

CMBI Credit Commentary

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

- *Markets sentiment was firm this morning. New issue KORELE'27 tightened c3bps and KR space was 1-3bps tighter. HKLSP'33 narrowed c5bps. Chinese IG benchmarks was stable while high-beta IGs and LGFVs were well bid.*
- *NWDEVL: Announced application of USD7bn MTN programme. NWDEVLs rose 0.2-0.6pts this morning. See below.*
- *China Economy – New package of supportive policies to boost confidence. See below for comments from CMBI economic research.*

❖ Trading desk comments 交易台市场观点

Asia IG space had a strong session yesterday. On the new issues, BZLNZ priced a USD750mn 5-yr bond at T+103. The new BZLNZ 29s tightened 7bps from RO. The new SUMIFL 29s were traded in mixed two-way flows and closed unchanged from Tue level. In KR space, the new DAESEC/HYUELE 29s were 2-5bps tighter and we continued to see client accounts chasing recent new issues. KORELE priced a USD1.2bn 3-yr green bond at CT2+61/CT3+80 on Thu morning. On the secondary side, Chinese IG benchmarks such as HAOHUA 30s/BABA 31s/TENCNT 31s were 1-5bps tighter. The high beta TMTs MEITUA/LENOVO 30s were 5-10bps tighter. Flow wise, we saw client flows were selling 24s-27s and switching to longer duration papers. In financials, AMC space was mixed. There were small better buying on the front end of CCAMCLs vs selling on HRINTHS. Chinese bank T2/leasing names such as BCHINA/ICBCAS/ICBCIL 24-27s were under heavy selling and closed 2-5bps wider. In Chinese big-5 AT1s, BOCOM Perp remained sought after and closed 0.1pt higher, while there were two-way interests in ICBCAS/BCHINA Perps. EU/Thai AT1s BBLTB/KBANK/STANLN Perps were 0.2-0.4pt higher amid better buying from PBs/RMs. In HK space, NWDEVL Perps were up 0.6-1.3pts. NWDEVL announced a USD 7bn MTN program on 24 Jan. See below for comments. SHUION 24-26s and LASUDE '26 were 1.4-2.2pts higher. Chinese properties moved higher. VNKRL 24s were up 0.8pt, while VNKRL 25-29s were 3.2-4.5pts higher. LNGFOR 27-32s were up 2.8-3.2pts. CHJMAO 26/29 moved 2.3pts higher. DALWAN/ROADKG 24-26s were up 1.1-1.9pts. On the other hand, GEMDAL '24 was down 1.4pts. CSCHCN 24s were 0.5-1.5pts lower. In industrials, AACTECs were up 0.4-1.4pts. EHICAR 24/26 were up 0.5-0.6pt. SANLTDs/STCITYs were up 0.2-0.4pt. In Indian space, VEDLNs were 0.6-1pt higher. ADSEZs were up 0.5pt. Indonesian name MDLNIJ '27 was down 0.8pt.

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

The LGFV/Perp space was traded in a constructive tone. PBOC will cut RRR 50bps on 5 Feb. The flows were two-way balanced in SOE perps and better buying in quality (low-yielding) LGFVs among banks and AMs. HNFARM priced USD300mn 3-yr bond at par to yield 6.2%. The new HNFARM'27 was better bid by top-up demands from RMs. GZINFU '26/SHGUOH '25 were up 0.1pt. On the other hand, the 364-day LGFVs at low yield were better offered by prop desks. In the high-beta names, CPDEV 25/26/Perp were 0.1-0.3pt higher. The insurance names ZHONAN/SUNSHG were under some profit taking. ZHONAN/SUNSHG 24-26s closed unchanged to 0.1pt lower. JP/AU insurance hybrids were under better buying led by ASAML/QBEAU papers.

