

# Informa Financial Intelligence (IFI) APAC Credit

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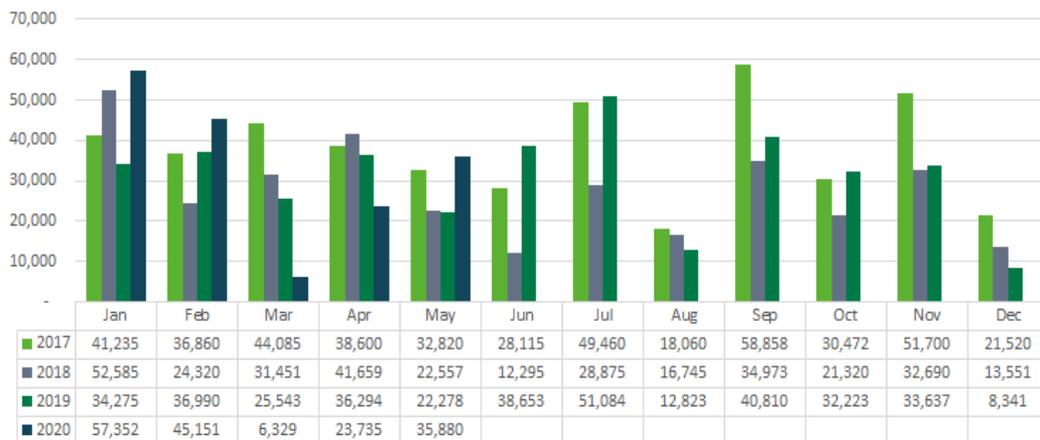


APAC US\$ issuance (including Japan) jumped in May 2020 courtesy of 41 separate issuers which between them sold 54 individual transactions amounting to US\$35.88bn. That was an impressive achievement as the primary market continued its recovery which started at the end of March 2020 after COVID-19 had kept a lid on activity for a number of weeks prior.

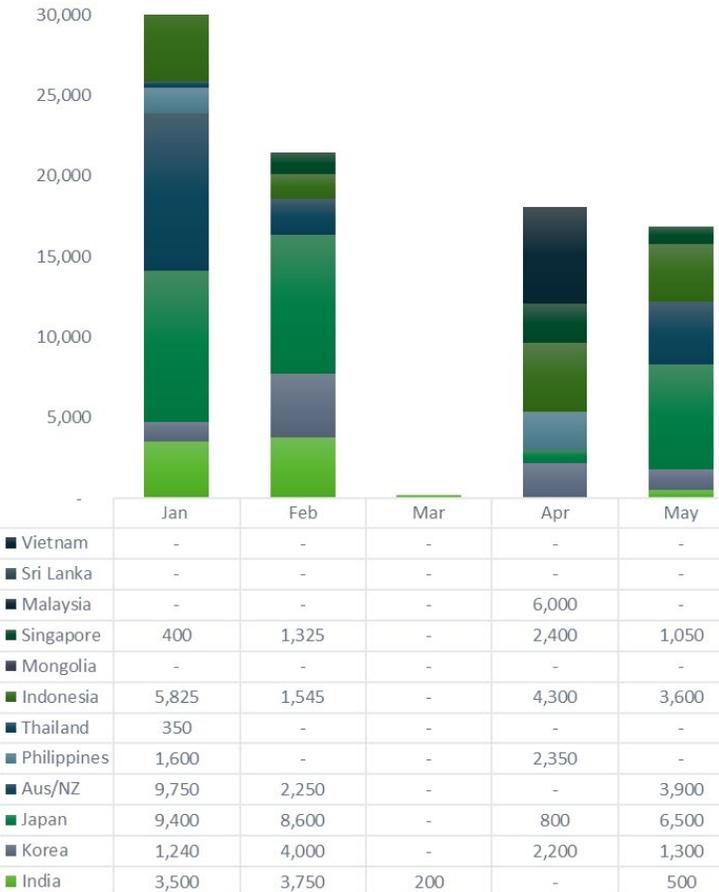
Not only did May 2020's total APAC US\$ issuance dwarf the US\$23.735bn which was raised by regional issuers in April 2020, it comfortably exceeded the US\$22.557bn and US\$22.278bn which priced in May 2018 and May 2019 too.

