

CMBI Credit Commentary**Fixed Income Daily Market Update 固定收益部市场日报**

- *New issue ANZ'34 tightened c1bps. Asian IG benchmarks were 1-2bps tighter. High-beta IGs tightened 2-5bps. SOE developers were under better buying and we saw buying interests in non-real estate related LGFVs.*
- **European AT1 Top Picks:** BACR 6 ½ PERP, BACR 4 ¾ PERP and INTNED 3 ¾ PERP. See below.
- **VNRKLE:** Media reported that China Vanke would use internal resources, offshore syndicated loans to repay due May/June'24 offshore bonds. Moody's withdrew China Vanke's Baa3 rating and assigned Ba1 CFR, ratings on review for downgrade. VNRKLEs were unchanged to +2pt this morning.

❖ Trading desk comments 交易台市场观点

Asia IG space was quiet yesterday. In KR, HYUELEs/HYNMTRs were under small better buying and tightened 2bps. JP insurance hybrids such as ASAMLI/SUMILF Perps were up 0.1pt. In Chinese IGs, HAOHUAs were unchanged while BABAs/TENCNTs were 1-2bps wider. The high beta TMTs were mixed. WB/MEITUA 30s tightened 2-3bps, whilst XIAOMI 30s widened 2bps. In financials, the front end of WOORIB/NANYAN T2s were better bid. BNKEA '27 was actively traded and closed unchanged to 1bp tighter while BNKEA Perps increased 0.4-0.6pt. Chinese AT1s were stable, BCHINA Perp was up 0.1pt. In AT1s, KBANK/BBLTB/MQGAU Perps were 0.1pt higher. EU AT1s had a mixed session ahead of US CPI print on Tue. UBS 7.75 Perp/HSBC 8 Perp increased 0.2-0.3pt under better buying from Asian PBs/Prop desks, whilst BACR 8 Perp/ACAFP 6.5 Perp declined 0.1-0.3pt after gaining 0.7-1.4pts last week. HK names had an upbeat session. HYSAN/NWDEVL Perps edged 0.3-0.5pt higher under PB buying. CKINF/CKPH Perps were also sought after and closed 0.1-0.2pt higher. Chinese properties performed mixed. LNGFOR 27-32s moved 3.8-4.6pts higher. GEMDAL '24 rose another 2pts after gaining 4.5pts last week. VNRKLE 4.2 06/07/24 was up 0.6pt, whilst VNRKLE 25-29s closed around 0.5-1pt lower. Media reported that China asked large banks to offer more support to Vanke. RDHGCL '24/CSCHCN '27 were 0.8-0.9pt lower. In industrials, EHICAR 24/26 were another 1.3-2.9pts higher following its well-expected exchange offer and concurrent new issue. WESCHI '26 was 1.1pts lower post its FY23 profit warning. Macau gaming names SANLTDs/STCITYs were 0.3pt higher. In Indian space, VEDLN 26-28s were up 0.6-0.8pt. Indonesian names were muted. Elsewhere, GLPSP '25/GLPCHI '26 were 0.5-0.7pt higher.

The property-related LGFVs CPDEVs/BCDHGRs lowered 0.5-0.8pt with buying from Chinese RMs at the lows. NJYZSO '27 was 0.1pt higher, SXUCI '26 was down 0.1pt. Guangzhou LGFVs such as GZDZCD

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'25/GZINFU '26/GZGETH '27 were 0.1-0.2pt higher. In SOE Perps, SPICPT 3.45 Perp was up 0.1pt, whereas HUADIA 3.375 Perp was down 0.1pt.

❖ Last Trading Day's Top Movers

| Top Performers | Price | Change | Top Underperformers | Price | Change |
|-----------------------|-------|--------|-----------------------|-------|--------|
| LNGFOR 3 3/8 04/13/27 | 54.7 | 4.6 | WESCHI 4.95 07/08/26 | 83.8 | -1.1 |
| LNGFOR 3.85 01/13/32 | 39.5 | 4.2 | ROADKG 5.9 03/05/25 | 63.2 | -1.1 |
| LNGFOR 3.95 09/16/29 | 43.3 | 4.1 | JPFAIJ 5 3/8 03/23/26 | 90.5 | -1.0 |
| LNGFOR 4 1/2 01/16/28 | 51.8 | 3.8 | RDHGCL 7.8 03/20/24 | 55.3 | -0.9 |
| EHICAR 7 3/4 11/14/24 | 99.0 | 2.9 | CSCHCN 4 1/2 08/19/27 | 26.8 | -0.8 |

❖ Marco News Recap 宏观新闻回顾

Macro – S&P (-0.11%), Dow (+0.12%) and Nasdaq (-0.41%) were mixed on Monday. Japan 4Q23 GDP rose 0.4% qoq, better than the initial estimation of 0.4% qoq contraction. UST yields were stable yesterday, 2/5/10/30 yield reached 4.51%/4.08%/4.10%/4.26%.

