

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 2024](#)". Thank you for your support!

- *Active flows on new issues this morning. BBLTB'34 tightened 10bps, CATLIF'34, SWIRE'29 and MQGAU floater tightened 3-5bps. HUANEN Perp rose 0.05pt. Asian IG space was unchanged to 2bps tighter. Beijing relaxed housing policies as expected. See below.*
- **HUANEN:** *Prefer HUANEN 3.08 PERP over the new HUANEN 5.3 PERP. See below for comments*
- **NWDEVL:** *CTF's willingness and ability to support demonstrated again. NWDEVLs moved -0.5 to +1.5pts this morning. See below for comments*

❖ Trading desk comments 交易台市场观点

Yesterday, SWIRE priced a USD500mn 5-yr bond at T+95. CATLIF priced a USD600mn 10-yr T2 at T+170. BBLTB priced a USD750mn 10-yr bond at T+140. The new LGENSO 27/29/34 moved 2bps tighter to 3bps wider from last closes. HYUCAP 27/29 tightened 2-3bps. HYNMTR '26 tightened 2bps, while HYNMTR 27/29 widened 1bp. WSTP '29 tightened 2bps. MQGAU 33/34 widened 1-3bps. In Chinese IGs, the long-end of SINOPEs/CNOOCs were down 1.0-1.2pts. HAOHUA '30/TENCNT '30 tightened 3-4bps. In financials, BOCAVI 27-33s were unchanged to 2bps tighter. In Chinese AMCs, ORIEAS/CCAMCL 29s were 1-2bps tighter. The new GRWALL '28 was up 0.1pt, the new GRWALL 7.15 Perp closed 0.4pt higher. The old GRWALL 3.95 Perp/GRWALL '30 were 0.1pt lower. EU AT1s were stable with mixed two-way flows. UBS 9.25 Perp/ HSBC 6.5 Perp were 0.1-0.3pt higher, BNP 8 Perp/ACAFF 6.5 Perp were 0.1-0.2pt lower. In HK, BNKEA/PINGIN 34s were unchanged to 3bps wider. HKAAAs/HKEs widened 1-2bps. NWDEVL Perps opened 1-2pts higher, but closed unchanged to 0.3pt lower on profit taking from RMs/HFs/PBs. Chinese properties were firm. VNKRL 25/27/29 rebounded 2.2-3.1pts but still closed 1.5-1.9pts lower WTD. ROADKG 26s were 0.5-0.6pt higher. LNGFOR 27-32s were up 0.2-0.4pt. Outside properties, HILOHO '24/FOSUNI '27 were 0.3-0.4pt higher. In Macau gaming, MPELs/SANLTDs/STCITYs were 0.2-0.6pt lower. In India, VEDLN 26-28s rose 0.4-1.8pts amid media report of Vedanta Resources' stakes sales in Vedanta Ltd. In Indonesia, MDLNIJ '25 was 1.8pts higher while MDLNIJ '27 was unchanged. MEDCIJ 27/28 were 0.1pt higher following S&P's one notch upgrade to BB-.

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The flows in the high-yielding LGFVs were under better buying among RMs but mixed two-way among HFs. YNPOWE '25/CQNANA '26 were 0.3pt higher. WFURCD '25 was up another 0.1pt. KMRLGP '24 was 0.2pt lower. In SOE perps, HUANEN priced a USD500mn NC3 Perp at par to yield 5.3%. CHPWCN 3.08 Perp/COFCHK 3.1 Perp/SPICPT 3.45 Perp were up 0.1pt. In the high beta names, FRESHK '26 was up 0.2pt. CWAHK '26 was 1.3pts lower. GRPCIN/SUNSHG/ZHONAN 26s were 0.1pt lower.

❖ Last Trading Day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
VNKRLE 3.975 11/09/27	63.1	3.1	CWAHK 4.85 05/18/26	92.1	-1.3
VNKRLE 3 1/2 11/12/29	55.1	3.0	SINOPE 4.6 09/12/48	92.1	-1.2
VNKRLE 3.15 05/12/25	85.0	2.2	PTTGC 5.2 03/30/52	89.2	-1.2
MDLNIJ 5 06/30/25	43.9	1.8	CNOOC 4.2 05/05/45	87.8	-1.1
VEDLN 9 1/4 04/23/26	90.4	1.8	TAISEM 4 1/2 04/22/52	94.0	-1.1

❖ Marco News Recap 宏观新闻回顾

Macro – S&P (+0.16%), Dow (+0.04%) and Nasdaq (+0.49%) were firm on Wednesday. US May'24 new home sales decreased 11.3% mom to 619k, lower than the expectation of 636k. UST yield rallied higher yesterday, 2/5/10/30 yield reached 4.71%/4.32%/4.32%/4.45%.

