

## VALUATION OVERVIEW OF 4Q2017 APAC USD BONDS ISSUES

Valuations of the notable APAC USD bond issuances in 4Q2017 saw generally positive performances across the board although Chinese high yield issuances were clear underperformers.

Despite December's low monthly volume which lands it in penultimate position in terms of highest monthly issuance volume, 4Q2017 saw a total of USD103.692bn of APAC USD issuance across all formats (RegS, 144A etc.). This leaves it in third place in terms of quarterly issuance volume, about 4.18% more than 2Q2017's.

APAC USD issuance for 2017 totalled USD451.785bn with Chinese issuers accounting for the bulk of it with 43.56%. Japanese names were the second largest group of issuers with 18.58% while Australia takes third with 10.30%.

Quick notes on the data:

- Due to the relatively low amount of data across the various sub-groups, the median measure of change in spreads/yields would be a better reflection of general moves within each sub-group
- We treat taps of existing bonds as distinct tranches
- "Sub" refers to subordinated issues
- All valuations are bid and indicative, as of December 27<sup>th</sup> 2017; this means that the USD150m 4.000% 03Jan2021 issue from Hua Sing HK Energy Development is not included in this analysis
- Performance of the various bonds were determined by comparing its pricing at issue/reoffer to its valuation as per the end of the quarter

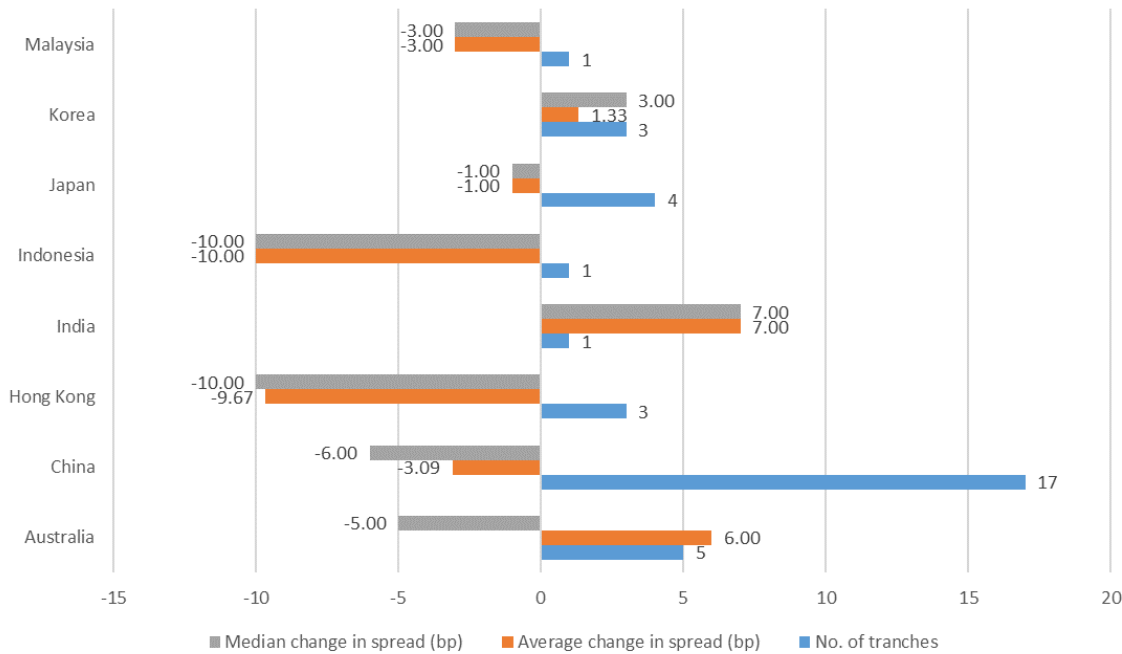
### Corporates

**Corporate IG Senior & above** new issues in 4Q2017 have largely outperformed heading into the year-end with only the Korean and Indian issuances underperforming.

