

Bond

A bond is a loan. It has the key components which constitute to be loan.

A lender

A borrower

A principal (loan amount)

Interest rates (yield curve)

Maturity Date

- Bonds

Loans with standardize terms

Make it easier to transact (trade)

Simplify a lot of dispute during the course of transactions.

Loan bases on personal relationship, between a lender and a borrower. Transaction can be done only based on personal trust between the two parties.

Bond is one borrower deals with multiple lenders. It is possible because all conditions are standardized.

Type of Bonds

Sovereign bonds – Usually issued by Central Governments with taxing authorities. Such as US Treasury, Chinese Central Government bonds, Japanese Government bonds (JGB), Bunds (Germany), Gilt (UK)

Local Government Bonds - Provincial bonds, US State bonds, Municipal bonds. Some of them have limited taxing power, or guaranteed by Central Governments, Some by municipal assets, such as power generation facilities.

Corporate Bonds - Backed by free cash flow power & corporate assets. This sector has the biggest diversities in terms of business types, size of issues.

Novel bonds – Sharia bonds, green bonds

Bonds trading – Seldom listed for trading purpose. But most of bonds are listed in some small, obscure exchange such as Luxembourg, Singapore etc. The reason is to satisfy some government requirement of certain countries that pension funds, retirement funds, insurance assets can only buy listed instruments.

Major buyers of bonds

Governments (foreign included) Banks, Insurance companies, Trust companies, Mutual funds, Hedge funds, Pensions of big companies, Unions etc.

How bonds issued?

Procedures

Governments, Treasuries of State issue certain amounts of bonds, usually authorized by parliaments or any legislative bodies. No offering memorandum required. The issues are usually purchased in an open auction by central banks (can be domestic central banks or foreign central banks), bond dealers, banks, fund houses. Most of the bonds are bought for interest incomes, only a few for flipping to make tiny price spreads.

Sale of provincial & corporate bonds. Always provide offering memorandum whose function just as a prospectus of an IPO but more emphasize on balance sheets than the P&L statements.

How to subscribe new issues

For sovereign issues, the government treasuries would ask authorized primary dealers and foreign governments to submit their bids and sizes to the treasuries which would decide the sizes and coupon rates (interest rates) of different maturities. The big buyers - banks, funds, brokers would buy from primary dealers. The retail brokers buy them from bond houses. Most of the bonds are not listed, thus no list prices. Nowadays, many bond houses would show indicated prices for references. Retail customers can get it for free from many internet terminals.

However, many big government debts such as US Treasury, JGB are listed and people can buy them at listed price through internet trading houses.

Principal: The capital of bond without interest, nor commission attached. Normally, bonds traded on net price basis without commission. That means net prices can be varied among different dealers because there is no listed price. The bond house usually do transactions on principal status unless specified.

Coupon Rate: The interest rate that issuers guarantee to pay on the annual basis. Interests normally paid twice annually, but in rare occasion, can be paid quarterly.

Maturity Date: The bond matures and the issuer must pay back the lender (bond owner) all the principal (100%) plus any accrued interest. Some exceptional case that the bond holder get more than 100% Principal. Because at the time of issue, market response is no good and in order to attract buyers the issuer would pay premium for holding to maturity.

Accrued Interest: Bond interests are calculated daily. If transactions were done between interest paid out date, the buyers have to pay accrued interest to sellers.

Maturity: Since bonds are long term debts which normally issued with maturities of 2 years, 3 years, 5 years, 10 years & 30 years. But there are odd exceptions as well, such as 50 years, 100 years and even perpetuals.

Yield to Maturity: All bonds (very few exception) matured at 100% of principal. But the prices of bonds vary to reflect different factors, such as general interest environments, fluctuation of currencies, financial condition of issuers etc.

Bond holders' return is interest income collected over the years. If bond purchased at a discount, say 95%, the investor returns will be $100\% - 95\% = 5\%$ plus interest income. The 5% gains would be amortised over the years till the bond matured. On the other hand if bond is purchased at premium, say 105%. The return to the investor is negative 5% on purchased price plus interest income. Again the 5% loss would be amortized till maturity.