❖ Last Trading Day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
VNKRLE 3.975 11/09/27	66.7	4.5	CSCHCN 4 1/2 08/19/27	37.6	-1.5
VNKRLE 3.15 05/12/25	83.5	3.4	GEMDAL 4.95 08/12/24	57.8	-1.4
VNKRLE 3 1/2 11/12/29	57.7	3.2	MDLNIJ 5 04/30/27	31.2	-0.8
LNGFOR 3.95 09/16/29	46.1	3.2	CHGRID 4 3/8 05/22/43	89.9	-0.7
LNGFOR 3 3/8 04/13/27	58.4	3.1	TAISEM 3 1/4 10/25/51	74.4	-0.6

❖ Marco News Recap 宏观新闻回顾

Macro – S&P (+0.08%), Dow (-0.26%) and Nasdaq (+0.36%) were mixed on Wednesday. US Markit manufacturing/service PMI in Jan'24 was 50.3/52.9, higher than the expectation of 47.9/51.0. Euro-zone Markit manufacturing/service PMI in Jan'24 was 46.6/48.4, compared with the expectation of 44.8/49.0. UST yields edged up yesterday, 2/5/10/30 yield reached at 4.34%/4.06%/4.18%/4.41%, respectively.

❖ Desk analyst comments 分析员市场观点

➤ NWDEVL: Announced application of USD7bn MTN programme

New world development (NWD) announced it has made application to HKEX for the listing of the USD7bn MTN programme during 12-month period after 24 Jan'24. Since 2019, NWD makes USD MTN programme applications at the beginning of each year except for 2020 while the company did not used up the registered quota in each year. In Jan'23, NWD applied a USD7bn MTN Programme which is valid before Jan'24 but the company did not issue any USD bonds during the period.

As there is no maturity in near-term for NWD and it received cUSD2.3bn net proceeds from the sale of NWS stakes, compared with repayment or redemption totaled cUSD1bn in principal amount of its offshore USD issues post the sale. We expect that the company might not launch new issuance soon given the high interest rate condition. We see room for NWD to perform further repurchases of its bonds and perps in an opportunistic manner. We have buy recommendation on **NWDEVL 6.15 Perp**, **NWDEVL 5.25 Perp** and **NWDEVL 4.125 Perp** in [our 2024 outlook](#). NWDEVLs rose 0.2-0.6pts this morning.

Table 1: Bond profile of NWDEVL

	O/s (USD mn)	Maturity	Next call date	Coupon	Coupon reset	Coupon Step-up	Ask price	YTM/YTC (%)
NWDEVL 4 ¾ 01/23/27	504.22	1/23/2027	-	4.75	-	-	87.2	9.8
NWDEVL 5 ¾ 06/16/27	172	6/16/2027	-	5.875	-	-	90.3	9.3
NWDEVL 4 ¼ 07/18/29	717.799	7/18/2029	-	4.125	-	-	76.6	9.7
NWDEVL 4 ½ 05/19/30	442.587	5/19/2030	-	4.5	-	-	74.6	10.0
NWDEVL 3 ¾ 01/14/31	76.05	1/14/2031	-	3.75	-	-	73.2	9.0

NWDEVL 4.8 PERP	700	-	9/9/2023	4.8	-	-	38.9	12.3
NWDEVL 6 ¼ PERP	1300	-	3/7/2024	6.25	-	-	50.2	12.4
NWDEVL 6.15 PERP	453.88	-	3/16/2025	6.15	3yrUST+6.201%	300bps	77.2	31.5
NWDEVL 5 ¼ PERP	999	-	3/22/2026	5.25	5yrUST+7.889%	300bps	63.4	29.3
NWDEVL 4 ½ PERP	1,140	-	3/10/2028	4.125	5yrUST+5.858%	300bps	50.8	23.3
Total	6,505.5							

Source: Bloomberg.

➤ China Economy – New package of supportive policies to boost confidence

In response to the recent slump of the stock market, the State Council (China's cabinet) signaled to launch a new package of supportive policies to boost investor confidence. The PBOC announced to cut RRR by 50bps and indicated a possible moderate cut in LPRs in February. The central bank would further lower new mortgage rates for first-home buyers. Meanwhile, the SOE regulator said it would guide listed SOEs to increase dividend payout and stock buybacks to boost their market cap while the securities regulator vowed to enhance investor protection and support listed companies to increase dividend payout, stock buybacks and asset injection or restructuring in future. The new package of policies may moderately boost investor confidence in the short term. To defy a deflation in both the real economy and asset prices, however, we believe China needs more aggressive policy moves including sharp mortgage rate cuts, large fiscal transfers to households and market-oriented structural reforms. But there is currently no indication that the policymakers will do so.