❖ Desk analyst comments 分析员市场观点

➤ European AT1 Top Picks: **BACR 6 1/8 PERP, BACR 4 3/8 PERP and INTNED 3 7/8 PERP**

Executive summary

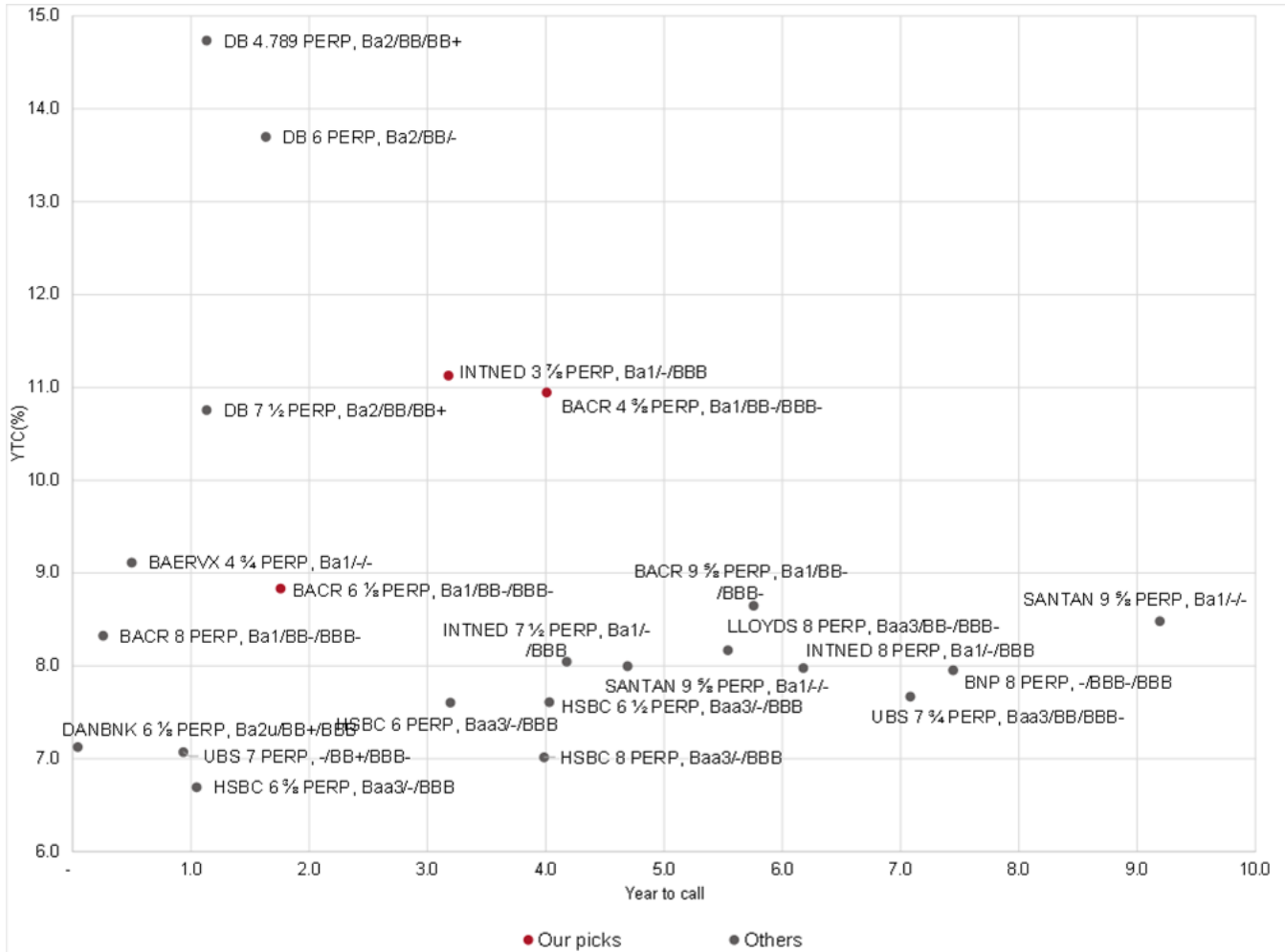
- European AT1s offer higher YTC compared with those of similarly-rated Asian AT1s. This partly reflects the technical of European AT1s is not as strong as that of Asian AT1s. The Asian AT1 space has been in net redemption over the past 2 years and local investors have a “stronger home bias”. Besides, the higher YTC of European AT1s, in our view, partly reflects European banks' track records of non-call and cancellation of distribution. The write-down of Credit Suisse AT1s ahead of its common equity is the most recent example.
- Nonetheless, we see selected European AT1s offering decent risk-return profiles. We focus on issues from European banks with good cushions from PONV. Meanwhile, we prefer issues from regulatory regimes in which common equity will absorb losses ahead of AT1s, i.e. issues in the Eurozone and the UK rather than those in Switzerland. We also prefer AT1s with loss absorption through equity conversion, instead of permanent write-down in case the loss absorption is triggered.
- Our top picks in European AT1 space are **BACR 6 1/8 PERP, BACR 4 3/8 PERP and INTNED 3 7/8 PERP** in view of these AT1s' more superior risk-return profile, yield pick-up over their respective senior bonds and lower cash prices. Despite the relatively low reset rates compared with their more recent issues, we acknowledge BARC and INTNED's track records of calling AT1s on the first call dates, as well as their comfortable CET1 ratios and limited exposure to the commercial real estates in the US and Chinese properties.