- Issuances from Australian, Chinese, Hong Kong and Indonesian names were arguably amongst the better performers in this space
- Chinese Corporates IG Senior & above issuances did fairly well by the end of the quarter, in stark contrast to their HY counterparts who underperformed
- Kia Motor's 3.000% 25Apr2023 and 3.500% 25Oct2027 bonds were the drags on performance for the Korean Corporate IG issuances while the sole Indian representation in this space was Reliance Industries' 3.667% 30Nov2027 bond

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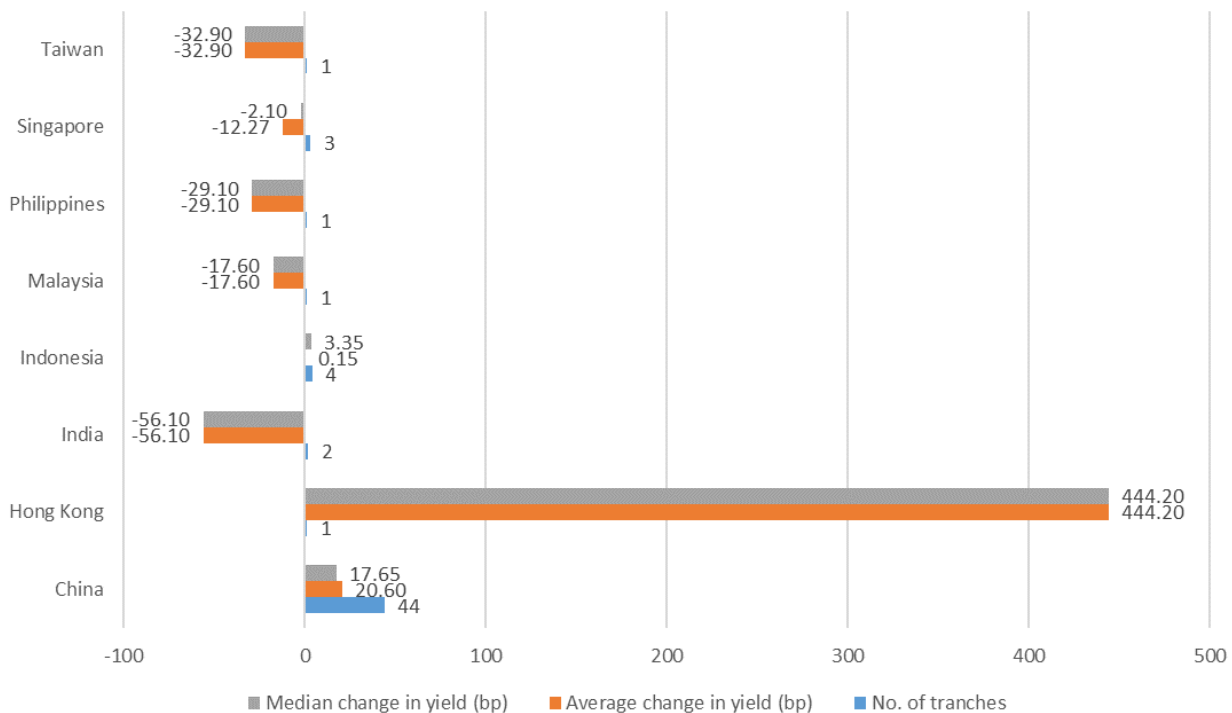
Corporates IG Snr & above



The **Corporates HY Senior & above** bond issuances in the 4Q2017 valuation snapshot highlight a clear underperformance in the issuances from Chinese names.

- Chinese HY Senior issuance underperformed with yields rising a median of 17.65bp heading into the year-end
- The sole Hong Kong representative in this space was HNA Group (International)Co Ltd's 8.875% 06Nov2018 note
- All other Corporates HY Senior issuances, albeit just a handful, did fairly well with yields falling between 17-57bp across those from Taiwan, Philippines, Malaysia and India

