

CMBI Credit Commentary

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

- *Market was much more active, amid UST 10y fell 18bps on the expectation of slower policy tightening. In IGs, we saw more short covering emerged in SOE/TMT sectors and quality 10y papers grinded 3-10bps tighter this morning. LGFVs were largely quiet, and selected AT1s were also chased after.*
- **NWSZF & LEEMAN:** *NWS Holding's planned Panda bond issuance may attract more HK corps to follow. For LEEMAN, we expect LEEMAN to call LEEMAN 5.5 Perp in view of reset and coupon step-up of 500bps, as well as its ability to access funding channels. See below.*
- **VNKRLE:** *China Vanke set up a RMB10bn rental housing fund with CCB in 20:80 capital injection. The fund will primarily invest in Vanke's investment properties and rental flats development, and will start with 6 rental projects in Beijing, Shanghai, Chengdu and Wuhan. VNKRLEs were flat with its 23-24s quoted around 97/99 area.*

❖ Trading desk comments 交易台市场观点

Yesterday, IG market turned more active and firmer after BOJ meeting which announced to maintain the current yield curve control. On new issue front, new WOORIB 28s priced at T+135, then tightened 20bps under one way buying and settled at T+115 area. Other recent new issues like POHANG/HYUELE were first traded more defensive for around 1-3bps wider, but buyers jumped in again and chased for risk again post BOJ meeting. Overall, recent new issues tightened 3-8bps into close. Financials space was mixed with AMCs continued to underperform. HRINTH curve stabilized a bit but its 30s marked down 1pt again on the day, and GRWALL curve also went 15bps wider. T2s and leasing names were under better buying with BNKEA 10-year papers notably tightened 10-20bps. TMT benchmarks BIDU/TENCNT spreads narrowed 5-10bps as we saw street buying on the belly and long end. XIAOMI '30 notably tightened 20-25bps on the day. IG property benchmarks LNGFORs/YUEXIUs were quoted unchanged to 0.5pt higher. China HYs was even more quiet before CNY, but remained firm with thin flows. In properties, COGARDs/CIFIHGs were unchanged to 0.5pt lower. Media reported CIFI to postpone CBICL-backed bond offering but would sign cooperation deal with another big bank this week. CHINSCs dropped 1-2pts as some profit taking flows emerged. CENCHI/GRNLGR 24-26s were traded down 1-1.5pts to be quoted between mid-30s to mid-40s. KWGPROs were 0.5-1pt lower. Among HK corps, FWDGRP/AIA and HYSAN cash prices were marked up 0.5-3pts. In industrial space, ANTOIL '25/HONGQI '26 were bid up 1-1.5pts. Macau gaming names outperformed, MPELs/WYNMACs popped up 0.5-1pt. STDCTYs/STCITYs were marked 1.5-2pts higher. Ex-China HY was mixed. Indian HYs like VEDLNs was down 0.5-1.5pts, while Indonesian HYs LPKRIJs/LMRTSPs were flat.

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

Cyrena Ng, CPA 吳蒨瑩
 (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, we saw very thin activity from Chinese accounts especially onshore, as clients went off for CNY holiday. LGFVs were largely stable amid two-way flows especially on the front end. Though later on the day, longer end of LGFV space was skewed to slightly better offered from offshore and global accounts. Elsewhere high yielding AT1s remained sought after by PB and offshore prop accounts as offers were still fairly rare. AT1 liquid benchmarks like ICBCAS papers were stable with light volume, as they were wrapping around 5% the recent rich levels. In SOE space, HAOHUA tightened 2-5bps.

❖ Last Trading Day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
FWDGRP 6 3/8 PERP	87.2	3.1	CHINSC 7 3/8 04/09/24	60.9	-1.9
SINOPC 4 1/4 04/24/43	86.8	2.7	CHINSC 7 1/4 04/19/23	81.8	-1.7
RILIN 3 3/4 01/12/62	71.2	2.1	VEDLN 8.95 03/11/25	75.4	-1.6
CSCHCN 9 12/11/24	74.9	2.0	CENCHI 7 3/4 05/24/24	33.2	-1.3
AIA 4 7/8 03/11/44	97.2	2.0	FOSUNI 5.05 01/27/27	78.2	-1.3

❖ Macro News Recap 宏观新闻回顾

Macro – U.S. stock markets were weak yesterday, S&P (-1.56%), Dow (-1.81%) and Nasdaq (-1.24%) dropped on weaker Dec'22 economic data. The PPI declined 0.5%, compared to the 0.1% decline in Dow Jones' survey, and the decline was the biggest decline on a monthly basis since Apr'20. Drop in energy prices also brought down the inflation, the PPI's final demand energy index plunged 7.9% during the month. Retail sales fell 1.1% in Dec'22 despite the holiday season, slightly more than the 1% forecast. The U.S. treasury yields curve overall down yesterday. The 2/5/10/30 yields curves at 4.06%/3.43%/3.37%/3.54%, respectively.

