

CMBI Credit Commentary

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

- *Markets opened stronger than previous days this morning. Asian IG names overall moved tight that BABA/TENCNT/HYUELE tightened 3-5bps with active buying flow. Recent underperformed HAOHUA/SINOCH also traded 5bps tight. New issue CNDATA 10.5'26 tightened c5bps by mid-day.*
- **HK corps: Perps offer better value than seniors.** Our picks are NWDEVL 6.15 Perp, NWDEVL 4.125 Perp, NWSZF 5.75 Perp, ROADKG 7.75 Perp and LEEMAN 5.5 Perp. See below.
- **VEDLN:** Media reported Vedanta Resources hires Cantor Fitzgerald to raise up to USD2bn via debt syndication to service its short-term debt maturity. VEDLNs moved -0.25 to +0.25pt this morning.

❖ Trading desk comments 交易台市场观点

Yesterday, tone in Asia IG space remained soft as China TMTs/SOEs experienced weakness post the stronger-than-expected CPI. HK and Korea IGs traded mixed and remained largely stable. Recent new issued KDB 5/10y and EIBKOR widened 1-2bps. HYUELE curve outperformed, 26s tightened 5bps and 28s/33s were traded 3-8bps tighter. China TMT 10y benchmark papers were notably traded 3-10bps wider post CPI. TENCNT 30s/31s widened 2bps to around T+150 level. LENOVO/XIAOMI 30s widened 5-10bps, driven by short sellers while RMs sidelined. In SOE space, HAOHUA/SINOCH tried to trade firm but in vain and closed at another 3-5bps wider. HAOHUA 30s were first lifted 2-3bps tighter to T+177 level, but were pushed to close at T+187 level, 5bps wider than last close. AMCs were traded heavy again especially on HRINTH curve went down around 1pt in cash prices. CCAMCL/OREIAS were around 5-10bps wider. In IG properties, LNGFORs were marked down 0.5-1pt in cash prices. Elsewhere, GLPCHIs were down 1-1.5pts across the curve. China HY space generally trended a touch lower amid a weakening tone in broader credit space. SINOCES notably tumbled 2-3pts across the curve. CHINSCs/COGARDs still drifted 0.5-1.5pts lower. CIFIHG/CENCHIs/AGILEs were down 0.5-1.5pts. In industrials, FOSUNIs were under better selling in the long end. TSINGHs were lifted by PBs to mark 1-1.5pts higher at low-40s. Macau gaming names MPELs/SANLTDs lowered 0.5-1.5pt. In India space, Adani complex ADSEZs/ADANEMs moved 0.5-1pt higher, but not seeing a lot of follow on demand at current levels. VEDLNs were up ~0.5pt post VRL announced it reduced net debt by USD2bn in the past 11 months. Indonesian names underperformed. LPKRIJs were down 0.5-1.5pts, and PERTIJs retreated 0.5pt.

In the Perps/AT1/LGFV space, market had a fairly weak day as investors continued to reassess the rates outlook ahead. Flows were quite heavily skewed to better selling in both Perps/AT1s, and mainly front end LGFVs

Glenn Ko, CFA 高志和
 (852) 3657 6235
 glennko@cmbi.com.hk

Cyrena Ng, CPA 吳倩瑩
 (852) 3900 0801
 cyrenang@cmbi.com.hk

Jerry Wang 王世超
 (852) 3761 8919
 jerrywang@cmbi.com.hk

at 5%-handle in yield levels as Chinese accounts deleveraged, foreseeing the increase in funding costs. Overall, we saw the Perps/AT1s spaces were roughly down 0.5-0.75pt in general as selling gained momentum in the afternoon. Perps were under one way better selling. Some central SOEs 23s were sold to mid-5% on the day. HK corp perps NWDEVL perps were marked 2-3.5pts lower. NWSZF/HYSAN perps were traded down 0.25-1.5pt. LEEMAN 5.5 perp recovered yesterday's loss to be indicated 1.5pt higher at 95 level. In AT1s, ICBCAS 3.2 perp/BCHINA 3.6 perp were quoted down 0.25-0.75pt on RM trimming. Elsewhere, LGFVs remained relatively quiet, CQNANA 26s were marked 0.25-0.5pt lower.

❖ Last Trading Day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
PINGRE 3 1/4 06/23/25	85.5	4.6	NWDEVL 5 1/4 PERP	90.2	-3.6
TSINGH 6 1/2 01/31/28	42.7	1.4	SINOCE 6.876 PERP	52.8	-3.1
LEEMAN 5 1/2 PERP	94.9	1.4	SINOCE 4 3/4 01/14/30	61.2	-3.0
BCDHGR 3 1/4 07/15/26	88.4	1.3	SINOCE 4 3/4 08/05/29	62.1	-2.9
ADANIG 4 3/8 09/08/24	75.6	1.2	SINOCE 5.95 02/04/27	71.2	-2.7

❖ Marco News Recap 宏观新闻回顾

Macro – U.S. stock markets rebounded yesterday, S&P (+0.28%), Dow (+0.11%) and Nasdaq (+0.92%) were boosted by strong U.S. Jan'23 retail data which is +3.0% mom and best performance since Mar'21. Better than expected retail data further increase the worry about future interest rate hike pace, the U.S. treasury yields edged higher yesterday, 2/5/10/30 yields reached 4.62%/4.04%/3.81%/3.85%, respectively.

