

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 SINOCES 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.

Glenn Ko, CFA 高志和
 (852) 3657 6235
 glennko@cmbi.com.hk

Cyrena Ng, CPA 吴倩莹
 (852) 3900 0801
 cyrenang@cmbi.com.hk

Jerry Wang 王世超
 (852) 3761 8919
 jerrywang@cmbi.com.hk

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

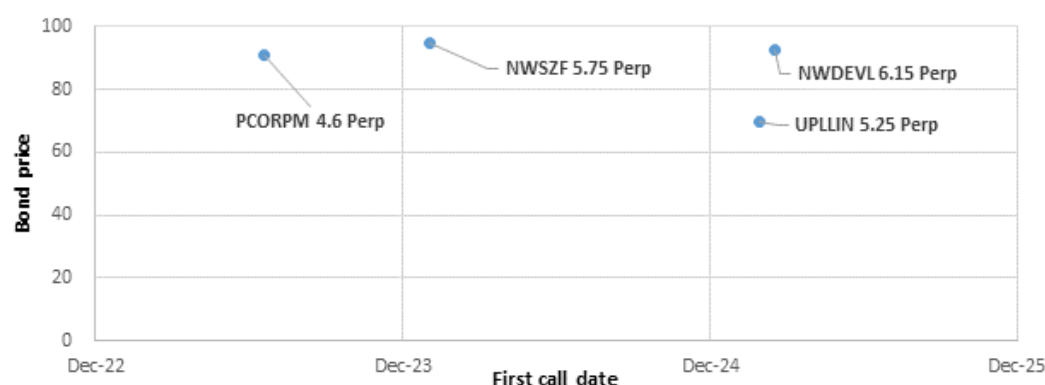
Macro – U.S. stock markets were weak on first trading day of 2023, the S&P (-0.40%), Dow (-0.03%) and Nasdaq (-0.76%) dragged by weighted stock Tesla and Apple. U.S. Markit manufacture PMI published as 46.2 in Dec'22, the data was same with expectation but 1.5 lower than Nov'22. The long term U.S. treasury 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

CMB International Global Markets Limited ("CMBIGM") is a wholly owned subsidiary of CMB International Capital Corporation Limited (a wholly owned subsidiary of China Merchants Bank)

Author Certification

The author who is primary responsible for the content of this research report, in whole or in part, certifies that with respect to the securities or issuer that the author covered in this report: (1) all of the views expressed accurately reflect his or her personal views about the subject securities or issuer; and (2) no part of his or her compensation was, is, or will be, directly or indirectly, related to the specific views expressed by that author in this report.

Besides, the author confirms that neither the author nor his/her associates (as defined in the code of conduct issued by The Hong Kong Securities and Futures Commission) (1) have dealt in or traded in the stock(s) covered in this research report within 30 calendar days prior to the date of issue of this report; (2) will deal in or trade in the stock(s) covered in this research report 3 business days after the date of issue of this report; (3) serve as an officer of any of the Hong Kong listed companies covered in this report; and (4) have any financial interests in the Hong Kong listed companies covered in this report.

Important Disclosures

CMBIGM or its affiliate(s) have investment banking relationship with the issuers covered in this report in preceding 12 months.

There are risks involved in transacting in any securities. The information contained in this report may not be suitable for the purposes of all investors. CMBIGM does not provide individually tailored investment advice. This report has been prepared without regard to the individual investment objectives, financial position or special requirements. Past performance has no indication of future performance, and actual events may differ materially from that which is contained in the report. The value of, and returns from, any investments are uncertain and are not guaranteed and may fluctuate as a result of their dependence on the performance of underlying assets or other variable market factors. CMBIGM recommends that investors should independently evaluate particular investments and strategies, and encourages investors to consult with a professional financial advisor in order to make their own investment decisions.

This report or any information contained herein, have been prepared by the CMBIGM, solely for the purpose of supplying information to the clients of CMBIGM and/or its affiliate(s) to whom it is distributed. This report is not and should not be construed as an offer or solicitation to buy or sell any security or any interest in securities or enter into any transaction. Neither CMBIGM nor any of its affiliates, shareholders, agents, consultants, directors, officers or employees shall be liable for any loss, damage or expense whatsoever, whether direct or consequential, incurred in relying on the information contained in this report. Anyone making use of the information contained in this report does so entirely at their own risk.

The information and contents contained in this report are based on the analyses and interpretations of information believed to be publicly available and reliable. CMBIGM has exerted every effort in its capacity to ensure, but not to guarantee, their accuracy, completeness, timeliness or correctness. CMBIGM provides the information, advices and forecasts on an "AS IS" basis. The information and contents are subject to change without notice. CMBIGM may issue other publications having information and/ or conclusions different from this report. These publications reflect different assumption, point-of-view and analytical methods when compiling. CMBIGM may make investment decisions or take proprietary positions that are inconsistent with the recommendations or views in this report.

CMBIGM may have a position, make markets or act as principal or engage in transactions in securities of companies referred to in this report for itself and/or on behalf of its clients from time to time. Investors should assume that CMBIGM does or seeks to have investment banking or other business relationships with the companies in this report. As a result, recipients should be aware that CMBIGM may have a conflict of interest that could affect the objectivity of this report and CMBIGM will not assume any responsibility in respect thereof. This report is for the use of intended recipients only and this publication, may not be reproduced, reprinted, sold, redistributed or published in whole or in part for any purpose without prior written consent of CMBIGM.

Additional information on recommended securities is available upon request.

Disclaimer:

For recipients of this document in the United Kingdom

This report has been provided only to persons (I) falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended from time to time) ("The Order") or (II) are persons falling within Article 49(2) (a) to (d) ("High Net Worth Companies, Unincorporated Associations, etc.") of the Order, and may not be provided to any other person without the prior written consent of CMBIGM.

For recipients of this document in the United States

CMBIGM is not a registered broker-dealer in the United States. As a result, CMBIGM is not subject to U.S. rules regarding the preparation of research reports and the independence of research analysts. The research analyst who is primary responsible for the content of this research report is not registered or qualified as a research analyst with the Financial Industry Regulatory Authority ("FINRA"). The analyst is not subject to applicable restrictions under FINRA Rules intended to ensure that the analyst is not affected by potential conflicts of interest that could bear upon the reliability of the research report. This report is intended for distribution in the United States solely to "major US institutional investors", as defined in Rule 15a-6 under the US, Securities Exchange Act of 1934, as amended, and may not be furnished to any other person in the United States. Each major US institutional investor that receives a copy of this report by its acceptance hereof represents and agrees that it shall not distribute or provide this report to any other person. Any U.S. recipient of this report wishing to effect any transaction to buy or sell securities based on the information provided in this report should do so only through a U.S.-registered broker-dealer.

For recipients of this document in Singapore

This report is distributed in Singapore by CMBI (Singapore) Pte. Limited (CMBISG) (Company Regn. No. 201731928D), an Exempt Financial Adviser as defined in the Financial Advisers Act (Cap. 110) of Singapore and regulated by the Monetary Authority of Singapore. CMBISG may distribute reports produced by its respective foreign entities, affiliates or other foreign research houses pursuant to an arrangement under Regulation 32C of the Financial Advisers Regulations. Where the report is distributed in Singapore to a person who is not an Accredited Investor, Expert Investor or an Institutional Investor, as defined in the Securities and Futures Act (Cap. 289) of Singapore, CMBISG accepts legal responsibility for the contents of the report to such persons only to the extent required by law. Singapore recipients should contact CMBISG at +65 6350 4400 for matters arising from, or in connection with the report.