

CMBI Credit Commentary

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

- *Markets overall showed two way this morning. In Asian IG space, new issue CHEVBK stabilized at reoffer price and HDFCB tightened 7bps with buying from PBs. In TMT, TENCNT slightly tightened. We also saw buying flows on SOE Perps from Chinese buyers.*
- **LOGPH:** *Holistic restructuring plan to be released in early-mid Mar'23. LOGPHs rose c0.25pt this morning. See below.*
- **NWDEVL/NWSZF:** *The deleveraging plans of NWDEVL and Panda bonds issuing plan of NWSZF. NWDEVLs/NWSZFs were unchanged to +0.25pt by mid-day. See below.*

❖ Trading desk comments 交易台市场观点

Yesterday, Asia IG space had a quite constructive day as benchmark names were unchanged skewed to better buying. Low beta Korea/HK papers had a better buying session. Korea names EIBKOR/EIBKOR/KHFC grinded 2-3bps tighter. HKINTL/HKAA tightened 3-5bps. On new issue front, HDFCB gave IPG at T+155 area for the USD750mn 3Y USD bond and priced it at T+125 level to yield 5.686%. New CICCHK 26s priced at CT3+110 to yield at 5.493% (CT2+80), opened in a strong tone amid bank accounts chasing and tightened up to 10bps to CT2+71 level then pushed back 5bps till close (closing level at +76/+74 level). SHCMBK tightened another 5bps to T+210 level. In China financials, Chinese Bank T2s were traded 1-5bps tighter on the day. T2 benchmarks like CCB 29-32s tightened 3-7bps. BCHINA/ICBCAS T2s edged 1-3bps tighter. In TMTs, BABA/TENCNT 10y papers were unchanged to 5bps tighter. We saw overall two-way balanced flows in tech names whilst high beta names MEITUA/XIAOMI underperformed by widening 2-6bps. Other BBB names LENOVO/WB 30s were also under better selling. China HY space stayed cautious ahead of GDP data on Thursday night. Benchmark property names bounced up 0.5-1.5pts on the day. SINOCEs bounced back 1.5-2.5pts across the curve after lowering 0.5-1.5pts on Wednesday. COGARDs were traded up 1-2pts across the curve. CHINSC 23-24s were quoted up 1-2pts. CSCHCNs gained 1-3pts on the day, and were quoted at high 80s to low 90s post the news of progressing new syndicated facilities of at least RMB3bn. Recent underperformer LVGEM 12% due-2023s bounced back 5pts to 91/93 level from 87 level on Tuesday. FUTLANs/FTLNHDs/AGILEs were up 0.5-1pt. Industrial names FOSUNs were up 0.5-1pt. Macau gaming names were unchanged to 0.5pt higher. In Indian space, Adani bonds were unchanged while steel name JSTLINS were down 0.25-1.25pts. Indonesian names MEDCIJs were down 0.25 pt. Elsewhere, GLPCHIs/GLPSPs moved 0.5-1pts lower.

In the LGFV/Asia AT1/Perps spaces, market experienced a rather hectic day especially in LGFVs with decent two-way flows and interests going through,

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

Cyrena Ng, CPA 吳蓓瑩
(852) 3900 0801
cyrenang@cmbi.com.hk

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

as valuations came off from squeezed levels. In general, bonds yielding 7%-9% remained better-bid with support from buyers, despite some profit taking flows from onshore holders. Meanwhile most papers below 6% were traded further wider with only 23s and several short covering candidates still seeing demand at high-5%. Shandong names like SHDOIS/SHUGRP 24s were 0.25-0.5pt lower on the day. Away from LGFVs, AT1s recovered slightly on the back of HF short covering and PB trying to pick up rarely seen papers eg. Thai names BBLTBs. BNKEA AT1s were quoted up 1-1.5pts. BCHINA/ICBCAS AT1s were bid up 0.125pt. Elsewhere, HK Perps drifted lower despite some RMs tried in to pick up cheap offers on several quality papers. NWDEVL 4.8 Perp was quoted 3pts lower to close at 65/66 level. HYSAN/NANFUN perps were marked 1-2pts lower. SOE Perps were relatively quieter due to generally lower yield levels, despite buying interests would still emerge above 6%. Benchmarks HAOHUA/SINOCH/HUADIA perps moved 0.125pt lower.

❖ Last Trading Day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
LVGEM 12 03/10/23	92.6	4.9	NWDEVL 4.8 PERP	65.9	-3.1
CSCHCN 9 12/11/24	89.5	2.5	NANFUN 5 PERP	77.0	-2.0
SINOCE 4 3/4 08/05/29	60.6	2.5	TYANLI 5 1/4 PERP	87.5	-1.8
CHINSC 7 1/4 04/19/23	87.1	2.3	HYSAN 4.85 PERP	82.3	-1.8
COGARD 8 01/27/24	85.3	2.0	REGH 6 1/2 PERP	64.0	-1.5

❖ Marco News Recap 宏观新闻回顾

Macro – U.S. stock markets rebounded on Thursday. S&P (+0.53%), Dow (+0.33%) and Nasdaq (+0.72%) technically rebounded after whole week's down. U.S weekly jobless claim was 192k, decreased from 195k in last week and lower than forecast of 200k. The U.S. treasury yields slightly down yesterday, 2/5/10/30 yields reached 4.66%/4.09%/3.88%/3.88%, respectively.