Table 1: Picked European AT1

| Security Name | o/s amt (USD mn) | Next call date | Coupon reset | YTC (%) | Price | Trigger type | Loss absorption |
|-----------------|------------------|----------------|--------------|---------|-------|--------------|-------------------|
| BACR 6 1/8 PERP | 1,500 | 15/12/2025 | H15T5Y+5.867 | 8.8 | 95.6 | Mechanical | Equity Conversion |
| BACR 4 3/8 PERP | 1,500 | 15/3/2028 | H15T5Y+3.410 | 10.9 | 78.9 | Mechanical | Equity Conversion |

INTNED 3 ½ PERP 1,000 16/5/2027 H15T5Y+2.862 11.1 81.0 Mechanical Equity Conversion
 Source: Bloomberg.

Chart 1: Yield comparison of European AT1 with active trades



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➤ Offshore Asia New Issues (Priced)

| Issuer/Guarantor | Size (USD mn) | Tenor | Coupon | Priced | Issue Rating (M/S/F) |
|-------------------|---------------|---------|-------------|---------------|----------------------|
| ANZ Banking Group | 1250/1250 | 2yr | 5.0%/5.905% | T+47/SOFR+56. | Aa2/AA-/A+ |
| ANZ Banking Group | 1000 | 10NC5.5 | 5.731% | T+165 | A3/BBB+/A- |

➤ Offshore Asia New Issues (Pipeline)

| Issuer/Guarantor | Currency | Size (USD mn) | Tenor | Pricing | Issue Rating (M/S/F) |
|------------------|----------|---------------|-------|---------|----------------------|
|------------------|----------|---------------|-------|---------|----------------------|

| | | | | | |
|-----------------------|-----|---|-------|-------|--------|
| Avic International | USD | - | 3yr | T+130 | -/-/A- |
| Del Monte Philippines | USD | - | PNC3 | 9% | -/-/- |
| EHi Car Services | USD | - | 3.5yr | - | -/-/- |

➤ News and market color

- Regarding onshore primary issuances, there were 93 credit bonds issued yesterday with an amount of RMB68bn. As for month-to-date, 722 credit bonds were issued with a total amount of RMB630bn raised, representing a 11.3% yoy decrease
- **[ADTIN]** Fitch affirmed Adani Energy at BBB- and placed stable outlook
- **[CSCHCN]** China South City announced it has HKD25.3bn (cUSD3.2bn) of total borrowing defaulted or cross defaulted following failure of mandatory redemption payment for Oct'24 notes
- **[GRNKEN]** Moody's affirmed Greenko's Ba2 CFR and revised outlook to negative
- **[ROADKG]** Road King Infrastructure expects FY23 loss to rise to HKD3.9-4.2bn, compared with HKD495mn in FY22
- **[SMCGL]** San Miguel Global Power announced to redeem USD800mn Perps on first call date of 25 Apr'24
- **[VNRLE]** Media reported that China Vanke will use internal resources, offshore syndicated loans to repay due May/Jun'24 offshore bonds; Moody's withdrew China Vanke's Baa3 rating and assigned Ba1 CFR, ratings on review for downgrade
- **[YESTAR]** Yestar Healthcare announced to redeem all outstanding USD197.9mn senior notes due 2026 on 13 Mar

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