

June 19, 2019

**Credit Headlines:** Sembcorp Industries Ltd, Hyflux Ltd

## **Market Commentary**

- The SGD swap curve bull-flattened over yesterday, with the shorter tenors and belly trading 0-1bps higher, while the longer tenors traded 1bps lower.
- The Bloomberg Barclays Asia USD IG Bond Index average OAS was little changed at 138bps while the Bloomberg Barclays Asia USD HY Bond Index average OAS tightened 1bps to 498ps.
- Flows in SGD corporates were light, with flows in OUESP 3.55%'23s.
- 10Y UST yields fell 3bps to 2.06% following ECB President Mario Draghi's extremely dovish comments, hinting at rate cuts and asset purchases if inflation remains weak. This prompted bond yields worldwide to plummet, with 10Y UST yields briefly reaching 2.015%, the lowest since September of 2017. Spread between 3-month treasury bills and 10-year treasury notes continued to be inverted, with a widening to -15bps.

## **Credit Headlines**

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

- SCI announced that it plans to subscribe for additional shares in Sembcorp Energy India Limited ("SEIL") through SCI's wholly-owned subsidiary Sembcorp Utilities. SEIL is the holding company of both SCI's thermal power and renewable power businesses. The new injection of equity by SCI is intended to support the growth of SCI's India renewable energy business. As at end-2018, SCI owned ~94% in SEIL and this is a partly-owned subsidiary which is consolidated onto SCI's financial statements. We do not think there has been a change to this ownership prior to SCI's 17 June 2019 announcement.
- Earlier in 2018, SEIL filled a draft red herring prospectus in preparation for an initial public offering in India which would have raised new equity for SEIL, with SCI's stake in SEIL reduced. However, we had not factored in an IPO in light of YTD choppy India equity markets. Within expectations, SCI had announced that it withdrew the draft red herring prospectus, though the reason given was due to the impeding change to SEIL's capital structure. Per company, SEIL intends to re-file a revised draft red herring prospectus later this year, as appropriate. (Company, OCBC)

### **Hyflux Ltd ("HYF") | Issuer Profile: Unrated**

- Further to the [most recent updates](#) on HYF's restructuring process, HYF has announced that Utico FZC has extended its deadline for entering into a binding agreement to 27 June 2019.
- Utico FZC had previously submitted non-binding letters of intent that apparently includes SGD400mn in funds for equity, working capital and urgent interim liquidity. (Company, OCBC)

**Table 1: Key Financial Indicators**

	19-Jun	1W chg (bps)	1M chg (bps)
iTraxx Asiax IG	71	-2	-1
iTraxx SovX APAC	45	-2	-2
iTraxx Japan	68	2	7
iTraxx Australia	68	-3	-5
CDX NA IG	58	-4	-7
CDX NA HY	107	1	1
iTraxx Eur Main	57	-5	-10
iTraxx Eur XO	261	-12	-23
iTraxx Eur Snr Fin	70	-9	-13
iTraxx Sovx WE	17	-1	-1
AUD/USD	0.687	-0.78%	-0.49%
EUR/USD	1.120	-0.82%	0.26%
USD/SGD	1.368	-0.05%	0.67%
China 5Y CDS	47	-4	-3
Malaysia 5Y CDS	63	-2	-2
Indonesia 5Y CDS	98	-4	-9
Thailand 5Y CDS	35	-1	-3

	19-Jun	1W chg	1M chg
Brent Crude Spot (\$/bbl)	62.10	3.55%	-14.00%
Gold Spot (\$/oz)	1,343.10	0.71%	5.11%
CRB	176.10	0.70%	-2.70%
GSCI	410.41	2.66%	-7.36%
VIX	15.15	-5.25%	-5.08%
CT10 (bp)	2.066%	-5.41	-32.45
USD Swap Spread 10Y (bp)	-6	-2	-1
USD Swap Spread 30Y (bp)	-31	-2	-4
US Libor-OIS Spread (bp)	20	2	5
Euro Libor-OIS Spread (bp)	7	2	2
DJIA	26,466	1.60%	2.72%
SPX	2,918	1.11%	2.04%
MSCI Asiax	629	-0.28%	0.84%
HSI	28,075	2.81%	0.46%
STI	3,282	2.30%	2.38%
KLCI	1,660	0.57%	3.41%
JCI	6,313	0.59%	8.34%

## New issues:

- Zunyi Road and Bridge Construction (Group) Limited has priced a USD81mn 3-year bond at 4.6%, tightening from IPT of 5.0% area.
- Export-Import Bank of Korea has priced a USD1bn debt offering in 2 tranches; a USD500mn 3-year FRN at 3M-US LIBOR+ 52.5bps (tightening from IPT of 3M-US LIBOR+80 bps area), and a USD500mn 5-year bond at T+62.5bps, tightening from IPT of T+85bps area.
- Greenland Global Investment Ltd (guarantor: Greenland Holding Group Co., Ltd) has priced a USD500mn 3-year bond at 6.8%, tightening from IPT of 7.125% area.
- Zhuji Development Ltd (guarantor: Zhuji State-owned Assets Management Co., Ltd) has priced a USD189mn re-tap of its existing ZJSOAM 7.0%'21s at 4.9%, tightening from IPT of low 5.0% area, bringing the total outstanding amount to USD500mn.
- China Development Bank Corporation of Hong Kong has priced a USD300mn 5-year FRN at 3M-US LIBOR+64bps.
- Mudanjiang City Investment Group Co., Ltd has priced a USD100mn 3-year bond at 8.0%, widening from IPT of 7.8-8.0% area.
- Keppel Infrastructure Fund Management Pte. Ltd (as Trustee-Manager of Keppel Infrastructure Trust) has priced a SGD100mn re-tap of its existing KITSP 4.75%-PERPs at 4.75%, bringing the total outstanding amount to SGD300mn.