❖ Desk analyst comments 分析员市场观点

➤ LOGPH: Holistic restructuring plan to be released in early-mid Mar'23

Logan hosted calls with different classes of creditors yesterday with limited details being disclosed. As per our discussions with the company, it expects to announce the final restructuring plan in early –mid Mar'23. It has settled the restructuring of onshore bonds of cRMB20bn through maturity extension of 3-4 years. It will proceed the different restructuring plans for offshore public and private bonds in view of the differences in claims. The restructuring of USD public bonds will be proceeded through scheme on an aggregate basis as its USD bonds are governed by New York law, unanimous consent from bondholders are required for changes in major terms. The skeleton of restructuring is to extend the USD public bond maturities up to 7 years with amortization starting from 33th months, and the offshore assets will be used to cover the offshore repayments. As per the company, there are 2 offshore assets, the Singaporean and Ap Lei Chau projects, the net proceeds from the sales of these 2 proceeds will be able to cover c20% of its offshore liabilities. We shall provide updates and more detailed analysis on NPV and asset coverage when the restructuring plan and relevant details will be announced.

➤ **NWDEVL/NWSZF: The deleveraging plans of NWDEVL and Panda bonds issuing plan of NWSZF**

New World Development (NWD) announced the 1H23 results yesterday, its 1H23 revenue increased 13% yoy to HKD40bn while the net profit dropped 15% yoy to HKD1.2bn due to continued COVID-19 disruptions. Looking ahead, NWD shall benefit from the reopening of border between HK and mainland China.

The company tabled four deleverage plans including CAPEX optimization, non-core asset disposals, dividend reset, and treasury management. It targets to dispose of HKD10bn non-core assets in FY23, and expects to disposal of non-core assets for HKD15bn in FY24. During 1H23, it has booked HKD5.6bn asset disposals and we view it is on track to achieve HKD10bn target by FY23 [as discussed in our recommendations published last week](#). As at Dec'22, its net gearing ratio was 46.9% and the company targets to lower the ratio to mid-low 40% by Jun'23 and further down to low-40% by Jun'24. The asset disposals, together with lower CAPEX spending, would provide the company sufficient liquidity to refinance the obligations coming due, as well as to replace the perps with coupon reset and step-up to minimize the interest expenses.

Meanwhile, its subsidiary NWS Holdings applied to the regulator for the issuance of RMB5bn Panda bonds and it plans to issue RMB1-2bn as the first batch between Mar-Apr'23. The company plans to use the proceeds to refinance its HKD- and USD-denominated debts. The issuance of Panda bond would enable NWS Holdings to perform tender offer or repurchase the outstanding USD bonds at the secondary market, in particular, we believe **NWSZF 5.75 Perp** would be a candidate as the first call date of the perp will be in Jan'24, with coupon step-up to 5y UST+8.205%, from currently 5.75%.

As discussed in our piece on HK corp perps last week, we have buy recommendations on **NWDEVL 6.15 Perp**, **NWDEVL 4.125 Perp**, and **NWSZF 5.75 Perp** among HK corps as their coupons will be reset and step-up upon the first call date, and we believe that NWD and NWS are strongly incentivized to call these perps on their respective first call dates to avoid significant increase in interest expenses. Coupled with the 5yUST reached 4.09% as of 23 Feb, we believe the conviction now is even higher. Besides, compared to the ask px last week, NWDEVL 6.15 Perp and NWDEVL 4.125 Perp dropped by 0.5 and 4.6 respectively, now it is a better entry point to buy, in our view.

	NWDEVL 6.15 Perp	NWDEVL 4.125 Perp	NWSZF 5.75 Perp
YTC (%)	8.6	10.3	7.7
Ask px	95.5	76.8	98.5
Year to call	2.1	5.3	1.0
First call date	03/16/25	03/10/28	01/31/24
Coupon step-up	5yUST+6.201%	5yUST+5.858%	5yUST+8.205%
Outstanding (USD mn)	500	1,200	1,019.1

Source: Bloomberg

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

Issuer/Guarantor	Size (USD mn)	Tenor	Coupon	Yield	Issue Rating (M/S/F)
China Everbright Bank HK	400	3yr	4.994%	T+57	-/BBB+/BBB
HDFC	750	3yr	5.686%	T+125	Baa3/BBB-/-

➤ **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 107 credit bonds issued yesterday with an amount of RMB90bn. As for month-to-date, 1,071 credit bonds were issued with a total amount of RMB1,001bn raised, representing a 9% yoy increase
- Zhengzhou government announced to ensure timely repayment of offshore bonds by developers, bonds by SOEs
- **[ADANIG]** Media reported that Adani Green Energy to spend over USD400mn on two wind farms in Sri Lanka
- **[ADTIN]** Fitch affirmed Adani Transmission's restricted-group notes at BBB-; outlook stable
- **[BABA]** Alibaba 3Q23 revenue edged up 2% yoy to USD35.9bn and adjusted EBITDA up% yoy to USD8.6bn
- **[CCAMCL]** Media reported that China Cinda launches USD200mn-equivalent USD/HKD five-year SLL
- **[EXCECP]** Excellence Commercial Properties raises RMB400mn via MTN to fund project development, repay debts
- **[RISSUN]** RiseSun Real Estate Development schedules EGM on 13 Mar to review proposals on up to RMB3bn private placement
- **[SHUION]** Shui On Land fully repays USD365mn loan due 23 Feb

CMB International Global Markets Limited

Fixed Income Department

Tel: 852 3761 8867/ 852 3657 6291

fis@cmbi.com.hk

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