

### Market Commentary

- The SGD swap curve bull-flattened yesterday, with the shorter tenors traded 3bps lower, while the belly and longer tenors traded 3-4bps lower.
- The Bloomberg Barclays Asia USD IG Bond Index average OAS widened 2bps to 136bps while the Bloomberg Barclays Asia USD HY Bond Index average OAS tightened 15bps to 509bps.
- Flows in SGD corporates were heavy, with flows in UOBSP 3.58%-PERPs, FPLSP 4.98%-PERPs, UBS 4.85%-PERPs, F 4.125%'24s, HSBC 4.7%-PERPs, STANLN 5.375%-PERPs and UBS 5.875%-PERPs.
- 10Y USTs yields fell 3.7bps to close at 1.6% as weaker than expected US September employment data continued to add to economic growth concerns. Spread between 3-month treasury bills and 10-year treasury notes remains inverted, with the spread widening to -14bps.

### Credit Research

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### Credit Summary:

- [Sembcorp Industries Ltd, Sembcorp Marine Ltd, and Jurong Shipyard Pte Ltd](#) | **Neutral (5), Unrated, and Unrated:** Jurong Shipyard (an indirect 61%-owned subsidiary of SCI) has commenced a consent solicitation exercise ("CSE") with regards to two tranches of notes issued by Jurong Shipyard and guaranteed by SMM. SCI owns a ~61%-stake in SMM. Jurong Shipyard is seeking approval from noteholders to amend clauses in their Trust Deeds with respect to the definition of "Consolidated Net Borrowings", which is used to calculate the leverage financial covenant under the terms of the notes. In our view, bondholders of Jurong Shipyard (guaranteed by SMM) have very little reason to reject the CSE given that SCI had extended the loan as parental support amidst a still challenging business outlook for SMM, the loan from SCI to SMM is subordinated while SMMSP 2.95%'21s (series 005) and SMMSP 3.85%'29s (series 006) rank senior unsecured. There is also little economic rationale to reject the CSE as the SCI loan is intended to aid SMM in refinancing into lower cost funding and for working capital purposes.

## Asian Credit Daily

### Credit Headlines

#### Sembcorp Industries Ltd (“SCI”) | Issuer Profile: Neutral (5), Sembcorp Marine Ltd (“SMM”) | Issuer Profile: Unrated and Jurong Shipyard Pte Ltd (“Jurong Shipyard”) | Issuer Profile: Unrated

- Jurong Shipyard (an indirect 61%-owned subsidiary of SCI) has commenced a consent solicitation exercise (“CSE”) with regards to two tranches of notes issued by Jurong Shipyard and guaranteed by SMM. SCI owns a ~61%-stake in SMM.
- Jurong Shipyard is seeking approval from noteholders to amend clauses in their Trust Deeds with respect to the definition of “Consolidated Net Borrowings”, which is used to calculate the leverage financial covenant under the terms of the notes.
  - Based on current terms, SMM has covenanted with the Trustee that so long as any of the notes remain outstanding, SMM will ensure that the ratio of Consolidated Net Borrowings (as defined in the Trust Deed) to Consolidated Net Worth (as defined in the Trust Deed) shall not at any time be more than 1.75:1
  - Specifically, Jurong Shipyard is seeking to deduct from Consolidated Net Borrowings, any loans with an aggregate principal amount not exceeding SGD2.0bn granted pursuant to a subordinated facility agreement dated 21 June 2019 made between Sembcorp Marine Financial Services Pte Ltd (as borrower), SMM (as guarantor) and Sembcorp Financial Services Pte Ltd (wholly-owned by SCI, as subordinated lender)
- In June 2019, SCI had announced that it will lend SGD2.0bn to SMM, via a five year subordinated loan facility which aims to improve SMM’s financial position. SGD1.5bn will be used by SMM to refinance borrowings and the balance will be for working capital and general corporate purposes. Without a change in the terms of the financial covenant, the loan will be considered as debt at the SMM level. Assuming the SGD2.0bn had been fully disbursed while existing debt remains outstanding, we estimate that SMM’s Consolidated Net Borrowings-to-Consolidated Net Worth would go to 2.3x (30 June 2019: 1.4x). The ratio though would decline when the SGD1.5bn is applied towards refinancing.
- In our view, bondholders of Jurong Shipyard (guaranteed by SMM) have very little reason to reject the CSE given that:
  - SCI had extended the loan as parental support amidst a still challenging business outlook for SMM
  - The loan from SCI to SMM is subordinated while SMMSP 2.95% ‘21s (series 005) and SMMSP 3.85% ‘29s (series 006) rank senior unsecured
  - Little economic rationale to reject as the SCI loan is intended to aid SMM refinance into lower cost funding and for working capital purposes as SMM continues to work on its project wins
- We had on [26 August 2019 lower our issuer profile of SCI to Neutral \(5\) from Neutral \(4\)](#), chiefly on the back of SCI’s own bondholders bearing the burden of that financial support to SMM.
- The early consent fee deadline is on 10 October 2019 while the expiration time on the CSE is on 21 October 2019. (Company, OCBC)