Corporates HY Snr & above

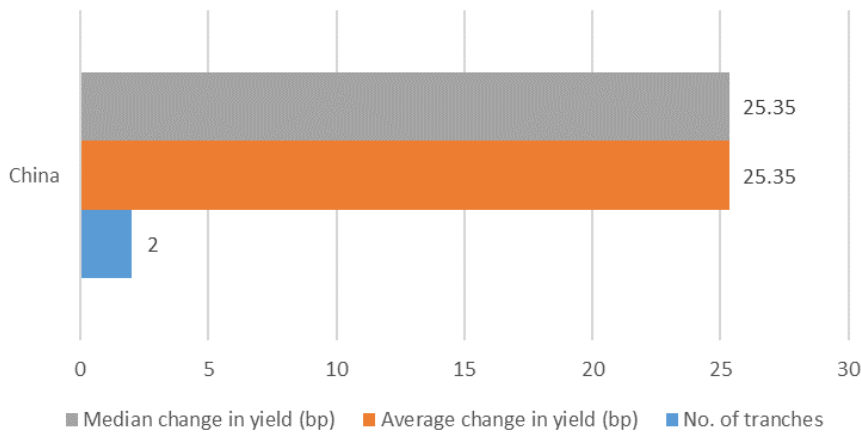


## VALUATION OVERVIEW OF 4Q2017 APAC USD BONDS ISSUES

It was an all-Chinese affair in terms of new **Corporate HY Subordinated & below** issuances in the fourth quarter.

- The two Chinese Perps, FRESHK 5.600% PerpNC5 and CHJMAO PerpNC6, did not do well with yields rising a median of 25.35bp

Corporates HY Sub



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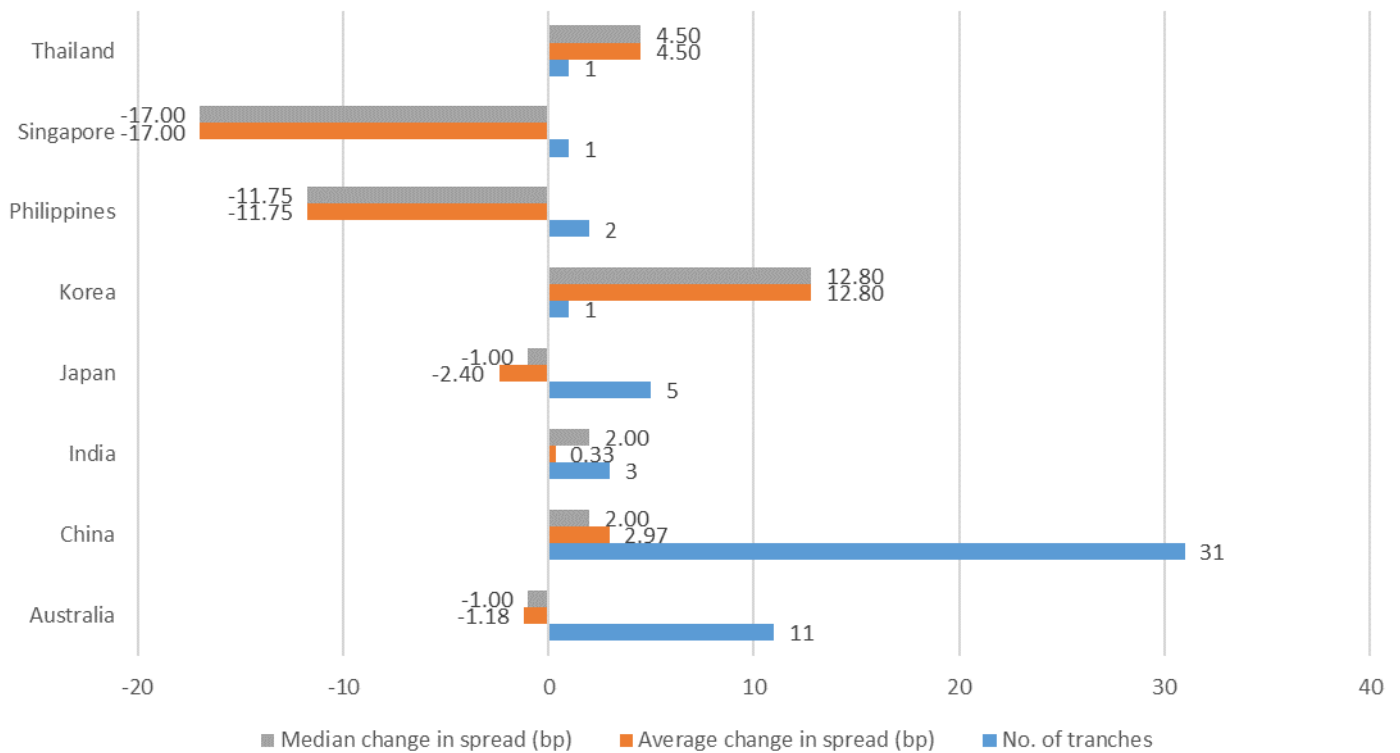
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## Financials