Bond Indications

26/8/2019

ISIN	Issuer	Coupon (%)	Maturity Date	Indicative Bid Price (Client Sells)	Indicative Ask Price (Client Buys)	Indicative Offer Yield to Worst (%)	Issuer Credit Rating Moody's/S&P
YTM above 8%							
XS1972092248	CFLD (Cayman) Investment Ltd. 華夏幸福	8.6	8/4/2024	98.188	98.724	9.022	N.R/N.R
XS2030329358	Fantasia Holdings Group Co.,Ltd 花樣年	12.25	18/10/2022	93.964	94.693	14.427	B3/B
XS1982037779	China Evergrande Group 恒大集團	10	11/4/2023	95.15	95.983	11.433	B1/B+
YTM above 7%							
XS1981089284	Sunac China Holdings Limited 融创中國	7.95	11/10/2023	96.85	97.55	8.681	Ba3 / BB-
XS2029997942	Wanda Group Overseas Limited 萬達集團	7.5	24/7/2022	99	99.7	7.695	Unrated
XS1956169657	Easy Tactic Ltd (Keepwell: Guangzhou R&F Properties Co., Ltd.) 富力集團	8.625	27/2/2024	97.992	99.126	8.73	Ba3/B+
YTM above 5%							
XS2025575114	Shimao Property Holdings Ltd 世貿房地產	5.6	15/7/2026	100.167	100.896	5.402	Ba2 / BB+ Stable
XS1974522937	Country Garden Holdings Co. Ltd 碧桂園	7.25	8/4/2026	103.563	104.363	6.35	Ba1 Stable / BB+ Stable
XS2019083612	Fosun International 復星國際	6.75	1/7/2023	101.75	102.333	6.067	Ba2 (Stable) /BB (Positive)
Perpetual *For Experienced Bond Trader							
XS2003471617	Agile Group Holdings Limited 雅居樂	8.375	Perpetual	102.788	103.389	7.463	Ba2 / BB
USF1R15XK441	BNP Paribas S.A.	7.625	Perpetual	105.264	105.966	3.828	Ba1 / BBB-
US404280BP39	HSBC Holdings PLC	6.5	Perpetual	102.371	103.001	5.595	Baa3/A

COGARD 7.250% 08Apr2026 Corp (USD)

Country Garden Holdings Company Limited

碧桂園控股有限公司 - 2007.HK

Price info (as at 23-8-2019)

Ask Yield to Maturity (% p.a) ⓘ

6.460 %

Ask Yield to Worst (% p.a) ⓘ

6.350 %

Indicative Ask Price USD ⓘ

104.193

Bond Complexity

Moderate

Bid Yield to Maturity (% p.a) ⓘ

6.578 %

Bid Yield to Worst (% p.a) ⓘ

6.484 %

Indicative Bid Price USD ⓘ

103.554

Investor Profile

**Stable Income
Seeker**

Bond Information

Bond Issuer Country Garden Holdings Company Limited	Bond Currency USD	Issue Size 1,350,000,000	Bond Credit Rating (S&P/ Fitch) N.R/ BBB- ⓘ
Guarantor Subsidiaries	Annual Coupon Rate (% p.a.) 7.250	Announcement Date 28 Mar 2019	Issuer Credit Rating (S&P/ Fitch) BB+/ BBB- ⓘ
ISIN XS1974522937	Coupon Type Fixed	Issue Date 08 Apr 2019	Exchange Listed SGX
CUSIP AX9167690	Reference Rate -	Maturity Date 08 Apr 2026	Seniority First Lien
Bond Type High Yield Corporate	Annual Coupon Frequency Semi Annually	Years to Maturity 6.629	
Bond Sector Financials	Min. Investment Quantity USD 200,000	Issue / Reoffer Price 100.000	
Bond Sub Sector Real Estate Management and Development	Incremental Quantity USD 1,000		

Price & Performance Chart



Bond Feature(s)

- Change Control Put
- Equity Call
- Issuer Call
- Make Whole Call

Change Control Put

- Not later than 30 days following a Change of Control Triggering Event, the Company will make an Offer to Purchase all outstanding Notes (a "Change of Control Offer") at a purchase price equal to 101% of the principal amount thereof plus accrued and unpaid interest, if any, to (but not including) the Offer to Purchase Payment Date.

Equity Call

- At any time and from time to time prior to April 8, 2023, the Company may redeem up to 35% of the aggregate principal amount of the Notes with the Net Cash Proceeds of one or more sales of Common Stock of the Company in an Equity Offering at a redemption price of 107.25% of the principal amount of the Notes redeemed, plus accrued and unpaid interest

Issuer Call

- At any time and from time to time on or after April 8, 2023, the Company may redeem the Notes, in whole or in part, at a redemption price equal to the percentage of the principal amount set forth below plus accrued and unpaid interest to (but not including) the redemption date if redeemed during the 12 month period beginning on April 8 of each of the years as indicated below.

Period	Redemption Price
2023	103.625%
2024	101.8125%
2025 and thereafter	100%

Make Whole Call

- At any time prior to April 8, 2023, the Company may at its option redeem the Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the Notes redeemed plus the Applicable Premium as of, and accrued and unpaid interest, if any, to (but not including) the redemption date.