

June 14, 2018

Credit Headlines: Keppel Corp

Market Commentary

- The SGD swap curve flattened yesterday, with swap rates for the shorter tenors trading 1bps lower while the longer tenors traded 1-2bps lower.
- Flows in SGD corporates were moderate yesterday.
- The Bloomberg Barclays Asia USD IG Bond Index average OAS was unchanged at 138bps while the Bloomberg Barclays Asia USD HY Bond Index average OAS tightened 3bps to 447bps.
- 10Y UST yields traded volatile yesterday with yields rising sharply by 5bps in the later part of the trading session after the Federal Reserve raised interest rates as expected, and signalled two more hikes this year on the back of higher inflation . However, yields subsequently fell 4bps after hitting the key 3% handle, to close at 2.97%.

Credit Headlines:

Keppel Corp (“KEP”) | Issuer Profile: Neutral (3)

- KEP has announced the delivery of a second jack up rig to Borr Drilling Ltd (“BORR”). This follows KEP’s first delivery to BORR in January and is under KEP’s first agreement with BORR to deliver 5 jack ups, which were previously commissioned by Transocean. BORR subsequently took over the contracts for construction and delivery in 2013.
- To recap, KEP has agreements in place to deliver a total of 10 rigs to BORR under two separate agreements to deliver 5 rigs each. The first agreement signed in March 2017 was for a total of USD1.1bn and valued each rig at USD216mn with the first three rigs scheduled for delivery between 2017 and 2018, and the remaining two rigs to be delivered in 2020.
- Similar to the first arrangement, the second agreement that was executed in May 2018 also includes rigs previously built for other customers. Two were originally built for Grupo R (the Cantarell V and Paraiso II rigs) and one was for Falcon Energy. The balance two rigs were speculative rigs without orders that were built on anticipated demand. Total contract value of USD745mn equates to rig values of USD149mn each. These rigs are scheduled to be delivered between 4Q2019 and 4Q2020. (refer to [OCBC Asian Credit Daily \(17 May\)](#) and [OCBC Asian Credit Daily \(16 May\)](#)). (OCBC, Company)

Table 1: Key Financial Indicators

	14-Jun	1W chg (bps)	1M chg (bps)
iTraxx Asiax IG	77	0	3
iTraxx SovX APAC	13	0	1
iTraxx Japan	51	0	6
iTraxx Australia	70	1	6
CDX NA IG	64	-3	4
CDX NA HY	107	0	0
iTraxx Eur Main	69	-5	15
iTraxx Eur XO	299	-10	31
iTraxx Eur Snr Fin	81	-6	24
iTraxx Sovx WE	25	-3	7
AUD/USD	0.757	-0.76%	0.53%
EUR/USD	1.180	-0.03%	-1.10%
USD/SGD	1.336	-0.13%	0.03%
China 5Y CDS	56	0	-2
Malaysia 5Y CDS	98	4	14
Indonesia 5Y CDS	128	2	15
Thailand 5Y CDS	44	0	0

Source: OCBC, Bloomberg

	14-Jun	1W chg	1M chg
Brent Crude Spot (\$/bbl)	76.45	-1.13%	-2.28%
Gold Spot (\$/oz)	1,299.16	0.15%	-1.09%
CRB	200.09	0.54%	-1.83%
GSCI	478.02	1.43%	-1.79%
VIX	12.94	11.17%	0.08%
CT10 (bp)	2.968%	4.78	-3.42
USD Swap Spread 10Y (bp)	7	1	4
USD Swap Spread 30Y (bp)	-5	2	4
TED Spread (bp)	43	4	-2
US Libor-OIS Spread (bp)	42	0	-3
Euro Libor-OIS Spread (bp)	4	0	1
DJIA	25,201	0.22%	1.21%
SPX	2,776	0.12%	1.67%
MSCI Asiax	721	-1.47%	-1.04%
HSI	30,725	-1.71%	-2.59%
STI	3,393	-2.17%	-4.77%
KLCI	1,764	-0.76%	-4.69%
JCI	5,994	0.17%	0.62%

New issues

- Industrial & Commercial Bank of China Asia Ltd has priced a USD400mn deal across two-tranches, with the USD200mn 3-year FRN priced at 3mL+75bps, tightening from its initial price guidance of 3mL+100bps area and the USD200mn 5-year FRN priced at 3mL+85bps, tightening from its initial price guidance of 3mL+110bps area.
- Industrial & Commercial Bank of China Asia Ltd also priced a HKD2.6bn 2-year green bond at 3.0%, tightening from its initial price guidance of 3.25%.

Date	Issuer	Size	Tenor	Pricing
13-June-18	Industrial & Commercial Bank of China Asia Ltd	HKD2.6bn	2-year	3.0%
13-June-18	Industrial & Commercial Bank of China Asia Ltd	USD200mn	5-year	3mL+85bps
13-June-18	Industrial & Commercial Bank of China Asia Ltd	USD200mn	3-year	3mL+75bps
12-June-18	Mapletree Treasury Services Ltd	SGD200mn	3-year	2.888%
12-June-18	New Metro Global Ltd	USD200mn	3.75-year	8%
11-June-18	National Australia Bank Ltd/New York	USD500mn	3.25-year	CT3+80bps
11-June-18	National Australia Bank Ltd/New York	USD750mn	5-year	CT5+90bps
11-June-18	National Australia Bank Ltd/New York	USD350mn	3.25-year	3mL+58bps
11-June-18	Qingdao Jiaozhou Bay Development Co Ltd	USD120mn	3-year	6.9%
11-June-18	China Aoyuan Property Group Ltd (re-tap)	USD225mn	CAPG 7.5%'21	8.25%
7-June-18	Asian Development Bank (re-tap)	GBP100mn	ASIA 1.375%'23	99.985+accrued interest
7-June-18	Export-Import Bank of Korea	CNH1.5bn	3-year	4.65%
7-June-18	ASB Bank Ltd	USD500mn	5-year	3mL+97bps
7-June-18	ASB Bank Ltd	USD500mn	5-year	CT5+110bps
6-June-18	China Everbright Bank Co Ltd/Hong Kong	USD300mn	3-year	3mL+85bps
6-June-18	China Everbright Bank Co Ltd/Hong Kong	EUR300mn	3-year	3mE+75bps

Source: OCBC, Bloomberg

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