

CMBI Credit Commentary

Fixed Income Daily Market Update 固定收益部市场日报

The Asset Asian G3 Bond Benchmark Review 2023

We hope you found our commentaries and ideas helpful. We seek to elevate our efforts and value-add further in the coming year. We highly appreciate your support to us in Sell-Side Analysts of the polls of "[The Asset Asian G3 Bond Benchmark Review 2024](#)". Thank you for your support!

- *Market sentiment remained weak this morning. New issue GRWALL Perp rallied 0.5pt higher while GRWALL'28 was unchanged. Asian IG space was stable with better selling flows.*
- ***BBLTB**: FV of new 10y USD bonds to be T+125-135. BBLTBs widened 1-3bps this morning. We have buy recommendation on **BBLTB 5 Perp** and **KBANK 5.275 Perp** among Asian EM banks. See below.*
- ***MEDCIJ**: Upgraded to BB- by S&P. Maintain buy on MEDCIJs. MEDCIJs were unchanged to 0.1pt higher. See below*

❖ Trading desk comments 交易台市场观点

Yesterday, the new LGENSO 27/29/34 closed 7-10bps wider from the ROs. HYUELE 29-33s were 3-5bps wider. KRKPSC 27s/29s were 2-6bps wider. SIASP 29s widened 1bp, while OCBCSP 30s/34s were 1-2bps tighter. Chinese IGs remained soft. HAOHUA '30/SINOCH '31 were 1bp wider. TENCNT/BIDU 30s were 3bps wider. MEITUA '30 widened 8bps. Media reported on Meituan's plan to issue USD1bn bonds for debt repayments and expansion. In financials, BOCAVI 24-33s widened 4-6bps on heavy selling. In Chinese AMCs, GRWALL priced a USD200mn 3.5-yr bond at T+195, and a USD300mmn NC3 Perp at par to yield 7.15%. We consider they are fairly priced. GRWALL 3.95 Perp was unchanged to 0.1pt higher. The new GRWALL 7.15 Perp opened 0.5pt higher from par. ORIEAS/CCAMCL 29s were 2-3bps wider. In AT1s, INTNED 3.875 Perp/BACR 4.375 Perp/BNP 6.875 Perp were 0.1-0.3pt higher despite some profit taking. Meanwhile Canadian names RY 7.408 Perp/BNS 4.9 Perp/BMO 4.8 Perp were sought-after and closed unchanged to 0.1pt higher. In HK, BNKEA/AIA/CKHH/DAHSIN/PINGIN 33-34s widened 4-8bps. NWDEVL Perps were 1.4-2.7pts higher and NWDEVL 27-31s were up 1.1-1.4pts, following further progress on its refinancing. See our comments on 25 Jun'24. LIHHK '26 was 1.2pts higher, while AIA 44/46 were down 1.1-1.8pts. Chinese properties were mixed. ROADKG Perps/24-26s were 0.6-1.0pt higher. VNKRL 25-29s declined another 1.9-3.0pts and closed 3.7-4.9pts lower WTD. FTLNHD/FUTLAN 24-26s were 0.3-0.9pt lower. Outside properties, HILOHO '24/FOSUNI '27 were 0.6pt lower. In Macau gaming, MPEL 28-29s were 0.6-1.0pt lower. In Indonesia, LMRTSP/LPKRIJ 26s were 0.4pt higher.

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There were better selling flows in the higher-yielding LGFVs and high-beta IG names, and we saw investors raised cash for new issues and attempted to lock in profits for the in-the-money positions. GSHIAV '25 was 0.2pt lower. SDGOLD '26 was down 0.3pt. CPDEV 25/26/Perp and ZHHFGR '26 were 0.1pt lower. In the high beta names, CWAHK '26 was 0.7pt higher. GRPCIN/SUNSHG 26s were up 0.1-0.2pt.