From a longer-term perspective the US\$35.88bn raised in May 2020 takes the year-to-date total to US\$168.447bn, which is now actually running ahead of the US\$155.38bn issued in the first five months of 2019 by 8.4% despite COVID-19.

APAC US\$ Monthly Issuance Volumes 2017 - 2020 YTD (US\$ millions)



APAC Ex-China US\$ Monthly Issuance (mn) by Country (US\$)



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## Asia Credit Insight: Primary US\$ issuance recovery accelerates in May 2020



### Jurisdiction:

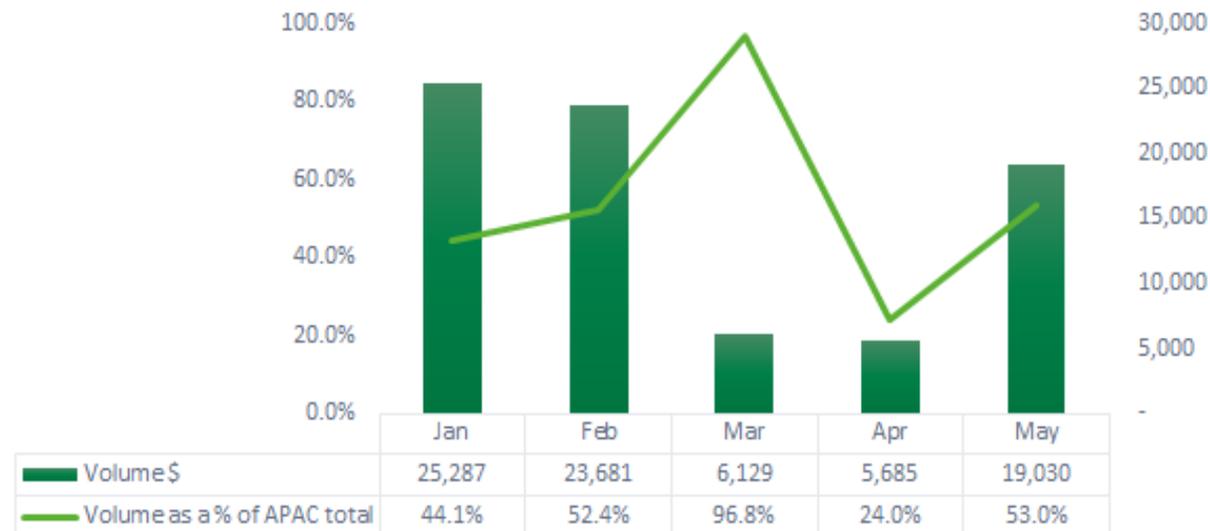
China returned to the top of the pile with a contribution of US\$19.03bn which equated to 53% of total APAC US\$ supply in the month, having temporarily lost its traditional No.1 spot to Malaysia in April 2020.

As well as a jumbo US\$6bn 4-part trade from **Tencent Holdings**, which equalled the largest US\$ bond from an APAC borrower this year, other sizable deals from China which boosted its total in May included the US\$3bn 3-part transaction from **China Petrochemical Corporation (Sinopec)**, a US\$1.5bn 2-part exercise from **CK Hutchison Holdings** and a US\$1bn 2-part deal from **CITIC Securities**.

Some way behind China in second place in May 2020 was Japan with a contribution of US\$6.5bn which equates to 18.1% of total monthly supply, with **Toyota Motor Credit Corporation's** US\$3bn 3-part SEC-registered exercise making up nearly half of that.

In bronze medal position by a whisker was Australia with a total of US\$3.9bn or 10.9%, largely thanks to a revival of the US\$ Australian non-financial corporate sector where dual-tranche 144A/RegS lines from **Newcrest Mining Limited** and **Scentre Group Limited** made up US\$2.65bn between them in May 2020, after a period of hibernation for the asset class which had lasted over 14-months.

### China US\$ Monthly Issuance Volume (mn)



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### Sector breakdown:

Corporates (excluding property) led by example in May 2020 with a contribution of US\$14.1bn, which made up 39.3% of the total US\$35.88bn priced by APAC issuers during the month.

