

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!

- *New issue KRA'27 tightened 7bps, ANZ floater tightened 3bps, CHINAM'27 widened 1bps this morning. Asian IG space was unchanged to 2bps wider. HRINTHs were active and rallied 0.25-0.5pt higher.*
- ***FAEACO:** Potential tender offer and swap of FAEACO 7.375 Perp. Within the HK corp space, we still prefer the perps of NWDEVL with high coupon step-up, i.e. NWDEVL 6.15 Perp, NWDEVL 5.25 Perp and NWDEVL 4.125 Perp. FAEACO 7.375 Perp down 0.15pt this morning. See below.*
- ***GRNKEN:** Media reported that Greenko will deploy NaBFID loans to prepay over USD1bn USD bonds maturing in 2025. GRNKENS were unchanged to 0.4pt higher this morning.*

❖ Trading desk comments 交易台市场观点

Yesterday, ANZ priced a USD750mn 3-yr bond at T+50, and a USD1.25bn 3-yr floating rate bond at SOFR+68. CHINAM priced a USD300mn 3-yr floating rate bond at SOFR+54. LGSENSO 27/29/34 were 3-4bps wider. HYUELE 27/28 widened 2bps. DFHOLDs/DAESECs closed unchanged to 2bps tighter. MQGAU/ANZ T2s were 1-2bps wider. SBIIN '29/RECLIN '27/BBLTB '34 widened 1-4bps. JP insurance hybrids such as KYOBOL '52/ NIPLIF '51/ SUMILF Perp were up 0.1-0.2pt. In China IGs, BABA '27/TENCNT '30/HAOHUA '30 were unchanged to 2bps wider. LENOVO/WB 30s widened 1-2bps. In financials, Chinese AMCs were mixed. CCAMCL/ORIEAS 27-30s widened 1-3bps. GRWALLs remained better bid and closed 1-5bps tighter. CICCHK/CMINLE/BCLMHK/CSFCO Floater 27s tightened 1-3bps on AM chasing. In AT1s, BOCOM 3.8 Perp/KBANK 4 Perp/KTBTB 4.4 Perp were up 0.1-0.3pt. French names SOCGEN/ BNP Perps were 0.2-0.4pt higher. UBS/ HSBC/ NWG/ STANLN Perps were also up 0.2-0.3pt. In HK, BNKEA/AIA/CKHH 34s were 1-3bps wider. NWDEVLs/HYSANs moved 0.2-0.5pt higher on the back of HF/PB buying. LIHHK '25/PCPDC '26/CPREIT '30 were up 0.3-0.4pt. Chinese properties were firm. GEMDAL '24/FUTLAN '25 were up 0.6-0.9pt. VNKRL/CHJMAO 25s were 0.4pt higher. Outside properties, GWFOOD '30 was 0.6pt higher. SANLTDs/STCITYs were up 0.3-0.4pt. In India, UPLIN 28/30/Perp moved 1.2-1.9pts higher. VEDLN 26-28s were 0.4-0.7pt higher. ADSEZs/ADGREGs were up 0.3-0.5pt. RILIN 45-52s were 0.5-0.6pt lower. In Indonesia, MDLNIJ 25/27 were down 0.3-0.4pt.

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

Cyrena Ng, CPA 吳倩瑩
 (852) 3900 0801
 cyrenang@cmbi.com.hk

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

There were active flows in LGFVs across both USD and CNH issues. WFURCD '24 was up 0.4pt. KNMIDI '25 was up 0.3pt. HZCONI '26/GZGETH '27 were 0.1-0.2pt higher. CNSHAN/ZHHFGR Perp were up 0.1pt. In the high-beta IG names, HUANEN '29 was 1.5pts higher. CWAHK '26 was up 0.5pt. GRPCINs/ ZHOSHKs closed 0.1pt higher.

❖ Last Trading Day's Top Movers

| Top Performers | Price | Change | Top Underperformers | Price | Change |
|-----------------------|-------|--------|-----------------------|-------|--------|
| UPLLIN 5 1/4 PERP | 75.1 | 1.9 | TAISEM 1 1/4 04/23/26 | 93.5 | -0.8 |
| HUANEN 3 12/10/29 | 91.9 | 1.5 | TAISEM 4 3/8 07/22/27 | 98.4 | -0.7 |
| UPLLIN 4 5/8 06/16/30 | 85.2 | 1.3 | TAISEM 1 3/4 04/23/28 | 89.5 | -0.6 |
| UPLLIN 4 1/2 03/08/28 | 90.1 | 1.2 | RILIN 4 7/8 02/10/45 | 90.7 | -0.6 |
| FUTLAN 4.45 07/13/25 | 75.4 | 0.9 | SUMIBK 4.306 10/16/28 | 97.3 | -0.6 |

❖ Marco News Recap 宏观新闻回顾

Macro – S&P (+0.10%), Dow (-0.08%) and Nasdaq (+0.28%) were mixed on Monday. UST yields were stable yesterday, 2/5/10/30 yield reached 4.62%/4.23%/4.28%/4.46%.

