

Weekly Market Review

October 11th, 2021

Highlights:

- The most significant change to the US Treasury Yield Curve occurred in the 10Y tenor with a respective value of 13bps.
- The weakest EM country currency relative to the US dollar is BRL, with -2.64% performance.
- The strongest EM country currency relative to the US dollar is RUB, with 1.12% performance.
- The country with the highest default probability based on 5Y CDS is Argentina, with a respective value of 77.86%.
- The most considerable year-to-date change in default probability based on 5Y CDS is 25.22p.p. in Argentina.

News:

- **Comstock** – This independent energy company in the US has sold its assets in Bakken shale to Northern Oil & Gas company for USD 154 million. The company expects to post a loss of USD 130-140 million in this deal. Comstock will use the sale proceeds to develop its Haynesville shale development program, to fund drilling activity, and acquire leaseholds. Currently, the [6.75% Mar 2029](#) USD bond is quoted with a 4.44% yield to maturity.
- **GN Store Nord** – The parent company of GN Group in Denmark manufactures and markets wireless technology hearing aids and cable systems. It has bought Steelseries, a gaming gear company for USD 1.25 billion. The company has cut its hearing aid division revenue growth projection for 2021 to 16% from 25%. Steelseries had USD 2.2 billion in revenue in 2020, GN Store Nord expects to remain a growth company in the future. Currently, the [0.75% Dec 2023](#) USD bond is quoted with a 0.29% yield to maturity.
- **Renault** – The French global automotive company's foreign currency credit rating outlook was revised to stable from negative by Fitch, while the local currency rating remained at BB. Fitch expects a stronger than expected recovery in revenue and a positive operating margin going ahead. The company has a target of Eur 2 billion in fixed cost savings by 2022. The sale of Renault's stake in Daimler for Eur 1.1 billion will help to reduce high leverage. Currently, the [1% Nov 2025](#) bond is quoted with a 1.15% yield to maturity.
- **Helenbergh China** – The Chinese property developer raised USD 270 million by issuing Eurobonds. The company issued 2-year bonds, with a semi-annual coupon of 11%. The spread was observed at 1,067 bps over US Treasuries. The issue rating was B2 with a negative outlook (Moody's). The company's annual contracted sales are expected to be CNY 63-65 billion. Currently, the [11% Mar 2023](#) bond is quoted at negative 14.31% yield levels.

Largest High Yield Issues

Issue	Country	Amount, mln USD	Issuer Rating M/S/F	End of Placement
HealthEquity, 4.5% 1oct2029, USD	USA	600	B1/BB-/—	04.10.2021
Helenbergh China Holdings, 11% 8oct2023, USD	China	270	B2/-/B+	04.10.2021
Thor Industries, 4% 15oct2029, USD	USA	500	Ba2/BB/-	05.10.2021
Broadstreet Partners, 5.875% 15apr2029, USD	USA	725	B3/B/-	07.10.2021
Polyus, 3.25% 14oct2028, USD	Russia	700	Baa3/BB+/BB+	07.10.2021

*High yield placements included with an outstanding amount of more than \$200 million, taking place between 04.10.2021 and 08.10.2021