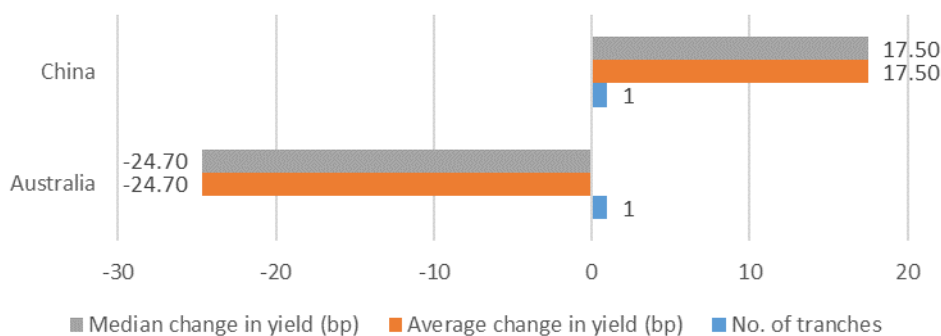
4Q2017 **Financials IG Senior issuance** performance was rather underwhelming as a whole, led by Chinese Financials who dominated issuance in this space in the fourth quarter. The couple of **Financials IG Subordinated & below** issuance saw mixed performance.

- Most of the Chinese issuance in this space saw spreads widening save for a handful of bonds
  - BOCOM 3mL+80 14Dec2020, BOCOM 3mL+90bp 14Dec2022, CCB 2.750% 04Dec2020 and CCB 3.000% 04Dec2022 saw spreads/discount margins tightening between 2-5bp
  - Only strong outperformers in this space were the ORIEAS 4.375% 21Dec2027 and ORIEAS 4.250% PerpNC5 which saw spreads tightening 16bp and 13bp respectively

