

## 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 2023](#)". Thank you for your support!

- *Asia IG space had a relatively constructive morning session. In SOEs, HAOHUA tightened 3-6bps. The recent new issues AIA/BOCAVI/HKINTL 28s/33s edged 2-4bps tighter. Sentiment in LGFV/SOE Perp remained cautious ahead of half-year end, and flows were skewed to better selling in Chinese AT1s.*
- *NWDEVL/NWSZF: Privatization help mobilizing liquidity within the group. Maintain Buy on NWDEVL 4.125 Perp, NWDEVL 6.15 Perp and NWSZF 5.75 Perp. NWDEVLs gained 2.5-3.75pts and NWSZFs were up 0.75pt this morning. See below.*
- *CENCHI: Central China Real Estate suspended payments to offshore creditors yesterday. CENCHI 23s plunged 8-10pts and 24s/25s fell 2.2-4.6pts yesterday. CENCHIs were unchanged to -0.25pts this morning.*

#### ❖ Trading desk comments 交易台市场观点

Yesterday, the sentiment in Asia ex-JP IG space remained weak, with IG spreads in general widened 3-10bps. In Chinese SOEs, HAOHUA curve closed 3-8bps wider with two-way mixed flows. TMT benchmarks TENCNT/BABA papers widened by 3-5bps. The high beta TMTs LENOVO/MEITUA 30s were traded 5-20bps wider. In financials, Chinese bank T2s widened 2-4bps. AMC space was subdued. HRINTH 25-30s were under small selling. In Korea space, HYUELE 28/31/33s widened around 5bps. SG bank T2s were under heavy selling. UOBSP/OCBCSP 29-32s widened around 10bps. Chinese properties drifted lower across names. LNGFOR 27-32s closed 2-3.5pts lower. COGARDs/FUTLANs/FTLNHDs declined 1.5-3pts across the curve. CENCHI 23s plunged 8-10pts to close at low-teens post its announcement on offshore payment suspension. The rest of CENCHIs fell 2.25-4.5pts, AGILEs/GRNLGRs were down 1-3pts. NWDEVLs/NWSZFs closed unchanged to 0.25pt lower but NWDEVLs gained 2.5-3.75pts and NWSZFs were up 0.75pt this morning after the announcement of NWS offer by CTFH (see below). Elsewhere, ZHONAN dropped 1-2pts. Industrials performed softly. FOSUNIs moved 2-2.5pts lower. WESCHI 26s/ANTOIL 25s were quoted down 0.75-1.5pts. Macau gaming names MPELs/SANLTDs were traded 0.75-1.5pts lower. In Indian space, ADSEZs/ADANEMs declined 1-2pts. VEDLNs were down 1-1.5pts.

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Renewables GRNKRN/RPVINs lowered 0.5-1.25pts. Indonesian sovereign names PLNIJs/PERTIJs were marked 0.75-1pt higher.

In LGFV/Perp spaces, sentiment was very defensive. The new YWSOAO 5.7 '26 was traded flat at 99.70/99.75. Flows continued to be skewed better selling, led by the front-end 23s/24s papers, which were getting more difficult to move even at low-6%. The 25s/26s of LGFV/Perps callable issues were under little buying tractions from Chinese RMs/AMs, where selling pressure would emerge at tight. These papers roughly held unchanged amid two-way mixed flows. Shandong names remained active. SHDOIS/SHUGRP 24s were bid up 0.25-0.5pt. There was a little bit more jittery in KMRLGP 24 after more selling emerged last Friday. In HK Corp perps, CKINF 4.85 Perp/PEAKRN 5.35 Perp were indicated 0.75-1.25pts lower. Elsewhere, CPDEV papers stayed range-bound and closed around 0.5pt lower at mid-80s.

#### ❖ Last Trading Day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
CHIOLI 5.35 11/15/42	93.4	1.2	CENCHI 7.65 08/27/23	10.4	-9.8
PLNIJ 4 7/8 07/17/49	82.4	1.1	CENCHI 7.9 11/07/23	10.5	-8.3
PLNIJ 6.15 05/21/48	97.7	1.1	CENCHI 7 3/4 05/24/24	11.7	-4.3
GRNLGR 6 1/8 04/22/25	26.0	1.1	LNGFOR 4 1/2 01/16/28	80.0	-3.4
TSINGH 5 3/8 01/31/23	47.3	1.1	LNGFOR 3 3/8 04/13/27	80.1	-3.1

#### ❖ Marco News Recap 宏观新闻回顾

**Macro** – S&P (-0.45%), Dow (-0.04%) and Nasdaq (-1.16%) were down yesterday. Markets were worried of betting on riskier assets before the outcome of Russia's aborted mutiny happened during the weekend. Growth stocks such as Meta, Alphabet and Tesla all fell notably. The US treasury yields slightly retreated yesterday, the 2/5/10/30 yield reached at 4.65%/3.96%/3.72%/3.83%, respectively.

#### ❖ Desk analyst comments 分析员市场观点

##### ➤ NWDEVL/NWSZF: Privatization help mobilizing liquidity within the group

##### Maintain Buy on NWDEVL 4.125 Perp, NWDEVL 6.15 Perp and NWSZF 5.75 Perp

	NWDEVL 4 1/8 PERP	NWDEVL 6.15 PERP	NWSZF 5 3/4 PERP
Price	68.8	93.7	98.9
YTC	13.3%	10.3%	7.7%
Call date	3/10/2028	3/16/2025	1/31/2024

NWS offer goes ahead, NWD will receive a net proceeds cUSD2.3bn in cash (after special dividend). This will notably strengthen its financial flexibility for refinancing, as well as well redemption of its perps. Recalled that NWD and NWS conducted tender offers in Dec'22 to buy back USD482.5mn (in principal amount) of NWDEVLs and NWSZFs. We continue to believe that the sweet spots of NWDEVL/NWSZF complex are perps with coupon reset and step-up given there is no short-dated paper. NWD, in our view, will have an even stronger incentive to early redeem its perps with reset and coupon step-up. We maintain Buy on NWDEVL 4.125 Perp, NWDEVL 6.15 Perp and NWSZF 5.75 Perp. At the time of writing, NWDEVLs gained 2.5-3.75pts and NWSZFs were up 0.75pt this morning.