This was largely made up of the previously highlighted US\$13.15bn raised by **Tencent Holdings**, **Toyota Motor Credit Corp**, **CK Hutchison** and the brace of Australian corporate names, and marked a massive jump from the US\$2.75bn issued by non-property corporate issuers in April 2020.

Close behind in second place having been knocked off the top spot was the SSA/SOE/LGFVs which raised US\$11.781bn or 32.8% of the total in May 2020, having been dominant the previous month when the asset class was responsible for US\$16.448bn or 69.3% of total regional supply in April 2020 when it was the most active sector.

As well as the US\$3bn 3-part 144/RegS exercise from Chinese public oil & gas group **Sinopec**, Indonesian issuers also featured quite heavily in overall SSA/SOE/LGFV activity in May 2020, thanks to quasi-sovereign corporates **PT Hutama Karya** and **PT Indonesia Asahan Aluminium** with a joint contribution of US\$3.1bn.

### May US\$ Issuance (mn) Sector Breakdown



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### Market type:

For the second month in a row the 144A/RegS category clinched top spot with a contribution of US\$19.8bn, which equated to 55.2% of total APAC US\$ supply in May 2020. Unsurprisingly it was the same trades that made the difference with **Tencent**, **Sinopec** and the US\$2.5bn 3-part trade from **PT Indonesia Asahan Aluminium** all making a notable contribution.

The popularity of the 144A/RegS market can also be attributed to the fact that supply remained dominated by lower beta solid investment grade names in May 2020 which have bigger funding requirements and are already familiar with US investors, having often reached out to them in the past.

RegS issuance made up a much smaller US\$11.08bn or 30.9% of the monthly total in May which by the same token can be attributed to a paucity of higher yielding and/or unrated issuers in the market.

Finally, SEC-registered supply took up the rear in third place with a contribution of US\$5bn which amounts to 13.9% of the total issued in May 2020, the most notable contribution being the US\$3bn 3-part transaction from **Toyota Motor Credit Corp.**

### May US\$ Issuance (mn) Market Type Breakdown



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### Rating breakdown:

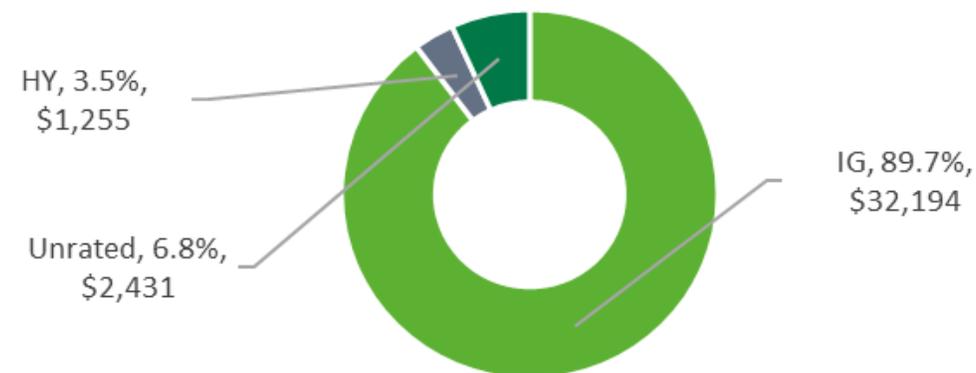
For the second month in succession investment grade APAC names were dominant, this time with US\$32.194bn which equates to 89.7% of the total APAC supply in May 2020. This was actually slightly down in percentage terms compared to April 2020 when investment grade issuers made up 94.6% of the total.

There were some green shoots elsewhere in May though including a tentative re-opening of the APAC high yield primary US\$ market, thanks largely to the return of a handful of property since **Zhenro Properties Group** was first on the scene with a liability management driven US\$200m 3.8NCNP2.8 transaction on 14<sup>th</sup> May.

That made up the majority of the total US\$1.255bn of high yield issuance in May which in turn equated to 3.5% of the US\$35.88bn monthly APAC total.

Making up the balance were unrated issuers which chipped in US\$2.431bn of supply in May 2020 or 6.8% of the total issued throughout the month, which was in line with its 5.4% contribution the month before.

May US\$ Issuance (mn) Rating Breakdown



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### Maturity breakdown:

The 3.5-6 year bucket boasted the highest amount of issuance at US\$11.05bn in the month, which equates to 30.8% of total APAC US\$ supply in May 2020.

