investment. The aggregate consideration for the transaction is RMB1059.2mn (~SGD220.7mn), with SMM expecting to book a divestment gain of SGD48.3mn. There are certain conditions precedent with regards to approvals by the relevant Chinese authorities, to be completed by 31/12/16. Post the divestment, SMM’s exposure to CSG would cease, except for SMM’s 5.0% stake in Cosco Corporation (Singapore) Ltd (COSCO is the largest shareholder at 53.4%), which has a 51% equity interest in CSG. In our view, CSG had been a drag on SCI / SMM’s P&L, with CSG reporting losses for the last few quarters. The divestment would help curb losses contributed from JV / Associates. In aggregate though, the impact on SCI’s balance sheet is minimal. As such, we will retain our Neutral Issuer Profile rating on SCI. (Company, OCBC)

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