## Asian Credit Daily

### Key Market Movements

	03-Oct	1W chg (bps)	1M chg (bps)		03-Oct	1W chg	1M chg
iTraxx Asiax IG	79	3	15	<b>Brent Crude Spot (\$/bbl)</b>	57.44	-8.45%	-1.41%
iTraxx SovX APAC	37	1	-3	<b>Gold Spot (\$/oz)</b>	1,501.29	-0.23%	-2.96%
iTraxx Japan	62	0	1	<b>CRB</b>	172.94	-2.09%	2.22%
iTraxx Australia	68	2	4	<b>GSCI</b>	397.18	-3.53%	1.21%
CDX NA IG	63	3	8	<b>VIX</b>	20.56	28.82%	4.58%
CDX NA HY	106	-1	0	<b>CT10 (%)</b>	1.587%	-10.49	12.99
iTraxx Eur Main	57	1	7				
iTraxx Eur XO	241	9	-16	<b>AUD/USD</b>	0.671	-0.52%	-0.68%
iTraxx Eur Snr Fin	67	0	3	<b>EUR/USD</b>	1.096	0.38%	-0.11%
iTraxx Eur Sub Fin	146	2	5	<b>USD/SGD</b>	1.384	-0.14%	0.49%
iTraxx Sovx WE	13	-1	-3	<b>AUD/SGD</b>	0.929	0.37%	1.23%
<b>USD Swap Spread 10Y</b>	-9	3	3	<b>ASX 200</b>	6,491	-2.80%	-1.26%
<b>USD Swap Spread 30Y</b>	-40	3	4	<b>DJIA</b>	26,079	-3.31%	-0.15%
<b>US Libor-OIS Spread</b>	40	8	8	<b>SPX</b>	2,888	-3.26%	-0.64%
<b>Euro Libor-OIS Spread</b>	4	-1	-2	<b>MSCI Asiax</b>	613	-1.32%	1.95%
				<b>HSI</b>	26,043	-0.91%	2.02%
<b>China 5Y CDS</b>	49	1	4	<b>STI</b>	3,103	-0.72%	0.41%
<b>Malaysia 5Y CDS</b>	54	2	5	<b>KLCI</b>	1,575	-0.92%	-1.04%
<b>Indonesia 5Y CDS</b>	94	4	6	<b>JCI</b>	6,055	-1.48%	-3.29%
<b>Thailand 5Y CDS</b>	30	0	0	<b>EU Stoxx 50</b>	3,413	-2.84%	-0.22%
<b>Australia 5Y CDS</b>	20	0	1				

Source: Bloomberg

## Asian Credit Daily

### New Issues

- PT Sri Rejeki Isman Tbk has scheduled investor update meetings on a non-deal basis commencing 3 Oct.

Date	Issuer	Size	Tenor	Pricing
27-Sep-19	Zhongliang Holdings Group Co. Ltd	USD100mn	ZHLGHD 11.5%'21s	11.75%
27-Sep-19	Hongkong Ideal Investment Ltd	USD100mn	3NP2	14.75%
26-Sep-19	BOC Aviation Ltd	USD150mn	BOCAVI 3.0%'29s	T+150bps
26-Sep-19	Li & Fung Ltd	USD400mn	5-year	T+290bps
26-Sep-19	PCPD Capital Ltd	USD130mn	PCPDC 4.75%'22s	4.53%
26-Sep-19	ReNew Power Ltd	USD90mn	RPVIN 6.67%'24s	6.3%
26-Sep-19	Central China Real Estate Ltd	USD200mn	CENCHI 6.75%'21s	7.375%
26-Sep-19	Jinan Hi-tech Holding Group Co., Ltd	USD300mn	3-year	4.5%
25-Sep-19	CNOOC Finance (2013) Ltd	USD1.0bn USD500mn	10-year 30-year	T+120bps 3.3%
25-Sep-19	Woori Bank	USD550mn	Perp-NC5	4.25%
25-Sep-19	Hongkong International (Qingdao) Co., Ltd	USD300mn	5-year	4.0%
25-Sep-19	Guangxi Liuzhou Dongcheng Investment Development Group Co., Ltd	USD300mn	3-year	7.0%
25-Sep-19	RKPF Overseas 2019 (A) Ltd	USD480mn	5NC3	6.7%

Source: OCBC, Bloomberg

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