❖ Desk analyst comments 分析员市场观点

➤ HK corps: Prefer perps for yield pick-up

Executive Summary

HK corps have performed well since Nov'22, in line with the sharp rebound of the market. Like peers in other spaces, the conviction of HK corps is lower at current valuation. Nonetheless, we still see value in selected HK perps of which coupon will be reset and/or step-up upon the first call dates and issuers can access various funding channels. We believe that these issuers will be strongly incentivized and have the ability to call their perps to avoid significant increase in interest expenses. These perps offer not only good carry but also decent yield pick-up over their respective senior papers. Our picks are **NWDEVL 6.15 Perp**, **NWDEVL 4.125 Perp**, **NWSZF 5.75 Perp**, **ROADKG 7.75 Perp** and **LEEMAN 5.5 Perp**.

Table 1: Summary of our picks

	NWDEVL 6.15 Perp	NWDEVL 4.125 Perp	NWSZF 5.75 Perp	ROADKG 7.75 Perp	LEEMAN 5.5 Perp
Credit rating (M/S/F)	-	-	-	Ba3/-/-	-
YTC (%)	8.8	9.1	7.9	31.9	9.4
Ask px	96.0	81.4	98.3	70.1	95.0
Year to call	2.1	5.3	1.0	1.8	1.3
First call date	03/16/25	03/10/28	01/31/24	11/18/24	05/29/24

Outstanding (USD mn)	500	1,200	1,019.1	300	240.6
Source: Bloomberg					

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➤ Offshore Asia New Issues (Priced)

Issuer/Guarantor	Size (USD mn)	Tenor	Coupon	Yield	Issue Rating (M/S/F)
Chindata Group	300	3yr	10.5%	10.875%	-/-/BBB-

➤ Offshore Asia New Issues (Pipeline)

Issuer/Guarantor	Currency	Size (USD mn)	Tenor	Pricing	Issue Rating (M/S/F)
GTMA International Limited (SBLIC by Qilu Bank)	USD	-	3yr	7.2%	-/-/-
Government of Sharjah	USD	-	9yr	T+310	-/Ba1/BBB-

➤ News and market color

- Regarding onshore primary issuances, there were 86 credit bonds issued yesterday with an amount of RMB98bn. As for month-to-date, 513 credit bonds were issued with a total amount of RMB539bn raised, representing a 202.5% yoy increase
- CBIRC updated the classification of problem assets rules that will improve the banks' reporting transparency. The new measures will apply to new business from Jul'23 and fully phased in by the end of 2025. Key changes include classification of a borrower's entire exposure as NPL if more than 10% of the exposure defaulted, or more than 20% of its debts across the entire banking system are overdue more than 90 days, as well as overdue assets should be classified as SML at minimum
- Renewable energy generation in China surpassed coal-fired power capacity for the first time last year. As of Dec'22, renewable energy, including hydropower and nuclear, represented 47.3% of China's total installed capacity, compared with coal's 43.8%
- **[ADANIG]** Adani said the long stop date for its acquisition of India based DB Power (value of cUSD847.2mn) has expired
- **[BEIPRO]** Beijing Properties signs RMB800mn three-year loan facilities documents
- **[CIFIHG]** Media reported there were rumors that CIFI is mulling a holistic restructuring of its onshore bonds and issuance of its planned RMB1.5bn CBICL-backed bonds is uncertain as a large bank is not willing to subscribe to the deal
- **[COGARD]** Country Garden said the RMB72mn frozen assets due to contract dispute at a joint property development project in Shandong have been released by court after reaching consensus with project partner

- **[EVERRE]** China Evergrande has over RMB24.6bn of assets subject to enforcement. Evergrande Property Services Group announced the key findings of independent investigation into the RMB13.4bn deposit pledge that was enforced by banks, none of the deposit certificate pledge guarantees involved was created based on the actual business needs of the group
- **[OCTOWN]** Overseas Chinese Town (Asia) expects FY22 loss to widen to RMB1.5bn from RMB0.88bn in FY21
- **[RDHGCL]** S&P withdrawn Radiance Holdings B+ rating at company's request
- **[VEDLN]** Vedanta declared as the preferred bidder for Sijimali Bauxite Block (311mn tones) in Odisha under the mineral block auction; The company hires Cantor Fitzgerald to raise up to USD2bn via debt syndication to service Vedanta's short-term debt maturity

CMB International Global Markets Limited

Fixed Income Department

Tel: 852 3761 8867/ 852 3657 6291

fis@cmbi.com.hk

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