<u>Date</u>		<u>Size</u>	<u>Tenor</u>	<u>Pricing</u>
18-Jun-19	Zunyi Road and Bridge Construction (Group) Limited	USD81mn	3-year	4.6%
18-Jun-19	Export-Import Bank of Korea	USD500mn USD500mn	3-year 5-year	3M-US LIBOR+52.5bps T+62.5bps
18-Jun-19	Greenland Global Investment Ltd	USD500mn	3-year	6.8%
18-Jun-19	Zhuji Development Ltd	USD189mn	ZJSOAM 7.0%'21s	4.9%
18-Jun-19	China Development Bank Corporation of Hong Kong	USD300mn	5-year	3M-US LIBOR+64bps
18-Jun-19	Mudanjiang City Investment Group Co., Ltd	USD100mn	3-year	8.0%
18-Jun-19	Keppel Infrastructure Fund Management Pte. Ltd	SGD100mn	KITSP 4.75%- PERPs	4.75%
17-Jun-19	Korea Electric Power Corp	USD500mn	5-year	T+75bps
17-Jun-19	China Everbright Bank Co Ltd / Hong Kong Branch	USD500mn	3-year	3M-US LIBOR+79bps
17-Jun-19	Xi'an Municipal Infrastructure Construction Investment Group Corp Ltd	USD500mn	3-year	4.2%
17-Jun-19	Landsea Green Group Co Ltd	USD200mn	3-year	11.25%
17-Jun-19	Hyundai Capital America	USD400mn USD400mn	3-year 5-year	T+120bps T+155bps

**Andrew Wong**

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

**Ezien Hoo, CFA**

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

**Wong Hong Wei, CFA**

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

**Seow Zhi Qi**

Treasury Research & Strategy  
Global Treasury, OCBC Bank  
(65) 6530 7348  
[zhiqiseow@ocbc.com](mailto:zhiqiseow@ocbc.com)

This publication is solely for information purposes only and may not be published, circulated, reproduced or distributed in whole or in part to any other person without our prior written consent. This publication should not be construed as an offer or solicitation for the subscription, purchase or sale of the securities/instruments mentioned herein. Any forecast on the economy, stock market, bond market and economic trends of the markets provided is not necessarily indicative of the future or likely performance of the securities/instruments. Whilst the information contained herein has been compiled from sources believed to be reliable and we have taken all reasonable care to ensure that the information contained in this publication is not untrue or misleading at the time of publication, we cannot guarantee and we make no representation as to its accuracy or completeness, and you should not act on it without first independently verifying its contents. The securities/instruments mentioned in this publication may not be suitable for investment by all investors. Any opinion or estimate contained in this report is subject to change without notice. We have not given any consideration to and we have not made any investigation of the investment objectives, financial situation or particular needs of the recipient or any class of persons, and accordingly, no warranty whatsoever is given and no liability whatsoever is accepted for any loss arising whether directly or indirectly as a result of the recipient or any class of persons acting on such information or opinion or estimate. This publication may cover a wide range of topics and is not intended to be a comprehensive study or to provide any recommendation or advice on personal investing or financial planning. Accordingly, they should not be relied on or treated as a substitute for specific advice concerning individual situations. Please seek advice from a financial adviser regarding the suitability of any investment product taking into account your specific investment objectives, financial situation or particular needs before you make a commitment to purchase the investment product. OCBC Bank, its related companies, their respective directors and/or employees (collectively "Related Persons") may or might have in the future interests in the investment products or the issuers mentioned herein. Such interests include effecting transactions in such investment products, and providing broking, investment banking and other financial services to such issuers. OCBC Bank and its Related Persons may also be related to, and receive fees from, providers of such investment products.

This report is intended for your sole use and information. By accepting this report, you agree that you shall not share, communicate, distribute, deliver a copy of or otherwise disclose in any way all or any part of this report or any information contained herein (such report, part thereof and information, "**Relevant Materials**") to any person or entity (including, without limitation, any overseas office, affiliate, parent entity, subsidiary entity or related entity) (any such person or entity, a "**Relevant Entity**") in breach of any law, rule, regulation, guidance or similar. In particular, you agree not to share, communicate, distribute, deliver or otherwise disclose any Relevant Materials to any Relevant Entity that is subject to the Markets in Financial Instruments Directive (2014/65/EU) ("**MiFID**") and the EU's Markets in Financial Instruments Regulation (600/2014) ("**MiFIR**") (together referred to as "**MiFID II**"), or any part thereof, as implemented in any jurisdiction. No member of the OCBC Group shall be liable or responsible for the compliance by you or any Relevant Entity with any law, rule, regulation, guidance or similar (including, without limitation, MiFID II, as implemented in any jurisdiction).