**NWS offer to notably strengthen the liquidity of NWD**

As at Dec'22	NWD (excl NWS)	Pro-forma
Cash (HKD mn)	38,968.7	56,750.7
ST debt/Cash	1.0x	1.4x

CTFH, the parent of NWD, offers (through its 100% subsidiary) to acquire all the outstanding shares owned by NWD and other non-concerted parties in cash. The offer price is HKD9.15 per NWS share, compared with the last close of HKD7.99. The maximum cash consideration will be HKD35.5mn (cUSD4.6bn). The key condition, in our view, is to secure the approval from the independent shareholders of NWD. The longstop date of the NWS offer is on 26 Dec'23.

NWD is 45.2% owned by CTFH. NWD owns a 60.9% stake in NWS. Should the offer go ahead, NWD will receive cash of HKD21.8bn. Even after the plan to pay a special dividend of HKD4bn, NWD's financial flexibility in refinancing and redemption of its perps will notably improve. The offer will effectively mobilize liquidity at lowly-g geared NWS upward with manageable cash leakage (through special dividend). On a pro-forma basis, NWD's cash on hand will increase to HKD56.8bn from HKD39.0bn on a pro-forma basis. Its cash/ST debts ratio will also increase to 1.4x from 1.0x.

**The impact to NWS?**

As at Dec'22	NWS
Cash (HKD mn)	17,691.9
ST debt/Cash	3.0x
Net gearing	13%

CTFH will fund the NWS offer (up to HKD35.5mn) with internal resources and loan facility. We expect CTFH to mobilize part of cash and liquidity at NWS level to settle the offer considerations. There are also concerns that information flow of NWs will more limited if NWs will be delisted. Nonetheless, we take comfort that the financial profile of NWS is solid and its gearing level is low. Even factoring into the potential special dividend to be paid to partially settle the offer considerations, NWS's credit profile should remain health. On information flow, NWS will continue to be required to file periodic financial reports as a bond issuer offshore and onshore. Recalled that NWS issued RMB1.5bn (coupon rate of 3.9%) onshore MTN in late May'23. Information flow should not be materially weakened.

Click [here](#) for full report.

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

Issuer/Guarantor	Size (USD mn)	Tenor	Coupon	Yield	Issue Rating (M/S/F)
Jinan Licheng Holding Group	130	3yr	7.3%	7.3%	-
Jinan Shizhong Finance Investment Group	150	364d	7.2%	7.2%	-
Linyi Lanshan District Finance Investment Group	38.5	3y	7.0%	7%	-
Korea Expressway Corp	300	5yr	6.11%	SOFR+103	Aa2/-/-

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

Issuer/Guarantor	Currency	Size (USD mn)	Tenor	Pricing	Issue Rating (M/S/F)
Luso International Banking	USD	-	10NC5	7.6%	-
Mitsubishi Corp	USD	-	5yr	T+130	A2/A/-
NongHyup Bank	USD	600	5yr	T+98	A1/A+/-

➤ **News and market color**

- Regarding onshore primary issuances, there were 79 credit bonds issued yesterday with an amount of RMB57bn. As for Month-to-date, 1,538 credit bonds were issued with a total amount of RMB1,404bn raised, representing a 4.7% yoy increase
- China overtook Japan as the world's largest car exporter in 1Q23 partly due to increase in sales to Russia
- **[AZUPOE]** Fitch downgraded Azure Power Solar Energy (Azure RG2) USD bond to B from BB-, and Azure Power Energy (Azure RG3) to B from BB due to prolonged failure of management to manage annual audited financial disclosures
- **[BABA]** Alibaba's fresh food and supermarket business, Freshippo, is expected to be the first to complete IPO in Hong Kong this year
- **[BTSDF]** Health & Happiness settled exchange and tender offers and consent solicitation for BTSDF 5.625 10/24/24. USD171.655mn in aggregate principal amount were cancelled and USD98mn remain outstanding
- **[DALWAN]** Wanda Real Estate transferred 85.72% stake in its investment subsidiary, Wuhan Huadajiu hao Innovation Investment, to China Huarong. Wanda Real Estate's stake fell to 13.91% after the transfer
- **[FANHAI]** Oceanwide Holdings will negotiate with bondholders to further defer the deadline for the payment of USD134mn offshore bonds
- **[JD]** JD.com plans to create an independent retail unit by merging its 7Fresh supermarket chain with other online services
- **[JIAYUA]** Jiayuan postponed the voting deadline for the proposed three-year extension for its RMB1bn 7.5% notes (20 佳源创盛 MTN004)
- **[MEITUA]** Meituan's co-founder Wang Xing resigned from all its posts due to personal health
- **[NWSZF]** NWS Holdings receives HKD9.15 per share cash offer from Chow Tai Fook Enterprises to acquire all the issued shares. The maximum cash consideration will be HKD35.5mn (cUSD4.6bn). The offer price represents a premium of 14.5% over NWS's last closing price of HKD7.99
- **[SINOCE]** Three officials from China Life Insurance were appointed as directors in Sino-Ocean's board. Separately, Fitch downgraded Sino-Ocean to CCC+ from B-, ratings are withdrawn for commercial reasons

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