Moderate monetary policy easing. The PBOC governor Pan Gongsheng announced yesterday to cut the RRR by 50bps, the largest reduction since April 2022 when the Shanghai shutdown stubbornly hindered China's economy. The larger RRR cut which would increase liquidity supply by RMB1trn, signaled continuous monetary policy loosening ahead. He also announced to lower the interest rates of rediscount for loans to the agricultural sector and small businesses by 25bps. In response to the market concern of deflation risk, Pan said current inflation was below the target and the central bank would seek a mild reflation in future. He indicated that the US Fed's tightening cycle and Chinese banks' NIM condition limited the downside room for policy rates in China. However, he expected the restraints would alleviate this year as the Fed may start to cut rates and the Chinese banks are encouraged to further lower deposit rates. As banks had already lowered deposit rates moderately in the past two months, the PBOC governor implied a possible moderate cut in LPRs in February. Pan also indicated plans to further lower the floor of mortgage rates for first-home buyers in future. Considering the magnitude of deposit rate cuts in the past two months, we expect the PBOC may lower LPRs by 10-20bps in February. In face of a deflation in both the real economy and asset prices, the central bank needs to aggressively cut LPRs especially mortgage rates to boost aggregate demand, in our view. However, the magnitude of policy rate cuts is likely to remain moderate this year as the policymakers have the fear of floating on exchange rates and care about banks' NIMs with a reluctance to substantially lower deposit rates.

Enhancement of market value management by SOEs. China's SOE regulator said it is to include market cap into the management KPIs for listed SOEs in future. The regulator encouraged listed SOEs to increased dividend payout and stock buybacks to boost market confidence. The SOEs with stable earnings and abundant cash may consider increasing dividend payment in future.

Enhancement of investor protection by the securities regulator. The CSRC official vowed to strengthen investor protection and encourage listed companies to increase dividend payout and stock buybacks. The regulator also encouraged listed companies to improve profitability and market cap by asset injection, restructuring and M&As.

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➤ Offshore Asia New Issues (Priced)

Issuer/Guarantor	Size (USD mn)	Tenor	Coupon	Priced	Issue Rating (M/S/F)
Korea Electric Power Corp	1200	3yr	4.875%	T+80	Aa2/AA/-

➤ Offshore Asia New Issues (Pipeline)

Issuer/Guarantor	Currency	Size (USD mn)	Tenor	Pricing	Issue Rating (M/S/F)
China Orient AMC	USD	-	3yr	T+190	-/BBB/A-
Rudong County Jinxin Transportation Engineering Construction Investment	USD	-	3yr	5.9%	-/-/-
Shaoxing Shangyu State-Owned Capital	USD	-	3yr	6.05%	-/-/BBB-

➤ News and market color

- Regarding onshore primary issuances, there were 110 credit bonds issued yesterday with an amount of RMB84bn. As for Month-to-date, 1,400 credit bonds were issued with a total amount of RMB1,156bn raised, representing a 26.7% yoy increase
- Media reported that China will roll out policies to optimize business property loans for developers shortly
- [EDU]** New Oriental Education 2Q24 revenue rose 37% yoy to USD869.7mn on new business
- [EVERRE]** Media reported that China Evergrande offshore bondholder group may join winding-up petition at 29 Jan'24 hearing
- [RONXIN]** Ronshine China unit schedules partial payment for exchanged H21Rongxin3, H20Rongxin1 bonds on 29 Jan'24
- [SANLTD]** Sands China net revenues increased 323% yoy to USD1.86bn, net income turned to USD288mn from negative USD348mn in 2023

Fixed Income Department

Tel: 852 3657 6235/ 852 3900 0801

fis@cmbi.com.hk

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