❖ Desk analyst comments 分析员市场观点

➤ FAEACO: Potential tender offer and swap of FAEACO 7.375 Perp

| Bond | O/s amt (USD mn) | Px | YTC | Rating (M/S/F) |
|-------------------|------------------|-------|--------|----------------|
| FAEACO 7.375 Perp | 360 | 97.38 | 17.28% | -/-/- |

Source: Bloomberg.

Far East Consortium (FAEACO) is seeking feedback from the holders of FAEACO 7.375 Perp (callable 18 Oct'24) on the refinancing options, per media report. The coupon of the perp will be reset and step up to 5yUST+initial spread of 592.4bps+300bps, i.e. c13.2%, from 7.375% if it is not called on the first call date on 18 Oct'24.

We are neutral on FAEACOs we do not see a strong catalyst for HK corps with retail and hotel exposure to perform from a trading perspective in view of change of spending behavior by mainland China travelers with lower average spending in Hong Kong, at the same time increase in visits to mainland China by Hong Kong residents. We prefer HK corps with less exposure on the office sector which is facing more challenges of WFH and new supply. We do not see much value for FFL perps or perps with only coupon reset. Within the HK corp space, we still prefer the perps of NWDEVL with high coupon step-up, i.e. NWDEVL 6.15 Perp, NWDEVL 5.25 Perp and NWDEVL 4.125 Perp.

Per media report, FAEACO is considering to repurchase one-third of the perp via tender offer, swap one-third into new bullet bond and the remaining one-third will remain outstanding until the next call date in Apr'25. The outstanding amount of FAEACO 7.375 Perp is USD360mn. FAEACO needs to ensure in compliance with the loan covenants after the redemption of the perp, that the net gearing ratio could not be greater than 80%. At Mar'24, its net gearing was 68.1%. FAEACO has one USD Perp FAEACO 7.375 Perp and three HKD bonds due'29-33 totaled HKD480mn (cUSD62mn) outstanding.

➤ Offshore Asia New Issues (Priced)

| Issuer/Guarantor | Size (USD mn) | Tenor | Coupon | Priced | Issue Rating (M/S/F) |
|---|---------------|-------|-------------|--------------|----------------------|
| ANZ Banking Group | 750/1250 | 3yr | 4.9%/6.035% | T+50/SOFR+68 | Aa2/AA-/AA- |
| China Merchants Bank New York Branch | 300 | 3yr | 5.896% | SOFR+54 | A2/-/- |
| Kraton Corp | 1000 | 3yr | 5.0% | T+85 | Aa2/-/AA- |

➤ Offshore Asia New Issues (Pipeline)

| Issuer/Guarantor | Currency | Size (USD mn) | Tenor | Pricing | Issue Rating (M/S/F) |
|---|----------|---------------|-------|----------|----------------------|
| China Construction Bank Hong Kong Branch Hangzhou Shangcheng District | USD | - | 3yr | SOFR+105 | A1/-/- |
| Urban Construction & Comprehensive Development | USD | 200 | 3yr | 6.5% | -/-/BBB- |
| Panasonic Holdings Corp | USD | - | 10yr | T+125 | Baa1/A/- |

➤ News and market color

- Regarding onshore primary issuances, there were 70 credit bonds issued yesterday with an amount of RMB72bn. As for month-to-date, 374 credit bonds were issued with a total amount of RMB418bn raised, representing a 69.6% yoy increase
- [FOSUNI]** Fosun International repaid USD600mn FOSUNI 6.85 07/02/24, completing all offshore bond repayments for 2024
- [GRNKEN]** Media reported that Greenko will deploy NaBFID loans to prepay over USD1bn USD bonds maturing in 2025
- [INDYIJ]** Indika Energy arm Kideco allocated cUSD257mn capex for coal gasification project
- [NWDEVL]** Media reported that New World Development is exploring cUSD27.4bn investments of infrastructure projects in Thailand
- [VEDLN]** Media reported that Vedanta Limited scheduled to privately place USD120mn-equivalent INR bonds partly for debt repayment

Fixed Income Department

Tel: 852 3657 6235/ 852 3900 0801

fis@cmbi.com.hk

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

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.