❖ Last Trading Day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
NWDEVL 5 1/4 PERP	80.8	2.7	VNKRLE 3 1/2 11/12/29	52.1	-3.0
NWDEVL 4 1/8 PERP	60.1	2.6	VNKRLE 3.975 11/09/27	60.0	-2.5
NWDEVL 6.15 PERP	96.9	2.5	VNKRLE 3.15 05/12/25	82.8	-1.9
NWDEVL 6 1/4 PERP	53.8	2.0	AIA 4 7/8 03/11/44	94.0	-1.8
NWDEVL 4 1/2 05/19/30	75.2	1.5	AIA 4 1/2 03/16/46	89.3	-1.1

❖ Marco News Recap 宏观新闻回顾

Macro – S&P (+0.39%), Dow (-0.76%) and Nasdaq (+1.26%) were mixed on Tuesday. US Conference Board Jun'24 consumer confidence was 100.4, higher than the expectation of 100. UST yield retreated yesterday, 2/5/10/30 yield reached 4.65%/4.25%/4.23%/4.36%.

❖ Desk analyst comments 分析员市场观点

➤ BBLTB: FV of new 10y USD bonds to be T+125-135

We consider the FV of Bangkok Bank (M/S/F issuer rating: Baa1/BBB+/BBB) proposed 10y senior unsecured bonds (M/S/F issue rating: Baa1/BBB+/-) to be T+125-135 (YTM of 5.51%-5.61%) compared with the IPG of T+165, in view of the existing senior BBLTB 5.5 09/21/33 (M/S/F issue rating: Baa1/BBB+/-) of T+120 (Ask YTM of 5.48%) with tenor premium.

BBLTB 5 ½ 09/21/33	
YTM	5.48
T-Spread	120
Maturity	21 Sep'33
Rating (M/S/F)	Baa1/BBB+/-

Source: Bloomberg.

Bangkok Bank has an ample capital buffer against the regulatory requirements. As of 31 Mar'24, its CET1 ratio was 15.6% (vs. regulatory requirement of 8.0%) and the total capital ratio (CAR) was 19.7% (vs. regulatory requirement of 12.0%). Bangkok Bank has a better asset quality than major peers such as KasikornBank and Krungthai Bank with improving NIM although its capital ratios are slightly lower. See below table for key ratios of the three banks.

As of Mar'24	Bangkok Bank	KasikornBank	Krungthai Bank
CET1 ratio	15.60%	16.70%	17.50%
CAR	19.70%	18.80%	20.20%
NIM	3.06%	3.76%	3.31%
NPL ratio	3.00%	3.19%	3.14%
Coverage ratio	291.7%	150.3%	181.8%

Source: Company filings.

We have buy recommendation on **BBLTB 5 Perp** and **KBANK 5.275 Perp** among Asian EM banks for their remote probability to be non-viable and thus the low chance of loss absorption for the AT1. BBLTB 5 Perp (callable Sep'25) is trading at YTC of 6.9% at 97.8. At 97.7, KBANK 5.275 Perp (callable Oct'25) is trading at a YTC of 7.1%.

➤ **MEDCIJ: Upgraded to BB- by S&P. Maintain buy on MEDCIJs**

S&P upgraded Medco Energi to BB- from B+ with a stable outlook. The rating upgrade reflects Medco Energi's 20.92% equity stake in Amman Mineral Internasional provides it with high degree of financial flexibility, even Medco Energi does not have any immediate plan to divest its stake in Amman. Medco's 20.92% equity stake in Amman Mineral Internasional carries a market valuation of cUSD10bn, based on its latest share price quoted on the Indonesia Stock Exchange.

Medco Energi has been proactively managing its USD bond maturities in the past two years. It fully redeemed MEDCIJ 6.75 01/30/25 with an outstanding amount of USD33mn at redemption price of 100.84 on 6 May'24. It also repurchased USD148.8mn of MEDCIJ'26 in the tender offers completed on 6 Jun'24. Recalled that it repurchased USD397mn of four USD bonds in Nov'23 with concurrent new issuance of USD500mn MEDCIJ'29, and repurchased USD265mn of MEDCIJ'25 in Nov'22 via tender offers.

