

Jun 15, 2017

Credit Headlines (Page 2 onwards): Sembcorp Industries Ltd., Cambridge Industrial Trust

Market Commentary: The SGD swap curve traded downwards yesterday, with swap rates trading 3-4bps lower across all tenors. Flows in SGD corporates were heavy, with better buying seen in HSBC 4.7%-PERPs, STHSP 3.95%-PERPs, GALVSP 7%'18s, mixed interest seen in LMRTSP 6.6%-PERPs. In the broader dollar space, the spread on JACI IG corporates changed little at 198bps, while the yield on JACI HY corporates fell 1bps to 6.79%. 10y UST yields plunged 9bps yesterday to 2.13%; falling in early sessions after soft CPI and retail sales data, but held onto lower yields despite US Federal Reserve Chairwoman Yellen's hawkish tone during the FOMC press conference.

New Issues: Sembcorp Industries Ltd priced a SGD200mn Perp NC3 at 3.7%, tightening from earlier price guidance of 4% area. China Three Gorges Finance II (Cayman Islands) Ltd. priced a EUR650mn 7-year bond (guaranteed by China Three Gorges Corporation) at MS+93bps, tightening from initial guidance of MS+110bps area. The expected issue ratings are 'NR/A1/A+'. China Eximbank plans to issue up to USD2-4bn worth of bonds in the second half of this year.

Rating Changes: S&P assigned Bank of Chongqing Co. Ltd (BoCQ) a 'BBB-' long-term issuer credit rating. The outlook on the rating is stable. The rating action reflects S&P's view that the government-related entity will continue to benefit from an established franchise in Chongqing, particularly in lending to corporates and small and midsize enterprises (SMEs). Moody's downgraded Nord Anglia Education Inc's (NAE) corporate family rating (CFR) and the the senior secured ratings of rated debt instruments to 'B2' from 'B1'. Moody's also assigned a 'B1' senior secured rating to the term loan, issued by Fugue Finance B.V. and guaranteed by Bach Finance Limited and NAE (both companies will merge with NAE as the surviving entity). The ratings outlook is stable. The rating action reflects the significant increase in the company's financial leverage, after the completion of a debt-funded buyout.

Table 1: Key Financial Indicators

	15-Jun	1W chg (bps)	1M chg (bps)		15-Jun	1W chg	1M chg
iTraxx Asiax IG	82	-4	-8	Brent Crude Spot (\$/bbl)	46.98	-1.84%	-9.34%
iTraxx Sovx APAC	17	-1	-4	Gold Spot (\$/oz)	1,265.81	-0.95%	2.84%
iTraxx Japan	40	-1	-3	CRB	173.02	-1.47%	-5.32%
iTraxx Australia	82	-3	1	GSCI	362.06	-1.34%	-5.38%
CDX NA IG	59	-2	-3	VIX	10.64	2.41%	2.11%
CDX NA HY	108	0	0	CT10 (bp)	2.134%	-5.43	-20.91
iTraxx Eur Main	57	-4	-6	USD Swap Spread 10Y (bp)	-2	2	7
iTraxx Eur XO	235	-10	-18	USD Swap Spread 30Y (bp)	-37	5	11
iTraxx Eur Snr Fin	62	-5	-6	TED Spread (bp)	26	2	-5
iTraxx Sovx WE	7	-1	-2	US Libor-OIS Spread (bp)	9	0	-5
iTraxx Sovx CEEMEA	48	0	0	Euro Libor-OIS Spread (bp)	3	0	0
					15-Jun	1W chg	1M chg
				AUD/USD	0.763	1.03%	2.86%
				USD/CHF	0.971	-0.38%	2.65%
				EUR/USD	1.122	0.07%	2.25%
				USD/SGD	1.376	0.47%	1.62%
Korea 5Y CDS	49	-4	-9	DJIA	21,375	0.95%	1.87%
China 5Y CDS	64	-8	-15	SPX	2,438	0.20%	1.48%
Malaysia 5Y CDS	80	-12	-23	MSCI Asiax	625	-0.78%	2.27%
Philippines 5Y CDS	70	-7	-7	HSI	25,772	-1.12%	1.58%
Indonesia 5Y CDS	110	-10	-20	STI	3,234	-0.10%	-0.93%
Thailand 5Y CDS	57	0	1	KLCI	1,793	0.38%	0.79%
				JCI	5,793	1.32%	1.83%