❖ Desk analyst comments 分析员市场观点

➤ NWSZF: NWS Holding's planned RMB issuance may attract more companies to follow

NWS Holdings has made an application to the NAFMII to issue up to RMB5bn Panda bonds to repay existing debts and working capital purpose. Given significant part of the company's assets and operations are denominated in RMB, RMB financing would reduce the company's exposures to foreign currency risk, compared to borrowing in USD.

As discussed in our [Asia Credit Outlook 2023](#), we like NWSZF Perp (and its parent NWDEVL Perp). NWSZF completed tender offers for its 5.75 Perp and 4.25%'29 on 5 Dec'22, at 95.5 and 86.5 respectively to downsize the debts level. It bought back its USD 5.75 Perp before the coupon step-up to 5yUST+8.2% from 5.75% in Jan'24. The company could make use of the RMB channel to perform refinancing at a lower coupon rate compared to USD offering, to avoid significant increase in coupon from Jan'24 onwards.

Separately, Lee & Man Paper Manufacturing signed HKD4.75bn 5-year term loan facility agreement for refinancing and general funding. LEEMAN 5.5 Perp will face coupon step-up to 5yUST+8.28% starting from May'24. Lee & Man completed the tender offer of LEEMAN 5.5 Perp and early redeemed USD59.2mn of the perps at 86 in early Dec'22. We expect Lee & Man to call the perps, its only outstanding USD issue, in view of reset, high coupon step-up, as well as its ability to access other funding channels. See below the outstanding USD bonds of NWSZF and LEEMAN.

Bond	Bond O/S (USDmn)	Price	YTC/ YTM(%)	Tender offer in 2022	
				Proposed price	Accepted (USDmn)
NWSZF 5.75 PERP	1,020	95.0	11.37	95.5	280.9
NWSZF 4.25 06/27/29	243.65	88.1	6.70	86.5	92.3
LEEMAN 5.5 PERP	240.6	91.8	11.87	86.0	59.4

➤ **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 (M/S/F)
No Offshore Asia New Issues Pipeline Today					

➤ **News and market color**

- Regarding onshore primary issuances, there were 67 credit bonds issued yesterday with an amount of RMB57bn. As for Month-to-date, 1,036 credit bonds were issued with a total amount of RMB901bn raised, representing a 15.4% yoy decrease
- [AGILE]** Agile Group completes HKD489.2mn share placement
- [CHINSC]** China SCE has raised RMB1.5bn (cUSD221.3mn) 3-year MTNs at 4.1% guaranteed by CBICL
- [COGARD]** Country Garden to sell ten-storey hotel property for RMB100mn to Jiashili Group. It also agreed to sell 31% equity interests in a project company engages in the development of a land parcel in Nanjing City, Jiangsu Province in China, to China Merchants Land and Chongqing Hanzhi
- [COGO]** China Overseas Grand Oceans signs up to HKD1bn 3-year loan facility letter
- [CONAMP]** CATL signed a 5-year strategic cooperation agreement with NIO, a US-listed electric vehicle maker, and focus on new brands collaboration, overseas expansion and improving supply-demand coordination
- [HLBCNH]** Helenbergh's ratings withdrawn by Moody's due to insufficient information. Prior to the withdrawal, the rating was Ca and outlook was negative
- [HONAIR]** Hong Kong Airline elected to further defer the distribution on its 7.125% senior perpetual due on 26 Jan'23
- [LEEMAN]** Lee & Man Paper Manufacturing signs HKD4.75bn 5-year term loan facility agreement for general corporate funding including refinancing of existing facilities
- [NWSZF]** NWS Holdings applies to NAFMII to issue up to RMB5bn Panda bonds for repayment of existing borrowings and working capital purpose

- **[PWRLNG]** Powerlong aims to cure missed 15 Jan'23 coupon within grace period, and also plan to pay the upcoming coupon due on 23 Jan within grace period
- **[SKYFAM]** Skyfame appoints Moore Stephens CPA as company's new auditor following the resignation of PwC
- **[VNRKLE]** Vanke established RMB10bn rental housing investment fund with China Construction Bank in which CCB will contribute RMB8bn while Vanke to pay the rest. It will initially help to finance 6 rental projects that Vanke owns in Beijing, Shanghai, Chengdu and Wuhan
- **[VEDLN]** Vedanta has won a bid to acquire Meenakshi Energy, a bankrupt India-based power producer, for INR14.4bn (cUSD177.2mn)

CMB International Global Markets Limited

Fixed Income Department

Tel: 852 3761 8867/ 852 3657 6291

fis@cmbi.com.hk

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