

CMBI Credit Commentary

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

- *Markets was strong with active trading this morning. We saw buying interests on AT1 and LGFVs with around 8-9% yields from onshore. Some SOE names which dropped a lot in Dec were also sought after by buyers.*
- **Corporate Perps:** Prefer PCORPM 4.6 Perp, UPLLIN 5.25 Perp, NWDEVL 6.15 Perp and NWSZF 5.75 Perp. See below.
- **CIFIHG:** Media reported that CIFI plans to issue its second CBICL-backed bonds for about RMB2bn with possible 4.3% coupon. CIFIHGs were unchanged to up 1.5pts this morning.

❖ Trading desk comments 交易平台市场观点

Yesterday, 10-year US Treasury yield retraced 14bps to 3.74%, the largest decline in more than a month. China IG space had a firm opening day in 2023, though market was relatively quiet with no UST live session in the morning. IG spreads were generally 5-15bps tighter while liquidity remained thin and flow skewed to better buying. Financial space closed on a constructive tone with T2s/leasing names led the rally. T2 benchmark CCB 29-32s were one-way well-bid on the street, though liquidity was thin. In leasing sector, CMINLE '31 notably was traded to 10bps tighter. AMCs showed some more RM buying interests but not aggressively chasing from there. TMTs turned to better buying after London session came in. TENCNT/BABA names closed unchanged to 2bps wider. BIDU/JD/MEITUA tightened 4-8bps. In IG properties, LNGFORs were up 1-1.5pts across the curve. China HY space opened strong with property bonds ended 0.5-2pts higher on the day, with better buying on both quality and weaker ones. CIFI's domestic unit sounded out plan to issue CBICL-guaranteed bonds (three-year deal with a size of up-to-RMB2bn). CIFIHGs popped up 2-4pts with FM/Retail chasing. Recent outperformer SINOCEs continued to be quoted 1.5-3pts higher and SINOCE Perp was marked another 5pts higher to end at 40 level. COGARD 26-30s were marked 1-3pts higher. ROADKG/SHUION/YLLGSP 24-27s were traded up 0.5-1pts. Elsewhere, GRNLHK Perp dropped another 3pts, following Greenland missed to pay coupon due 25 December on its due-June 2023 notes. Industrial names like FOSUNIs marked 1-2pts higher across the curve. Elsewhere, LIFUNG/LEEMAN Perps were traded up 2.5-3.5pts. Macau gaming names remained solid. MPELs/WYNMACs were 0.5-1pt higher while STCITYs were up 1-3pts. Away from China, India HYs especially renewables like AZUPOE/GRNKEN edged 0.5-1pt higher. In Indonesia HYs, lower-price names like LPKRIJ/LMIRT 24-26s were quoted up 0.5-1pt with street chasing, to close at mid-60s to low-70s.

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In the LGFV/SOE Perp/AT1 space, market ended a firm tone to start the year, with LGFV space were broadly unchanged to 0.25pt higher. We saw overall balanced two way flows as sentiment remained afloat into new year with Chinese accounts on and offshore generally better buyer of risk, having been underweight for the best part of 2022. Buying in the LGFV space was led by high-yielding (~9%+) 24s and selected beaten 26s papers, whilst several 23s bonds also saw interests from short maturity mandates. CQNANA '24 were squeezed 0.5-1pt higher on some short covering. SOE Perps were fairly solid as well amid better buying in bullet high-grade SOE papers across the curves. The prices of SOE c23/ c24 perps remained resilient at 5%-6% despite selling in mainly c23 issues as investors recycled cash. Benchmark HAOHUA/SINOPE complex were unchanged to 5bps tighter under better buying flows. AT1s were also firm in spite of some profit taking flows seen in CINDBK 7.1 Perp/BOCHKL 5.9 Perp. Overall AT1s had active two way flows on the day, and we saw main focus of cash parking still on short to call papers like CMHI 3.5 Perp.