Source: OCBC, Bloomberg

Table 2: Recent Asian New Issues

Date	Issuer	Ratings	Size	Tenor	Pricing
14-Jun-17	Sembcorp Industries Ltd	Not Rated	SGD200mn	Perp NC3	3.7%
14-Jun-17	China Three Gorges Finance II (Cayman Islands) Ltd	"NR/A1/A+"	EUR650mn	7-year	MS+93bps
13-Jun-17	Marble II Pte. Ltd.	Not Rated	USD500mn	5NC2	5.3%
12-Jun-17	Lippo Malls Indonesia Retail Trust	Not Rated	SGD120mn	Perp NC5.5	6.6%
12-Jun-17	Korea East-West Power Co. Ltd	"NR/Aa2/AA-"	USD500mn	5-year	CT5+102.5bps
12-Jun-17	Shui On Development (Holding) Ltd.	Not Rated	USD600mn	Perp NC5	6.4%
12-Jun-17	PT Japfa Comfeed Indonesia Tbk (re-tap)	"BB-/NR/BB-"	USD100mn	JPFAJ 5.5%'22s	100.25
8-Jun-17	GLL IHT Pte. Ltd.	Not Rated	SGD170mn	5-year	3.85%
8-Jun-17	AMTD Group Company Ltd	Not Rated	USD200mn	Perp NC3	7.625%

Source: OCBC, Bloomberg

Rating Changes (cont'd): S&P also affirmed NAE's long-term corporate credit rating and long-term issue rating on NAE's guaranteed loans, notes, and revolving credit facility at 'B'. In addition, S&P removed all the ratings from CreditWatch with negative implications. Fitch upgraded China-based chemicals manufacturer Wanhua Chemical Group Co., Ltd's (Wanhua Chemical) Long-Term Foreign- and Local-Currency Issuer Default Ratings (IDRs) and the company's senior unsecured rating to 'BBB' from 'BBB-'. The rating action reflects the significant improvement in Wanhua Chemical's financial profile and business diversification, following the successful ramp-up of its Yantai operation.

Credit Headlines:

Sembcorp Industries Ltd. ("SCI"): SCI had priced a SGD200mn perpetual NC3, paying 3.7% and resetting at 5Y SDSW + 292bps on the 5th year. Use of proceeds was stated as refinancing existing debt or perpetual securities, and/or for working capital. Assuming that the proceeds are used to reduce debt, we estimate that it would reduce pro-forma 1Q2017 net gearing from 94% currently to 89%. We are currently holding SCI's Issuer Profile at Neutral. (Company, OCBC)

Cambridge Industrial Trust ("CREIT"): CREIT announced the divestment of its remaining leasehold interest in 23 Woodlands Terrace Singapore for SGD17.7mn (not including divestment costs and applicable tax). This is slightly above the current book value of SGD17.2mn for the property. Located within the JTC Woodlands East Industrial Estate, the 4-storey industrial building has a gross floor area of approximately 124,425 square feet with a leasehold of around 39 years and represents around 1.5% of CREIT's total gross floor area. CREIT has stated multiple potential uses for the sale proceeds including debt repayment, acquisition opportunities, asset enhancement initiatives and/or for working capital. Assuming that the proceeds are used to pay down debt then we expect aggregate leverage to improve marginally from 37.8% as at 31 March 2017 to around 37%. Sale completion is subject to approval by JTC Corporation and is expected to conclude by the end of 2017. We maintain CREIT's issuer profile at Neutral. (Company, OCBC)

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