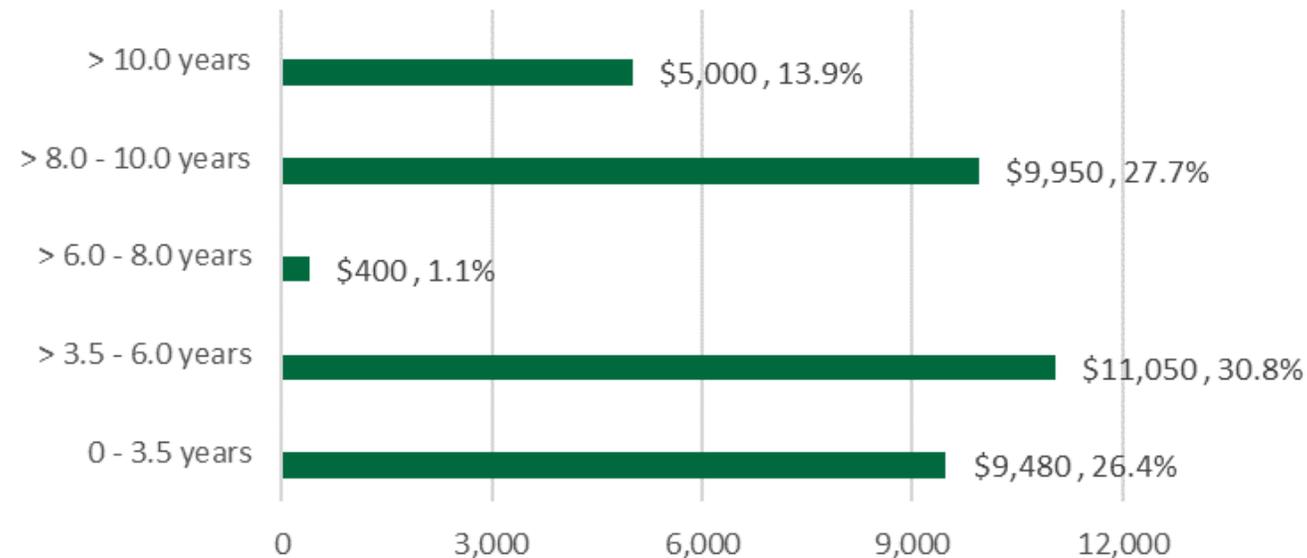
This is fairly self-explanatory given the usual popularity of the on-the-run benchmark 5-year maturity in the senior unsecured market which has been targeted by a raft of APAC financial and non-financial corporate names in May, many as part of dual or multi-tranche exercises.

And therein also explains the popularity of the longer-end of the curve in May 2020, where investment grade issuers looked to capitalize on low underlying yields and flat credit curves to extend their maturity profiles while they had the chance.

That saw the 8-10 year bucket attract US\$9.95bn or 27.7% of total issuance, with maturities of over 10-years contributing US\$5bn or 13.9%, which also accommodated yield hungry investors looking for duration.

Also worth highlighting was the US\$9.48bn priced in the 0-3.5-year maturity bucket. This equates to 26.4% of the May 2020 total and can be explained by the re-opening of the high yield market coupled with a steady trickle of higher beta unrated names over the month.