Financials IG Snr & above



Financials IG Sub & below

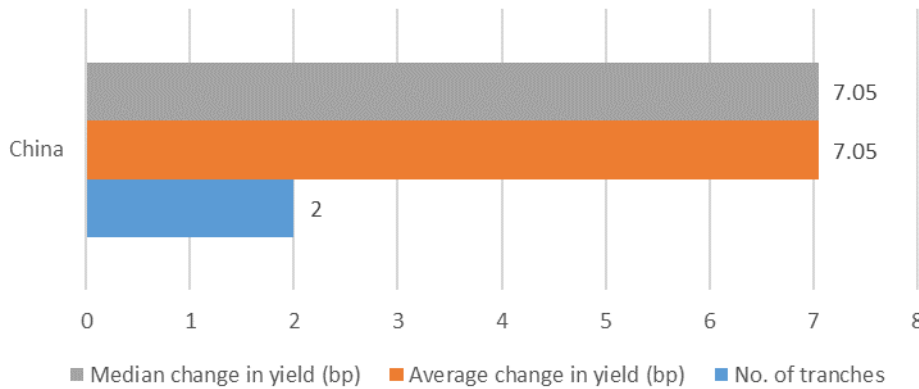


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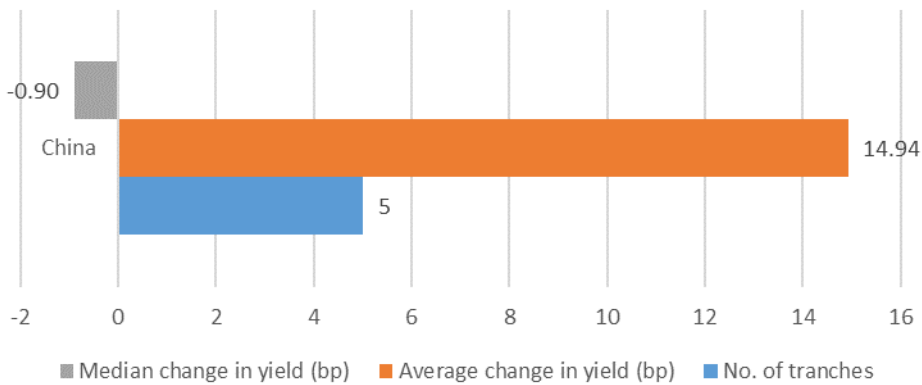
It was also an all-Chinese affair within the **Financials HY Snr & above** and **Subordinated & below** spaces albeit with rather underwhelming performances.

- For the Senior & above issuances, LUSOIB 5.375% 10NC5.5yr bond was actually flattish but it was GUOTJU 2.800% 08Nov2018 that was the drag in this category with its yields rising about 14.6bp
- The Subordinated & below issuances in general continued to trade flattish to issuance at time of valuation

Financials HY Snr & above



Financials HY Sub & below



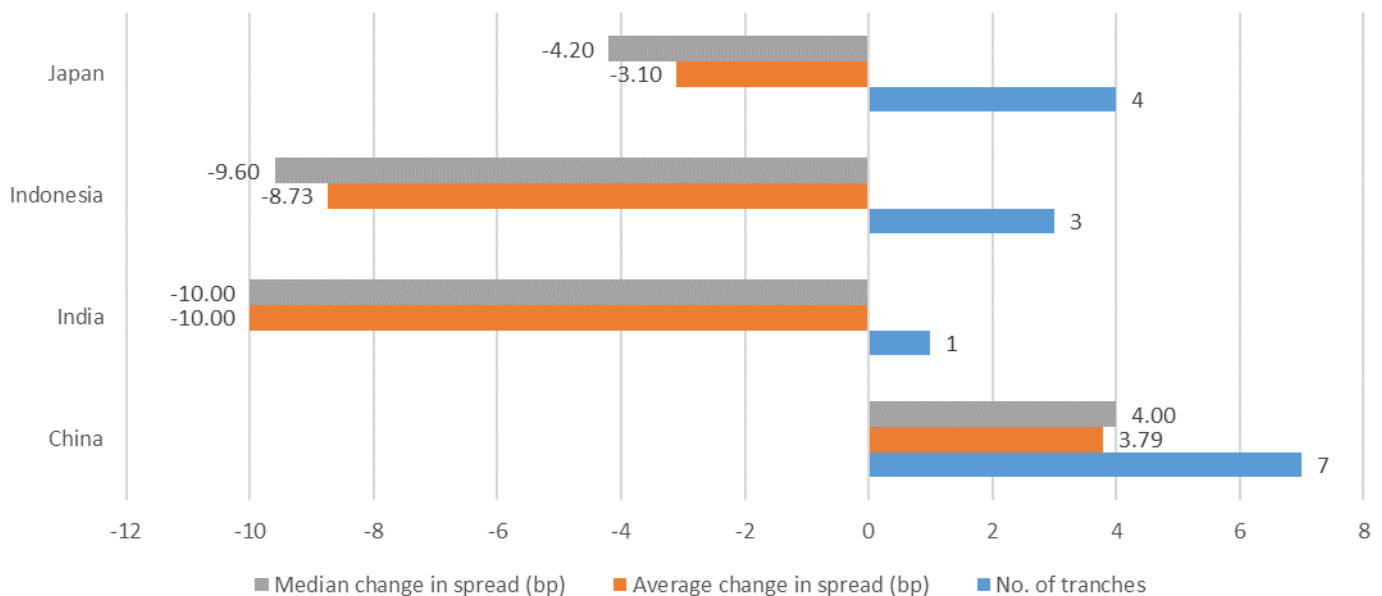
# VALUATION OVERVIEW OF 4Q2017 APAC USD BONDS ISSUES

## SSA/SOE

New **SSAs/SOEs** USD issuances saw largely positive performances all round although Chinese SSA issuances widened.