Fitch upgraded Medco Energy to BB- with stable outlook on 29 Apr'24 on its improvement in reserve life. We maintain buy on MEDCIJs. Within MEDCIJ curve, we prefer MEDCIJ 6.95 11/12/28 for lower cash price and more balanced risk-return profile.

Security Name	ISIN	Amt Out (USD mn)	Ask Price	YTM (Ask,%)	Rating (M/S/F)
MEDCIJ 7 ¾ 05/14/26	US58405FAA30	314.73	101.20	6.68	B1/BB-/BB-
MEDCIJ 6 ¾ 01/30/27	US58406LAA98	498.68	98.22	7.14	B1/BB-/BB-
MEDCIJ 6.95 11/12/28	US58406RAA68	299.42	97.57	7.61	B1/BB-/BB-
MEDCIJ 8.96 04/27/29	US58407HAA77	500	104.83	7.74	B1/BB-/BB-

Source: Bloomberg.

➤ **Offshore Asia New Issues (Priced)**

Issuer/Guarantor	Size (USD mn)	Tenor	Coupon	Priced	Issue Rating (M/S/F)
China Great Wall	200	3.5yr	6.375%	T+195	-/-/BBB-
China Great Wall	300	PNC3	7.15%	7.15%	-/-/BB+
Indonesia	750/1000/600	5/10/30yr	5.1%/5.2%/5.5%	5.1%/5.2%/5.5%	Baa2/BBB/BBB
NTT Finance	600/900/850	3/5/7yr	5.104%/5.11%/5.16%	T+65/85/90	A1/A/-
Sumitomo Corporation	500/500	5/10yr	5.05%/5.35%	T+80/110	Baa1/A/-

➤ **Offshore Asia New Issues (Pipeline)**

Issuer/Guarantor	Currency	Size (USD mn)	Tenor	Pricing	Issue Rating (M/S/F)
Bangkok Bank HK Branch	USD	-	10yr	T+165	Baa1/BBB+/-
China Huaneng Group	USD	-	PNC3	5.85%	A3/-/-
Cathay Life Insurance	USD	-	10yr	T+205	-/BBB+/BBB+
Huzhou Nanxun Tourism	USD	-	3yr	7.0%	-/-/-
Macquarie Bank	USD	-	3yr	T+95/SOFR Equiv	Aa2/A+/A+
Mitsubishi Corp	USD	-	5yr	T+100	A2/A/-

NongHyup Bank	USD	-	3/5yr	-	-/-
Samvardhana Motherson	USD	-	5yr	-	Baa3/-/BBB-
Swire Pacific	USD	-	5yr	T+120	A3/-/-

➤ News and market color

- Regarding onshore primary issuances, there were 137 credit bonds issued yesterday with an amount of RMB103bn. As for month-to-date, 1,605 credit bonds were issued with a total amount of RMB1,556bn raised, representing a 13.4% yoy increase
- **[ADEIN]** Media reported that Adani Group plans USD15.6bn capex and raise USD2-2.5bn equity capital in FY25 ending 31 Mar'25
- **[ADSEZ]** S&P affirmed Adani Ports BBB- rating and changed rating outlook to positive
- **[CPDEV]** S&P affirmed Beijing Capital Group BBB- ratings with stable outlook
- **[LNGFOR]** Media reported that Longfor repaid HKD1.6bn of originally HKD8.75bn due-Jan'25 loan and aims to repay the remaining amount in 2024. Longfor raised RMB20bn of new loans secured by its commercial properties in 5M24
- **[MEITUA]** Media reported that Meituan is considering bond offering more than USD1bn to repay debts and finance expansion plans
- **[SHIMAO]** Media reported that Shimao Group is seeking to secure support from creditors for offshore debt restructuring by sweetening offer
- **[SKONKR]** Media reported that SK On plans to issue cUSD360mn 6.424% perpetual domestic perp to boost liquidity

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