

June 12, 2019

**Credit Headlines:** Sembcorp Industries Ltd

## **Market Commentary**

- The SGD swap curve flattened over yesterday, with most tenors trading 1-2bps higher.
- The Bloomberg Barclays Asia USD IG Bond Index average OAS tightened 1bps to 136bps while the Bloomberg Barclays Asia USD HY Bond Index average OAS tightened 7bps to 497bps.
- Flows in SGD corporates were heavy, with flows in SOCGEN 6.125%-PERPs, UBS 5.875%-PERPs, STHSP 3.95%-PERPs, GUOLSP 4.6%-PERPs, CAPLSP 3.08%'27s.
- 10Y UST yields fell 1bps to 2.14%, due to stronger US inflation data, reiterating the Fed's comments that benign inflation is probably transitory. Spread between 3-month treasury bills and 10-year treasury notes continued to be inverted, remaining at -10bps.

## **Credit Headlines**

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

- SCI announced that its wholly-owned subsidiary Sembcorp Development has sold its entire 10.27% equity interest in Gallant Venture Ltd ("GALV") for SGD61.9mn. The buyer of the shares is undisclosed with the shares sold via an off-market married deal. In our view, while this is a small transaction for SCI, it is in line with its broader strategic move to sell non-core assets.
- GALV had a market cap of SGD683.2mn immediately prior to the sale where 10.27%-stake represented a market value of ~SGD70.2mn. In effect, SCI is selling for less than market value by a discount of 12%, which is in part driven by the low liquidity of GALV shares. GALV was listed in 2006, focusing on holding land bank and property development on Bintan Island. SCI was a major shareholder at time of the IPO. (Company, OCBC)

**Table 1: Key Financial Indicators**

	12-Jun	1W chg (bps)	1M chg (bps)
iTraxx Asiax IG	71	-7	-3
iTraxx SovX APAC	46	-4	-2
iTraxx Japan	66	-3	7
iTraxx Australia	69	-7	-3
CDX NA IG	60	-4	-5
CDX NA HY	107	1	1
iTraxx Eur Main	61	-5	-8
iTraxx Eur XO	269	-20	-22
iTraxx Eur Snr Fin	77	-5	-5
iTraxx Sovx WE	17	-1	0
AUD/USD	0.695	-0.27%	0.10%
EUR/USD	1.133	0.94%	0.94%
USD/SGD	1.365	0.11%	0.43%
China 5Y CDS	49	-8	-2
Malaysia 5Y CDS	64	-8	-3
Indonesia 5Y CDS	100	-9	-9
Thailand 5Y CDS	35	-2	-6

	12-Jun	1W chg	1M chg
Brent Crude Spot (\$/bbl)	61.42	1.30%	-13.03%
Gold Spot (\$/oz)	1,332.22	0.14%	2.49%
CRB	174.87	-0.35%	-2.28%
GSCI	407.35	2.20%	-6.21%
VIX	15.99	-5.77%	-0.31%
CT10 (bp)	2.138%	0.31	-32.93
USD Swap Spread 10Y (bp)	-3	-1	0
USD Swap Spread 30Y (bp)	-28	0	0
US Libor-OIS Spread (bp)	18	-1	2
Euro Libor-OIS Spread (bp)	5	-1	-1
DJIA	26,049	2.83%	0.41%
SPX	2,886	2.94%	0.15%
MSCI Asiax	636	2.55%	-1.63%
HSI	27,430	2.50%	-3.92%
STI	3,219	2.43%	-1.68%
KLCI	1,644	-0.70%	2.08%
JCI	6,289	4.24%	1.28%

## New issues:

- Haimen Zhongnan Investment Development International Co Ltd has priced a USD350mn 3-year bond at 11.875%.
- Power Finance Corp Ltd has priced a USD400mn 5-year bond at T+195bps, tightening from IPT of T+220bps area, and a USD600mn 10-year bond at T+242.5bps, tightening from IPT of T+270bps area.
- Tuspark Forward Ltd. has priced a USD550mn 3-year bond at 7.35%, tightening from IPT of 7.6% area.
- Republic of Indonesia has priced a USD750mn 10-year bond at 3.45%, tightening from IPT of 3.75% area.
- Shanghai Port Group (BVI) Holding Co., Ltd (guarantor: Shanghai International Port (Group) Co., Ltd) has priced a USD400mn 5-year bond at T+100bps, tightening from IPG of T+130bps area and a USD300mn 10-year bond at T+130bps, tightening from IPG of T+160bps area.
- Sunac China Holdings Ltd has priced a USD600mn 3NC2 at 7.5%, tightening from IPG at 7.875% area.
- Kunming Dianchi Investment Co., Ltd has scheduled investor meetings from 13 June for its potential USD bond issuance.
- Kookmin Bank has scheduled investor meetings commencing 17 June for its potential USD bond issuance.

<u>Date</u>		<u>Size</u>	<u>Tenor</u>	<u>Pricing</u>
11-Jun-19	Haimen Zhongnan Investment Development International Co., Ltd	USD350mn	3-year	11.875%
11-Jun-19	Power Finance Corp Ltd	USD400mn USD600mn	5-year 10-year	T+195bps T+242.5bps
11-Jun-19	Tuspark Forward Ltd	USD550mn	3-year	7.35%
11-Jun-19	Republic of Indonesia	USD750mn	10-year	3.45%
11-Jun-19	Shanghai Port Group (BVI) Holding Co., Ltd	USD400mn USD300mn	5-year 10-year	T+100bps T+130bps
11-Jun-19	Sunac China Holdings Ltd	USD600mn	3NC2	7.5%
10-Jun-19	Easy Tactic Ltd	USD425mn	GZRFPR 8.125%'23s	8.5%
06-Jun-19	Gemdale Ever Prosperity Investment Ltd	USD250mn	3-year	5.6%
06-Jun-19	China South City Holdings Ltd	USD60mn	CSCHCN 11.875%'21s	12.12%
06-Jun-19	Ronshine China Holdings Ltd	USD235mn	3-year	9%

Source: OCBC, Bloomberg

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