❖ Last Trading Day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
SINOCE 6.876 PERP	40.5	5.0	XINHUZ 11 06/06/25	93.3	-4.1
CMINLE 2 7/8 02/04/31	79.5	3.8	GRNLHK 10.21 PERP	58.3	-3.1
GRNLGR 5 7/8 07/03/26	37.5	3.8	FWDGRP 8.492 PERP	83.7	-2.8
CSCHCN 9 10/09/24	64.6	3.6	BBNIJ 4.3 PERP	77.4	-2.0
LEEMAN 5 1/2 PERP	89.4	3.3	LVGEM 12 03/10/23	72.4	-1.7

❖ Marco News Recap 宏观新闻回顾

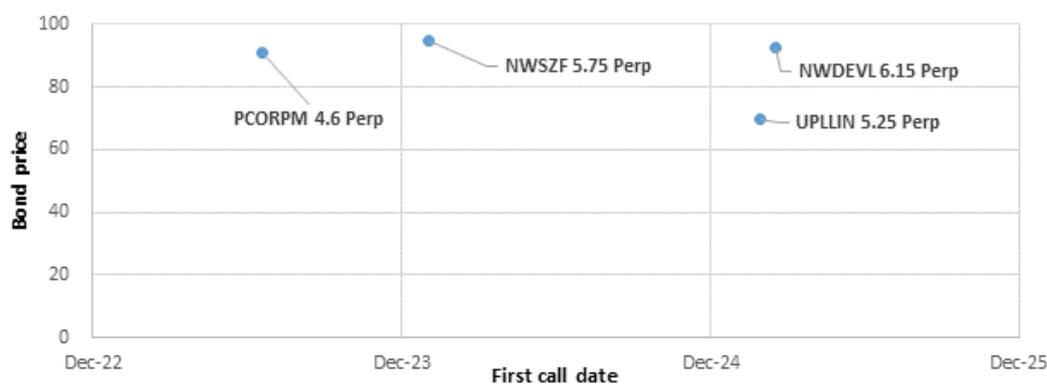
Macro – U.S. stock markets were weak on first trading day of 2023, the S&P (-0.40%), Dow (-0.03%) and Nasdaq (-0.76%) dragged by weighted stock Tesla and Apple. U.S. Market manufacture PMI published as 46.2 in Dec'22, the data was same with expectation but 1.5 lower than Nov'22. The long term U.S. treasury yields slightly down yesterday and 2/5/10/30 yields curves bull flattened to 4.40%/3.94%/3.79%/3.88%, respectively.

❖ Desk analyst comments 分析员市场观点

➤ Corporate Perps: Prefer PCORPM 4.6 Perp, UPLLIN 5.25 Perp, NWDEVL 6.15 Perp and NWSZF 5.75 Perp

We prefer perps with coupon reset and a high step-up as the certainty of being called will be higher and issuers are more incentivized to early redeem or buy back their perps before call dates.

Bond price and first call date of our corporate perps pick



Source: Bloomberg

Riding on the oil price rally, the Philippine oil refining company Petron Corporation is able to generate 116% yoy increase in sales in 9M22 and cash level at 30 Sep'22 reached the highest level since 2015 at PHP41.5bn (cUSD740mn). [As we mentioned in our daily back in Oct'22](#), we view **PCORPM 4.6 Perp** a candidate for tender offer, considering the perps' coupon will be increased to 5yrUST+4.77% from 4.6% on its first reset date on Jul'23. The company has announced a tender offer up to USD50mn for PCORPM 4.6 Perp under modified Dutch auction on 4 Jan'23. Recalled that PCORPM called its perps, PCORPM 7.5 Perp, on the first call date in Jun'18.

Meanwhile, **UPLLIN 5.25 Perp** is trading at 69.6, compared to its due-28 and due-30 senior bonds at 85.0 and 79.9 respectively. The perps are callable in Feb'25 and will have coupon step up as 5yUST+3.87% from 5.25%. UPL Corporation, the Indian agricultural solution provider, might take advantage of the lower bond price to redeem the perps before the first coupon reset date. Furthermore, UPLLINs will be included in bond indexes starting from 31 Jan'23 and we see there is technical demand on this company.

For NWDEVLs, our pick remains **NWDEVL 6.15 Perp**, callable in Mar'25 and coupon step-up to 3yUST+6.2% from 6.15%. The perps is trading at 92.4 with YTC of 9.7%. Given it would face high coupon step up after the first reset as well as its currently cash-rich position, we believe that the certainty of call is high and would not be surprised if New World Development would propose another tender offer. NWDEVL has two other perps callable in '23 and '24, NWDEVL 4.8 Perp and NWDEVL 6.25 Perp, are trading at 62.6 and 74.4 respectively. These two do not contain coupon step up clauses after first reset date and therefore the chance of call on first call is deemed comparatively lower.

