

CMBI Credit Commentary

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

- *Rates surged overnight with 2y/5y US yields reached 2.74%/3.05% this morning yet selling interest was minimal against the prevailing strong deployment backdrop. LGFV/SOE space remained constructive and whether potentially further rate climbing may change the current 'asset shortage' momentum in the spaces remains to be seen.*
- *Asian Bond new issuance down significantly amid weak market sentiment. Assuming the current run-rate continues, i.e. a negative net issuance of USD30bn, this represents the first shrink in Asia ex-JP USD bond space since 2008.*
- **AACTEC:** *proposed A-share listing of subsidiary AAC Optics with listing application accepted by Shanghai Stock Exchange (SSE) on 6 Jun 2022. The IPO is still conditional upon approval of SSE and CSRC which can take 6 months to 1 year. We are cautious on long-end AACTEC.*

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❖ Trading desk comments 交易台市场观点

Yesterday IG space opened quietly amid surging rates overnight, AT1 were traded lower and buying interest slightly backed off. However, sentiment came back after rates stabilized. AT1 space paired most of the loss in the morning. T2 bonds like CCB/BNKEA tightened 3-6bps and SOE/TMT longer end also tightened 2-4bps. In LGFV space, high-grade 2y papers were well sought after, in some cases printed at +80-handle thanks to the absolute-yield driven buying behavior. Overall buying interest was less aggressive than Monday but still remained firm.

HY space was generally weaker. PWRLNG down 2-4pts on the back of news that asset disposal plans were affected by COVID outbreak in Shanghai. Other lower quality names also down 1-3pts amid weaker sentiment. On the other hand, CENCHI continued to outperform after stake sales to SOE announcement and CSCHCN/GRNLGR also traded up 2-5pts after Greenland HK's full repayment of its USD 150mn SCP announced on 7 Jun 2022.

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➤ **Last trading day's Top Movers**

Top Performers	Price	Change	Top Underperformers	Price	Change
CSCHCN 11.95 02/09/23	83.0	5.7	TPHL 6.6 03/02/23	44.8	-3.9
CSCHCN 10 3/4 04/11/23	81.3	5.2	PWRLNG 6.95 07/23/23	23.1	-3.3
CSCHCN 7 1/4 11/20/22	84.5	4.7	PWRLNG 7 1/8 11/08/22	29.8	-3.2
GRNLGR 5.6 11/13/22	47.9	4.6	PWRLNG 6 1/4 08/10/24	21.0	-2.5
CENCHI 7 1/4 04/24/23	60.7	3.4	PWRLNG 5.95 04/30/25	19.6	-2.5

➤ **Macro News Recap 宏观新闻回顾**

Macro – U.S. stocks opened low overnight due to profit warning from another large US retailer but soon rebounded as UST yield eased from recent high. The S&P (+0.95%), Nasdaq (+0.94%), and Dow (+0.80%) ended higher. UST curve twist flattened, with 2yr yield up 2bps to 2.75% and 5/10/30yr yield down to 2.99/2.98/3.13% respectively.

❖ **Desk analyst comments 分析员市场观点**

➤ **NWDEVL: 5yr and PerpNC3 New Issue**

NWDEVL [unrated]

Guarantor: New World Development Co. Ltd (17.HK)

Tenor: 5 year and Perp Non-call 3 year

Ranking: Senior unsecured green notes and senior perpetual

UOP: finance or refinance eligible green projects

Issuance size: benchmark

Fair value for new NWDEVL '27 at T5+280bps

Vs IPG T5+325bps. This is based on 10bps yield difference of NWDEVL '27 inside existing NWDEVL '29 (T10+286bps, YTM~5.9%), accounting for its 2 years' shorter tenor.

Fair value for new NWDEVL PerpNC3 at 6.5%

vs IPG 6%. This is given additional step-up reset margin of 300bps of this new perp which should give incentive for the issuer to call in 2025 (1st call date). This compares to its existing high-step up NWDEVL 5.25 Perp which has reset spread T5+7.889% on 1st call date in 2026 (Initial spread T5+4.889%) trading at 98.7/97.8 (YTC: 5.8%). We factor in 20bps concession for new perp issue amid rising rate backdrop. On the contrary, its existing fixed coupon NWDEVL 6.25 perp, which the issuer will have low incentive to call, is trading at 94.8/94.0, YTC: 9.87% (1st call in 2024) and YTW: 6.6%.

There is a concurrent tender offer of NWDEVL 4.375 11/30/22 at 100.5, but the final acceptance amount will be determined on 20 Jun 2022. Expiration deadline is 17 June 2022.

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

Issuer/Guarantor	Size (mn)	Tenor	Coupon	Yield	Issue Rating (M/S/F)
Korea Electric Power Corp	USD500	3	3.625	T+80	-/-
Korea Electric Power Corp	USD300	5	4.0	T+105	-/-
Chang Development International	USD200	3	5.0	5.0%	-/-

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

Issuer/Guarantor	Currency	Size (mn)	Tenor	IPG	Issue Rating (M/S/F)
Shandong Guohui Investment	USD	-	3	5.05%	-/-/BBB+
Qingdao Jiaozhou Bay Development Group	USD	-	3	5.30%	-/-/BBB-
Lianyungang Port Group	USD	-	-	-	-/-/BBB
Shandong Hi-Speed Group	USD	-	-	-	A3/-/A
Bank of China Frankfurt Branch	USD	-	3	-	A1/A/A
New World Development	USD	-	5	T+325	-/-
New World Development	USD	-	Perp NC3	6.50%	-/-
Xinjiang Transportation Construction Investment	USD	-	3	6.20%	-/-

➤ **Market conditions and color**

- Regarding onshore primary issuances, there were 83 credit bonds issued yesterday with an amount of RMB88bn.
- **[GRNLHK]** Greenland Hong Kong redeems all outstanding 9.625% bonds in full on maturity date.
- **[SHNSUN]** Shinsun missed the principal and interest payment on USD200mn SHNSUN 10.5%'22 bond due yesterday. The cross default of Shinsun was triggered on 20 Mar'22 after the company failed to cure the missed coupon of SHNSUN 12%'23 before the end of grace period. The default on repayment of SHNSUN 10.5%'22 should not be a surprise.
- **[LVGEM]** LVGEM (China) Real Estate Investment's urban renewal project in Shenzhen to receive CNY 2.3bn capital injection from China Vanke. This should be view positively as the injection from Vanke helps speed up the cash return from this project.

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