### May US\$ Issuance (mn) Tenor Breakdown



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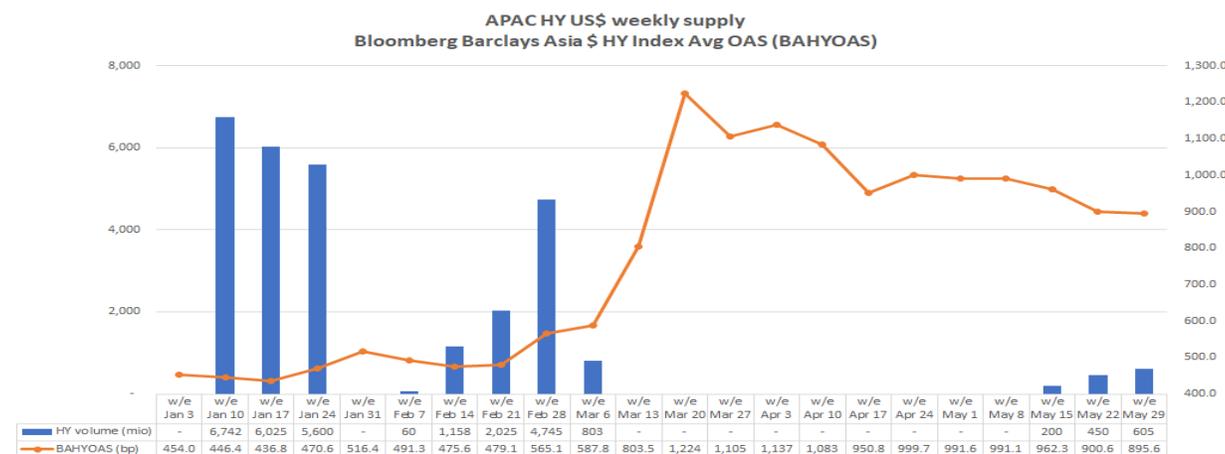
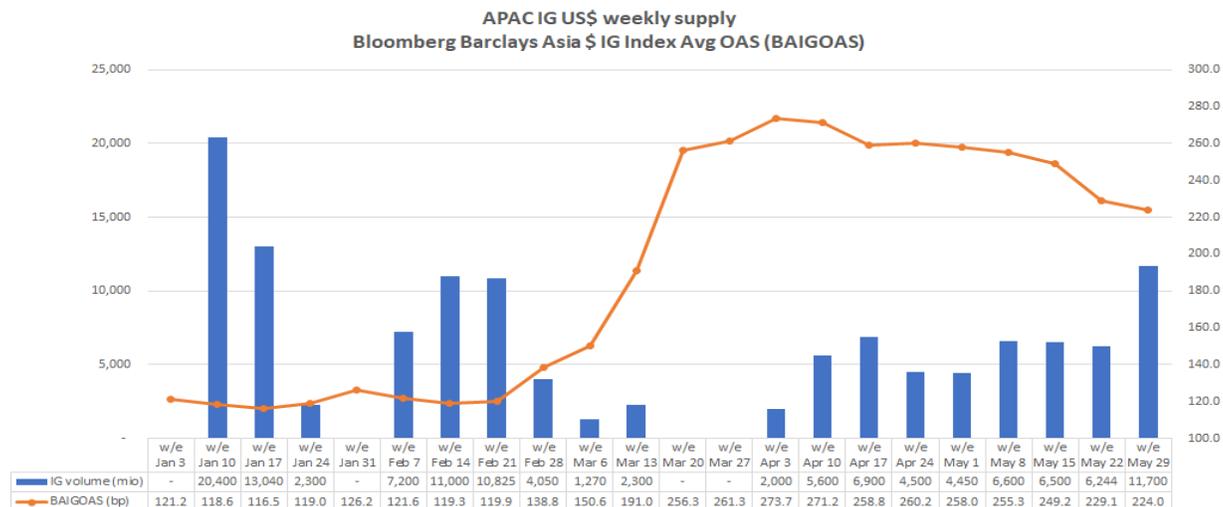
### APAC US\$ spreads tighten:

The spike in Asiadollar bond supply coincided with a generally supportive backdrop in broader risk markets across the globe, as shock and awe stimulus measures previously introduced by policy makers were compounded by the gradual re-opening of economies as lockdown restrictions were eased across the globe, and optimism regarding the forthcoming availability of a vaccine for the pandemic.

This keenness to add risk was reflected by benchmark Asiadollar cash credit indices where the **Bloomberg Barclays Asia US\$ IG Index Ave OAS (BAIGOAS)** tightened by about 34bp in May 2020 to 224bp, while its high-yield equivalent index (**BAHYOAS**) tightened by ca. 99bp over the course of the month to close out at 896bp.

Among regional synthetic CDS proxies, the **iTraxx Asia ex-Japan IG index** tightened by 19bp in May 2020 to ca. 102bp its lowest generic closing level since 10<sup>th</sup> March 2020.

For access to the full report with additional info-graphics click on the link below to log-in to the Informa Global Markets (IGM) website. <https://www.informamgm.com/stories/1613386/edit>



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