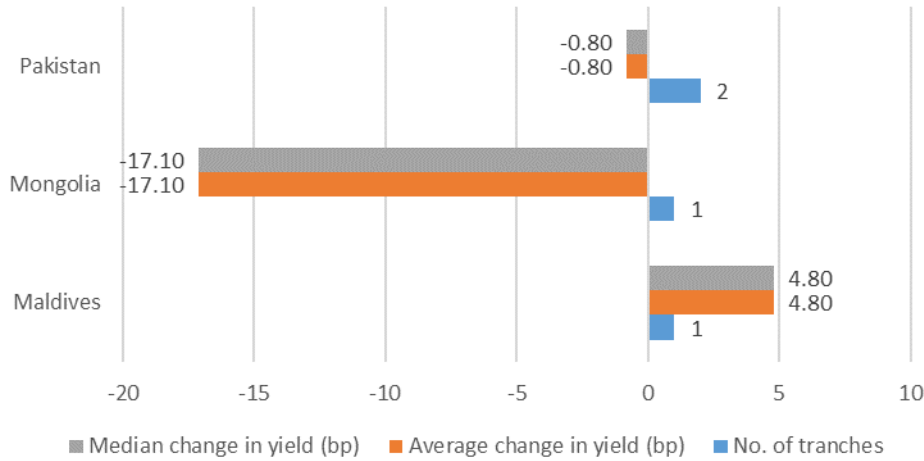
- Japanese, Indian and Indonesian SSA issuances saw decent tightening of their spreads on the whole
  - Worth noting that the Indonesian sovereign's debut SEC-registered issuances performed fairly well: 2.950% 2023s was flattish, 3.500% 2028s tightened about 9.6bp and the 4.350% 2048s tightened about 16bp
- In contrast, Chinese SSA issuances disappoint with spreads widening about 4.0bp
  - The SDBC 3.000% 28Dec2022 was the only positive performer amongst all the Chinese SSA IG issuances with spreads tightening about 13.5bp
  - EXIMCH 4.000% 28Nov2047 was the worst performer of the lot, widening 18bp
- Chinese SOE IG issuances however, performed quite well with only a couple of underperformers while the HY issuances remained fairly flattish
  - YZHINV 4.375% 19Dec2020, NMHIGH 4.375% 04Dec2020, YUNAEN 3.750% 14Nov2020 and YUNAEN 4.250% 14Nov2022 saw spreads tightening at least 10bp
  - CONSON 3.875% 12Dec2020 and MINMET 3.750% PerpNC5 were the only underperformers, widening about 5.0bp and 17.0bp respectively
  - Amongst the HY names, HZCONI 4.875% 20Dec2020 was the best performer with yields -14.1bp while HUANEN 3.600% PerpNC5 was a strong underperformer with yields +45.9bp