❖ Desk analyst comments 分析员市场观点

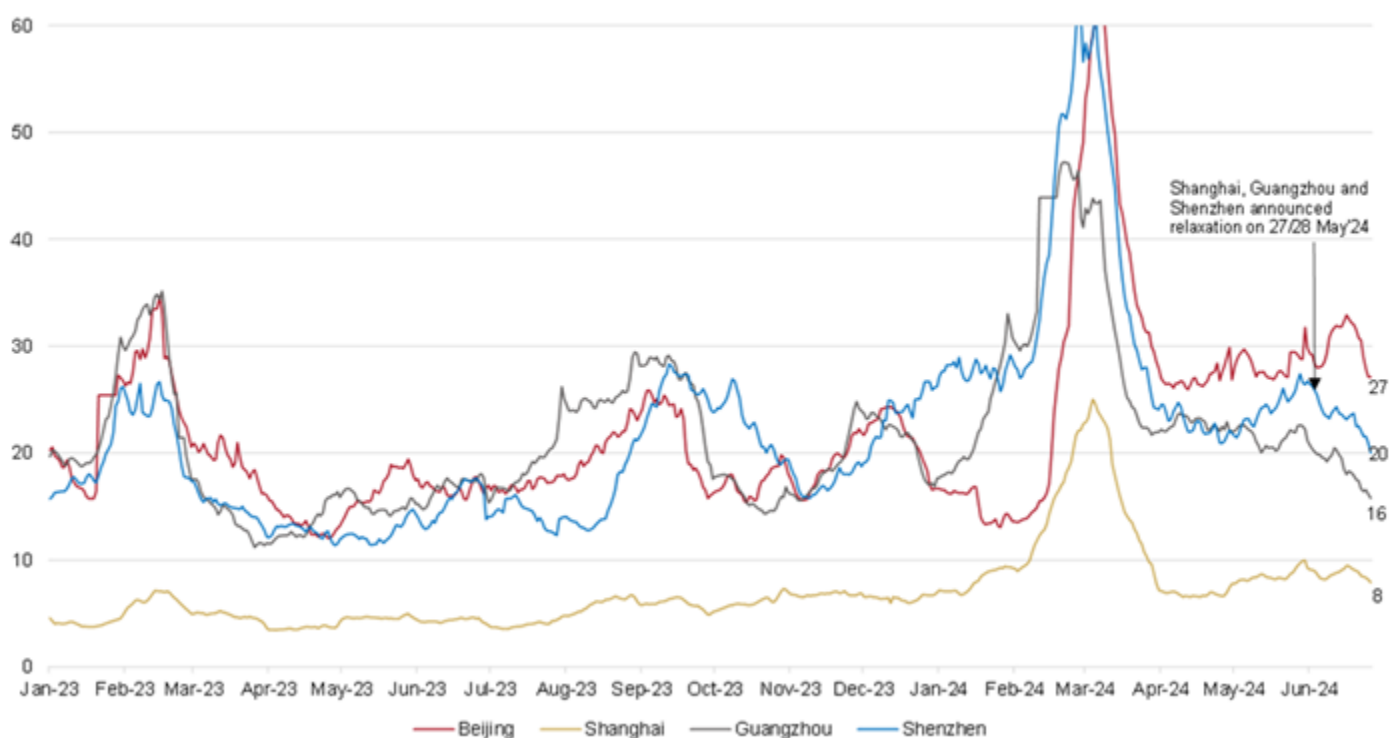
➤ Chinese properties: Beijing relaxed housing policies as expected

On 26 Jun'24, Beijing relaxed housing policies as expected. The government lowered mortgage rate and down payment ratio for buyers and gave privilege to multi-children family. Compared to the relaxations launched in other tier-1 cities, e.g. [Shanghai](#), [Guangzhou and Shenzhen](#), Beijing maintained purchasing restrictions for non-Beijing residents.