NWSZF completed the tender offer for its NWSZF 5.75 Perp callable Jan'24 at 95.5 in Dec'22, and the accepted amount is higher than the originally proposed USD250mn. Meanwhile, the company completed the sale of commercial aircraft leasing platform to SMBC Aviation Capital for a consideration of USD1.6bn in Dec'22. The additional cash inflow allows the company to ride on the weak market sentiment to buy back the outstanding bonds trading at discount. **NWSZF 5.75 Perp** will have coupon step-up to 5yUST+8.2% from 5.75% in Jan'24, and currently trading at 95.0 with YTC of 10.3%.

Summary of our corporate perps picks

	PCORPM 4.6 Perp	UPLLIN 5.25 Perp	NWDEVL 6.15 Perp	NWSZF 5.75 Perp
Credit rating (M/S/F)	N/A	Ba2/BB-/-	N/A	N/A
Yield to call	22.9	22.3	9.7	10.3
Price	91.2	69.6	92.4	95.0
First call date	19 Jul'23	27 Feb'25	16 Mar'25	31 Jan'24
Year to call	0.6	2.2	2.2	1.1
Outstanding (USDmn)	500.0	400.0	500.0	1,020.0
USDmn	Sep'22	Mar'22	Jun'22	Jun'22
Revenue	13,906.4	5,532.3	8,730.8	3,985.6
Net profit	144.7	484.8	464.2	277.7
Cash and short-term	741.6	686.8	9,462.2	3,467.2
Short-term debts	3,111.7	362.9	6,592.8	696.8
Long-term debts	1,721.7	2,923.7	18,914.7	2,463.8
Total debts	4,833.4	3,286.6	25,507.5	3,160.6

Source: Bloomberg, S&P Capital IQ

➤ Offshore Asia New Issues (Priced)

Issuer/Guarantor	Size (USD mn)	Tenor	Coupon	Yield	Issue Rating (M/S/F)
No Offshore Asia New Issues Priced Today					

➤ Offshore Asia New Issues (Pipeline)

Issuer/Guarantor	Currency	Size (USD mn)	Tenor	Pricing	Issue Rating
Export-Import Bank Korea	USD	-	3/5/10yr	T+120/155/180	Aa2/AA/AA-
Hong Kong SAR Government	USD	-	3/5/10/30yr	T+70/105/	-/AA+/AA-
Republic of Indonesia	USD	-	5/10/30	5.15%/5.5%/6.15%	Baa2/BBB/BBB
Nomura Holdings	USD	-	3/5/10yr	T+175/215/265	-/-/-
Sunny Optical Technology	USD	-	3.5/5yr	-	Baa1/-/-

➤ News and market color

- Regarding onshore primary issuances, there were 47 credit bonds issued yesterday with an amount of RMB44bn. There is no yoy change as 3 Jan'22 was public holiday in Mainland China.
- **[ANTOIL]** Anton sells 15.2% stake in inspection business for RMB197.7mn ahead of planned Shenzhen listing
- **[CIFIHG]** Media reported that CIFI plans to issue its second CBICL-backed bonds for about RMB2bn with possible 4.3% coupon. The company issued RMB1.2bn CBICL-backed bonds with 3.2% coupon on 21 Sep'22
- **[GRNLGR]** Greenland missed 25 Dec coupon payment on its USD500mn GRNLGR 6.75 06/25/24
- **[PCORPM]** Petron launches up to USD50mn tender offer for its USD500mn PCORPM 4.60 PERP with minimum purchase price of 92.7
- **[SUNAC]** Media reported Sunac obtains sufficient consents from holders of its RMB15.8bn (cUSD2.3bn) domestic bond for its two-pronged holistic onshore debt restructuring plan; The company sale 51% stake in Shenzhen JV for USD519mn to repay debt
- **[YIDCHL]** Yida China missed USD3.45mn payment of senior notes due 2025 pursuant to terms of consent solicitation
- **[ZHPRHK]** Zhenro property signed strategic cooperation agreement with Ningbo Bank

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