SSAs IG Snr & above

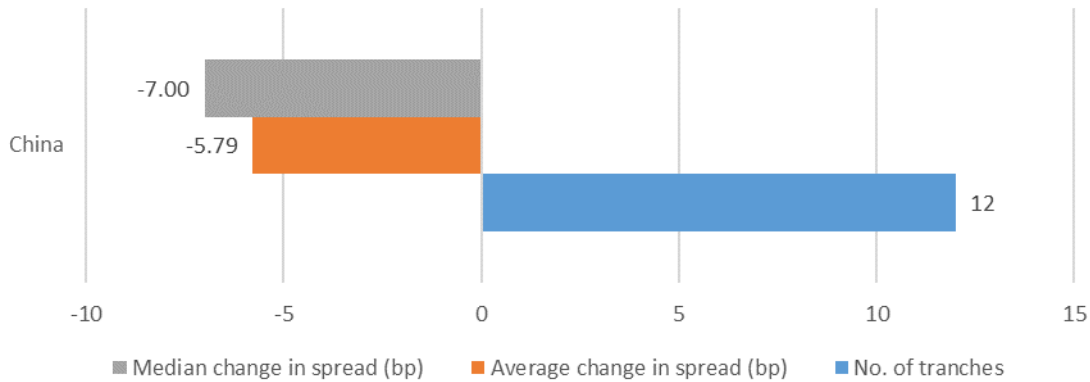


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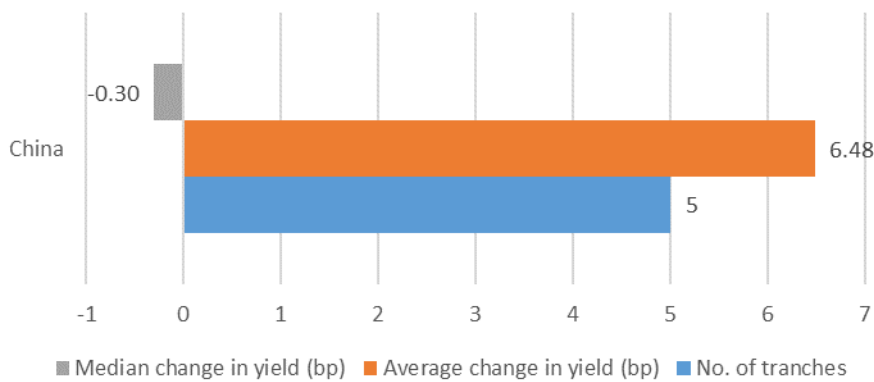
## SSAs HY Snr & above



## SOE IG Snr & above



## SOE HY Snr & above



# VALUATION OVERVIEW OF 4Q2017 APAC USD BONDS ISSUES

## Analysis

Based on this recent performance in the final quarter of 2017, early 2018 could potentially be a tricky one for Chinese names owing to their rather underwhelming performance in 4Q2017, particularly for its high yield names which has seen a reversal in its general performance compared to the Chinese high yields issuances in 3Q2017.

While there is still some value to be found, the current market narrative of a potential slowdown in China's growth as well as a PBOC keen to continue its deleveraging bias has brought about concerns on the ability of such names to service their debt with ease going forward. That said, most of the APAC USD primary debt market action in these early days of the year in terms of issuances and additions to the 2018 APAC pipeline have largely been from Chinese names. It remains to be seen if such underwhelming performance persists in the new year and whether appetite for Chinese credits will wane in due course.

**New issuances in 4Q2017 have generally exhibited positive performances although Chinese issuances in 4Q2017 have in general, performed worse than those issued in 3Q2017.**

4Q2017 **Corporates** issuances have continued the positive performance of those issued in 3Q2017 save for Chinese HY issuances in 4Q2017 which saw a reversal

- Chinese Corporate IG issuances tightened by a smaller magnitude compared to 3Q2017 (-6.00bp vs -10.25bp)
- Korean Corporate IG issuances in 4Q2017, similar to those in 3Q2017, widened by the end of the quarter albeit by a slightly smaller magnitude (+3.00bp vs +5.50bp)
- 4Q2017 Chinese HY issuances saw yields rising by a median +17.65bp vs 3Q2017 issuances which tightened by -5.95bp

**Financials** issuances in 4Q2017 fared slightly worse than those in 3Q2017 with most remaining flattish or widening by the end of the quarter.

- Chinese Financials IG issuance widened a median of +2.00bp in 4Q2017; issuances in 3Q2017 had ended off their quarter flattish on the whole
- Australian Financials IG issuance was fairly flattish, tightening by a median of -1.00bp, a slightly smaller magnitude than the -3.50bp for those issued in 3Q2017

**SSAs/SOEs** issuance in 4Q2017 generally performed well in 4Q2017 except for the Chinese SSA IG Senior issuances which saw spreads widening. There were no Chinese SSA issuances in 3Q2017 to compare relative performances across the two quarters however.