1. Lowering minimum down payment ratios for first/second home buyers to 20%/35% from 30%/50%
2. Lowering minimum mortgage rates for first/second home buyers to LPR-45bps/LPR-5bps from LPR+10bps/LPR+60bps
3. Multi-children Beijing family recognized as first home buyer when buying second home

On 17 May'24, China central government announced [a series of supportive policies](#) to stabilize real estate market and de-stocking. On 27/28 May'24, three tier-1 cities Shanghai, Guangzhou and Shenzhen relaxed their housing policies. Post the relaxation, the avg. daily transaction area of residential housing of Shanghai, Guangzhou and Shenzhen increased 22%, 44% and 32% compared to transaction area in May'24. As of 26 Jun'24, the inventory month of Shanghai, Guangzhou and Shenzhen lowered to 8, 16 and 20 from 9, 23 and 27 on 27 May'24 when the relaxations were launched. We do not expect Beijing's inventory level could be significantly decreased without cancellation of purchasing restrictions for non-Beijing residents. Besides, we continue to expect more supportive measures from governments including further LPR cut in 2H24 as the [Chinese properties remained weak](#).

Inventory month of commercial residential housing of Tier-1 cities



Source: Wind.

➤ HUANEN: Prefer HUANEN 3.08 PERP over the new HUANEN 5.3 PERP

China Huaneng Group (HUANEN, M/S/F issuer rating: A2/A-/A) issued subordinated USD500mn 5.3% NC3 perp (Moody's issue rating: A3) for refinancing. The coupon of the perps will be reset and step up to 3yUST+initial spread of 77.5bps+300bps if it is not called on the first call date in Jul'27. HUANEN had called all of its 3 senior unsecured perps on their first call dates (25 Jan'19, 30 Oct'22 and 9 Dec'23).

We consider HUANEN fairly priced compared with issues of other peers such as China Huadian (HUADIA), Power Construction Corp of China (CHPWCN) and State Power Investment Corp (SPICPF, SPICPT). That said, we prefer the HUANEN 3.08 Perp compared with the new HUANEN 5.3 Perp, in view of the former's shorter "tenor" with first call date in Dec'25, higher YTC of 5.45% and lower cash price. At 96.7, HUANEN 3.08 Perp is trading at a YTC of 5.45%.

Table 1: Perpetual bonds of central SOE power generator

	Ask px	YTC (ask, %)	First call date	Coupon reset	Step-up (bps)	Issue rating
SPICPF 3.38 PERP	99.33	5.73	10/09/2024	5yUST+5.633%	300	Baa1/-/-
CHPWCN 3.55 PERP	99.29	5.71	10/25/2024	5yUST+4.946%	300	Baa1/-/BBB+
SPICPT 3.45 PERP	97.99	5.82	05/13/2025	5yUST+5.582%	300	Baa1/-/-
HUADIA 3.875 PERP	98.01	5.47	06/23/2025	5yUST+6.065%	300	A2/-/-
CHPWCN 3.45 PERP	97.44	5.82	09/29/2025	5yUST+6.189%	300	-/-/BBB+
HUANEN 3.08 PERP	96.74	5.45	12/09/2025	5yUST+5.651%	300	A2/-/-
CHPWCN 3.08 PERP	95.86	5.74	04/01/2026	5yUST+5.256%	300	-/-/BBB+
CHPWCN 4.25 PERP	97.22	5.43	01/14/2027	5yUST+4.575%	300	Baa2/-/-
HUANEN 5.3 PERP	100.12	5.26	07/05/2027	3yUST+3.775%	300	A3/-/-

Source: Bloomberg.

HUANEN is one of the largest state-owned power generation companies in China. HUANEN accounted for 9.2% of national installed capacity in FY23. It is also the second largest power group by total controlled installed capacity of 243.1GW. In FY23, HUANEN's aggregate power generation amounted to 845.9bn kWh, comprising thermal, hydro, wind, photovoltaic and nuclear powers. HUANEN is 90% owned by central SASAC and 10% owned by the National Social Security Fund. We expect strong government support for HUANEN in view of its strategic importance. We also expect the government to retain majority ownership and control over HUANEN.

Meanwhile, HUANEN has diverse access to different funding channels, supported by its SOE background. It has USD bonds and perps totaled USD3.1bn and onshore bonds of RMB286mn outstanding. HUANEN has five listed subsidiaries which enhance its access to funding channels. As at 31 Dec'23, HUANEN had unused bank lines totaled RMB1.8tn. On the other hand, HUANEN showed an improvement in profitability and reduced leverage over past two years. See below table for the key financials.

Table 2: Key financials of HUANEN

	FY21	FY22	FY23
Revenue (RMBbn)	387	425	410
EBITDA Margin	21.2%	22.2%	27.9%
EBITDA interest coverage	3.5x	3.9x	5.4x
Net debt/EBITDA	8.5x	7.7x	6.9x

Source: Company filings.

