

June 1, 2018

Credit Headlines: Sembcorp Industries Ltd

Market Commentary

- The SGD swap curve steepened, with swap rates for the shorter tenors trading 2bps lower while the longer tenors traded 1bp lower.
- Flows in SGD corporates were moderate yesterday.
- The Bloomberg Barclays Asia USD IG Bond Index average OAS was unchanged at 138bps and the Bloomberg Barclays Asia USD HY Bond Index average OAS widened 28bps to 469bps.
- 10Y UST yields rose 4bps to 2.88% initially on the back of solid U.S consumer spending and initial jobless claims as well as Italy's populist formation of a coalition government. 10Y UST yield subsequently retraced to close at 2.86% due to the US announcing that tariffs will be slapped on steel and aluminium imports from EU, Canada and Mexico.

Credit Headlines

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

- SCI has completed the acquisition of UK Power Reserve ("UKPR"). UKPR is the largest generator of flexible distributed energy operating in 32 locations across England and Wales, with 533 MW in operation and a further 480 MW in construction and under development. Reportedly, the UKPR asset had been acquired for GBP216mn (~SGD385mn) from private equity investors Inflexion and Equistone. As at 31 March 2018, net gearing at SCISP was 0.89x with cash balance at SGD2.23bn against SGD1.81bn of short term debt. Assuming that cash was drawdown for the funding, net gearing at SCISP may have increased to at least 0.94x.
- For now, we are keeping SCI's issuer profile at Neutral (4)

Table 1: Key Financial Indicators

	1-Jun	1W chg (bps)	1M chg (bps)
iTraxx Asiax IG	78	2	3
iTraxx SovX APAC	12	--	0
iTraxx Japan	52	2	4
iTraxx Australia	69	3	4
CDX NA IG	67	4	6
CDX NA HY	106	0	-1
iTraxx Eur Main	70	4	15
iTraxx Eur XO	307	9	34
iTraxx Eur Snr Fin	87	11	28
iTraxx Sovx WE	28	3	11
AUD/USD	0.756	0.16%	0.93%
EUR/USD	1.169	0.32%	-2.54%
USD/SGD	1.339	0.25%	-0.38%
China 5Y CDS	56	1	-2
Malaysia 5Y CDS	91	7	18
Indonesia 5Y CDS	122	4	16
Thailand 5Y CDS	45	1	2

Source: OCBC, Bloomberg

	1-Jun	1W chg	1M chg
Brent Crude Spot (\$/bbl)	77.74	1.70%	6.30%
Gold Spot (\$/oz)	1,298.92	-0.26%	-0.38%
CRB	202.84	-1.71%	0.79%
GSCI	481.43	-2.76%	2.23%
VIX	15.43	22.66%	-0.39%
CT10 (bp)	2.860%	-7.09	-10.40
USD Swap Spread 10Y (bp)	5	1	2
USD Swap Spread 30Y (bp)	-9	1	2
TED Spread (bp)	40	-3	-16
US Libor-OIS Spread (bp)	42	-2	-10
Euro Libor-OIS Spread (bp)	3	-1	0
DJIA	24,416	-1.89%	1.31%
SPX	2,705	-1.03%	1.90%
MSCI Asiax	709	-0.89%	-1.67%
HSI	30,469	-0.95%	-1.10%
STI	3,428	-1.95%	-5.14%
KLCI	1,741	-5.66%	-6.59%
JCI	5,984	3.31%	-0.18%

New issues

- Korea Western Power Co Ltd has priced a USD300mn 5-year bond at CT5+112.5bps, tightening from its initial price guidance of CT5+140bps area.
- Full Dragon Hong Kong International Development Ltd has priced a USD100mn re-tap of its ZHANLO 5.6%'21 bond (guaranteed by Fujian Zhanglong Group Co Ltd) at 6.5%, in line with its initial price guidance.
- Bank of China Ltd has priced a USD1bn deal across two-tranches, with the USD500mn 3-year FRN priced at 3mL+73bps, tightening from its initial price guidance of 3mL+100bps area and the USD500mn 5-year FRN priced at 3mL+83bps, tightening from its initial price guidance of 3mL+110bps area.
- NongHyup Bank has hired banks for its potential USD bond issuance.
- Hainan Airlines (Hong Kong) Co Ltd has scheduled for investors meetings from 1 Jun for its potential USD bond issuance (guaranteed by Hainan Airlines Holding Co Ltd).
- Guorui Properties Ltd has proposed to issue USD senior notes.
- DBS Group holdings Ltd is said to consider selling USD Tier 2 bonds (15NC10 or 10NC5) next week.
- China Construction Bank Corp has hired banks for its potential USD bond issuance.

<u>Date</u>	<u>Issuer</u>	<u>Size</u>	<u>Tenor</u>	<u>Pricing</u>
31-May-18	Bank of China Ltd	USD500mn	5-year	3mL+83bps
31-May-18	Bank of China Ltd	USD500mn	3-year	3mL+73bps
31-May-18	Full Dragon Hong Kong International Development Ltd (re-tap)	USD100mn	ZHANLO 5.6%'21	97.8+ accrued interest
31-May-18	Korea Western Power Co Ltd	USD300mn	5-year	CT5+112.5bps
30-May-18	Fuxiang Investment Management Ltd	USD250mn	363-day	5.1%
28-May-18	Central China Real Estate Ltd (re-tap)	USD86mn	CENCHI 6.875%'20s	7.30%
28-May-18	China South City Holdings Ltd (re-tap)	USD100mn	CSCHCN 10.875%'20s	11%
28-May-18	Times China Holdings Ltd	USD450mn	3NC2	7.85%
24-May-18	Tokyo Metropolitan Government	USD500mn	5-year	MS+42bps
24-May-18	China Overseas Grand Oceans Finance IV Cayman Ltd	USD500mn	3-year	CT3+225bps
24-May-18	Housing & Development Board	SGD500mn	12-year	3.08%
23-May-18	QNB Finance Ltd	CNH600mn	3-year	5.2%

Source: OCBC, Bloomberg

Andrew Wong

Treasury Research & Strategy
Global Treasury, OCBC Bank
(65) 6530 4736
wongVKAM@ocbc.com

Ezien Hoo, CFA

Treasury Research & Strategy
Global Treasury, OCBC Bank
(65) 6722 2215
EzienHoo@ocbc.com

Wong Hong Wei

Treasury Research & Strategy
Global Treasury, OCBC Bank
(65) 6722 2533
WongHongWei@ocbc.com

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