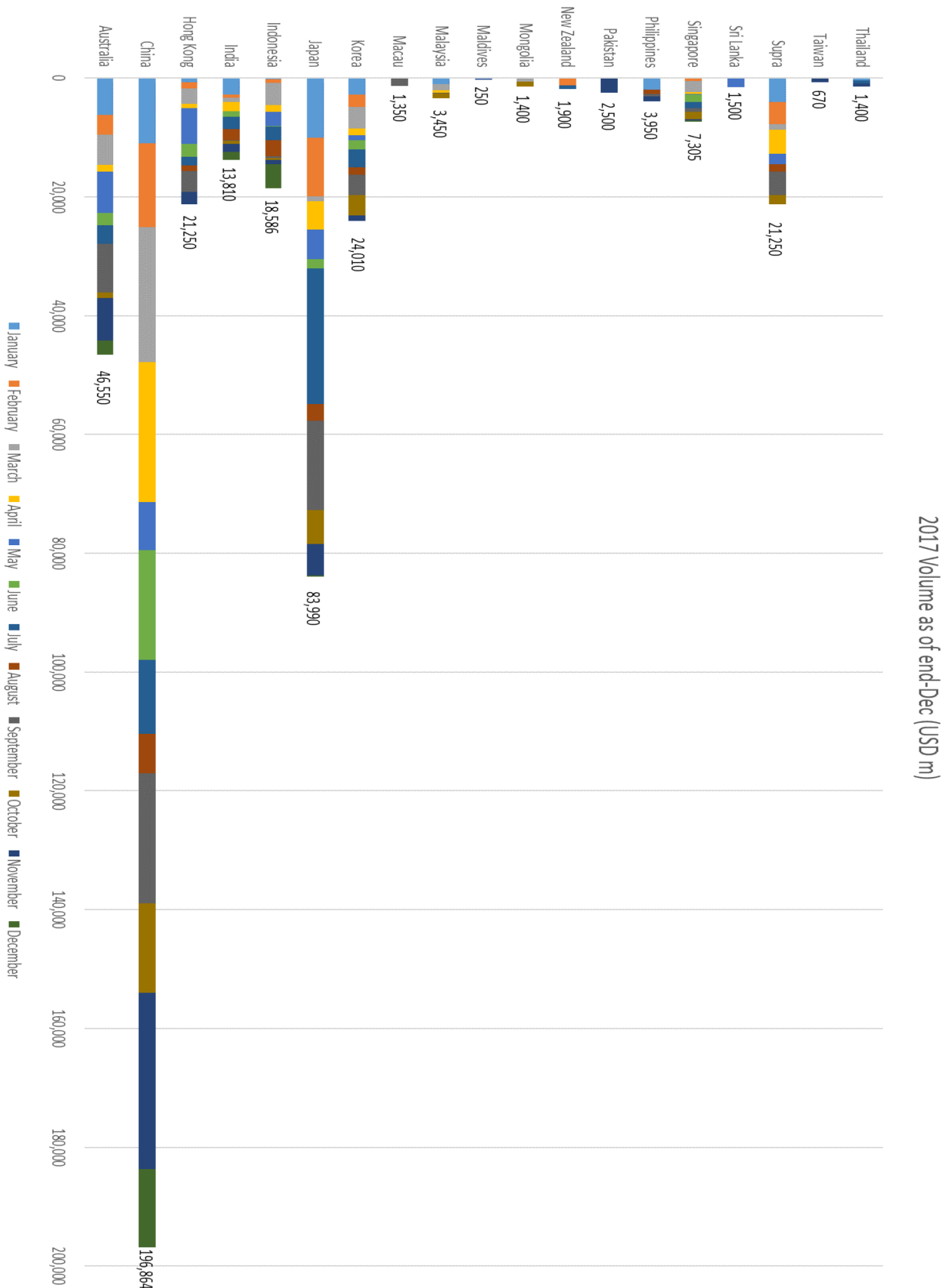
- Indonesian and Japanese 4Q2017 SSA issuances performed well in 4Q2017 albeit by smaller magnitudes in comparison to the 3Q2017 (Indonesia: -9.60bp vs -33.50bp; Japan: -4.20bp vs -8.10bp)
- There is positive performance once again amongst Chinese SOE IG issuances, tightening by a median of -7.0bp this time compared to -12.00bp in 3Q2017



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## 2017 full year Volume by Issuer Country (USD m)

The following chart shows the breakdown according to issuer countries for APAC USD new issue volume for full year 2017.



2017 Volume as of end-Dec (USD m)

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