➤ **NWDEVL: CTF's willingness and ability to support demonstrated again**

NWD entered into the S&P to sell its 30% stakes in an office and shopping mall complex in Qianhai, Shenzhen to CTF. The cash consideration is HKD1.557bn. The commercial complex was originally 70% owned by CTF and 30% owned by NWD.

The disposal not only helps shore up NWD's liquidity but also demonstrates once again CTF and Cheng family's ability and willingness to support NWD. As discussed in our comments on 14 Jun'24 and 25 Jun'24, NWD is on track to complete the NCD target of HKD8bn for 12 months ended Jun'24. Recalled NWD disposed of D-Park Mall for HKD4.02bn. This implies that NWD should have already entered into agreements for asset disposals of another cHKD2.4bn excluding the sale of Qianhai commercial complex for HKD1.557bn.

The disposal of Qianhai commercial complex will require independent shareholders' approval. We expect the EGM to be convened before the end of Aug'24. NWD will book a gain of cHKD113mn and net impact to asset value and P&L is relatively small. The disposal will help improve NWD's liquidity profile, as well as lower its funding cost. We expect the independent shareholders to support the disposal which should be closed by Sep'24. The long stop date is on 31 Dec'24.

We continue to prefer the NWDEVL perps with coupon step-up within the NWDEVL curve in view of their more attractive risk and return profiles. As we discussed before, we consider news on further NCDs and arrangement of operating loans in China drivers for performance.

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

Issuer/Guarantor	Size (USD mn)	Tenor	Coupon	Priced	Issue Rating (M/S/F)
Bangkok Bank HK Branch	750	10yr	5.65%	T+140	Baa1/BBB+/-
China Huaneng Group	500	PNC3	5.3%	5.3%	A3/-/-
Cathay Life Insurance	600	10yr	5.95%	T+170	-/BBB+/BBB+

Huzhou Nanxun Tourism	75	3yr	6.5%	6.5%	-/-/-
Korea International Bond	1000	5yr	4.5%	T+24	Aa2/AA/AA-
Macquarie Bank	750/850	3yr	5.272%/6.25%	T+75/SOFR+92	Aa2/A+/A+
Mitsubishi Corp	500	5yr	5.0%	T+75	A2/A/-
Swire Pacific	500	5yr	5.125%	T+95	A3/-/-

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

Issuer/Guarantor	Currency	Size (USD mn)	Tenor	Pricing	Issue Rating (M/S/F)
Korea Gas Corp	USD	-	5yr	T+105	Aa2/AA/AA-
Mizuho Financial Group	USD	-	6NC5/11NC10	T+135/T+155	A1/A/-
Nomura Holdings	USD	-	3/10yr	T+135/180	Baa1/BBB+/-
Nomura Holdings	USD	-	3yr	SOFR Equiv	Baa1/BBB+/-
NongHyup Bank	USD	-	3/5yr	-	-/-/-
Samvardhana Motherson	USD	-	5yr	-	Baa3/-/BBB-
Takeda Pharmaceutical Co	USD	-	10/20/30/40yr	T+125-130/135-140/145-150/160-165	Baa1/BBB+/-

➤ **News and market color**

- Regarding onshore primary issuances, there were 117 credit bonds issued yesterday with an amount of RMB63bn. As for month-to-date, 1,723 credit bonds were issued with a total amount of RMB1,621bn raised, representing a 13.4% yoy increase
- [IDASAL]** MIND ID 1Q24 revenue down 14% yoy to USD1.54bn and operating profit down 90% yoy to USD20.6mn
- [IIFPTN]** PT Indonesia Infrastructure Finance repurchased and cancelled USD17.5mn of IIFPTN 1.5 01/27/26
- [NWDEVL]** Media reported that New World Development may call USD454mn 6.15% perps from mid-March 2025 to avoid higher funding costs; New World Development to sell 30% of office building in Shenzhen Qianhai to Chow Tai Fook Enterprises for RMB1.44bn
- [SAKAEI]** Saka Energi expects 9% drop of oil and gas output in FY24
- [SHIMAO]** Shimao Group winding-up petition hearing adjourned to 31 Jul'24; further extends early consent fee deadline under proposed offshore debt restructuring to 31 Jul'24
- [SMCGL]** Media reported that San Miguel plans to build three expressways for combined USD5.6bn starting from 4Q24
- [VEDLN]** Media reported that Vedanta Ltd 4.8% stake was sold via block deal for cINR79.7bn (cUSD953.4mn)

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