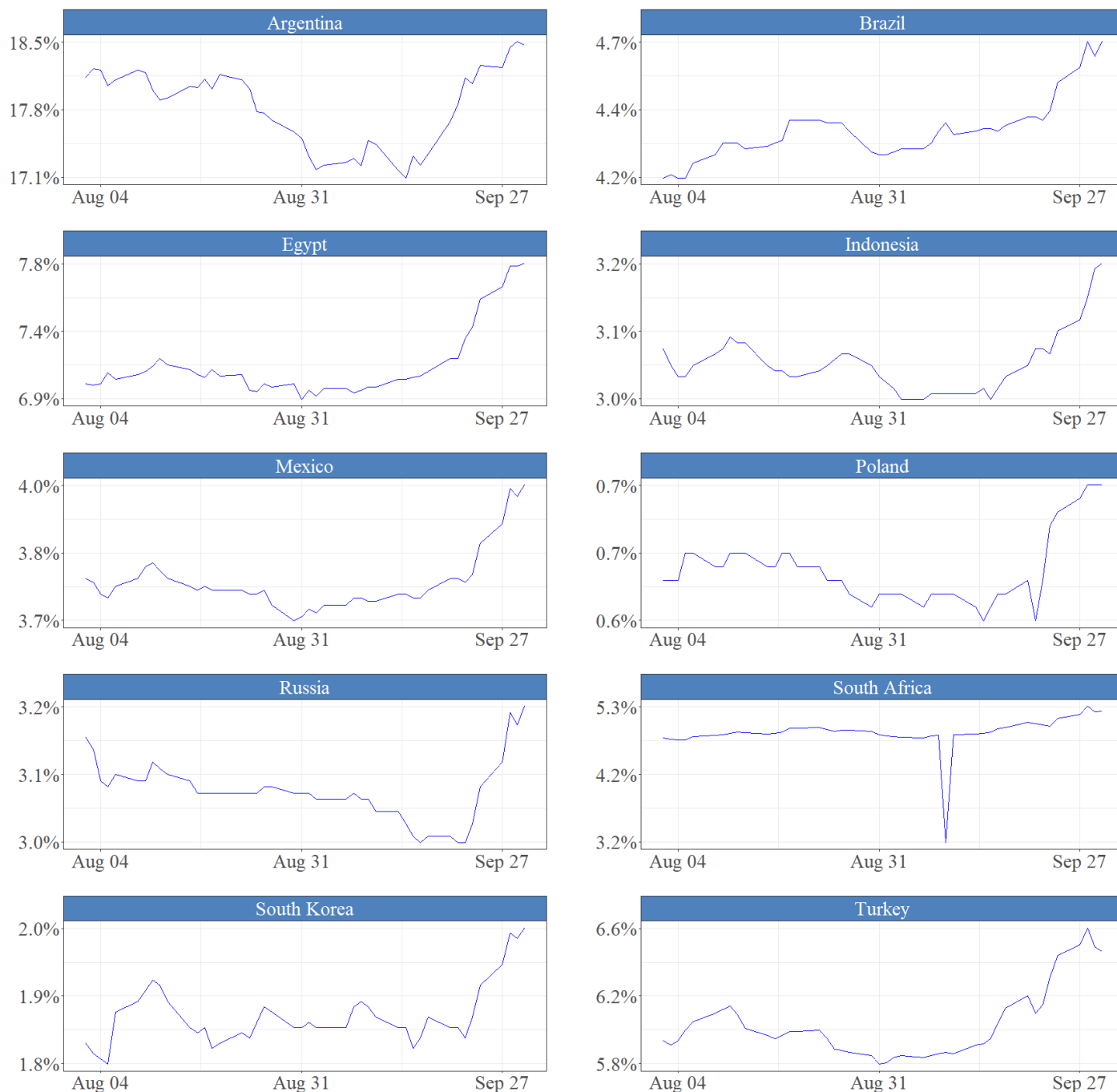
Sovereign Rating Changes on October 4th – 8th

Country	New		Old		Date Rating
	Rating	Outlook	Rating	Outlook	
Jamaica	B+	Stable	B+	Negative	04-10-2021
India	Baa3	Stable	Baa3	Negative	05-10-2021
Colombia	Baa2	Stable	Baa2	Negative	06-10-2021
Solomon	B3	Stable	Caa1	Stable	08-10-2021

Cbonds Country Sovereign Eurobonds Indices

Eurobond **sovereign** indices measure T-spread, total yield and other indicators for the major issuing countries. They are calculated once every trading day (at close).

EM Countries YTM



Market Indices & US Treasury Yield Curve

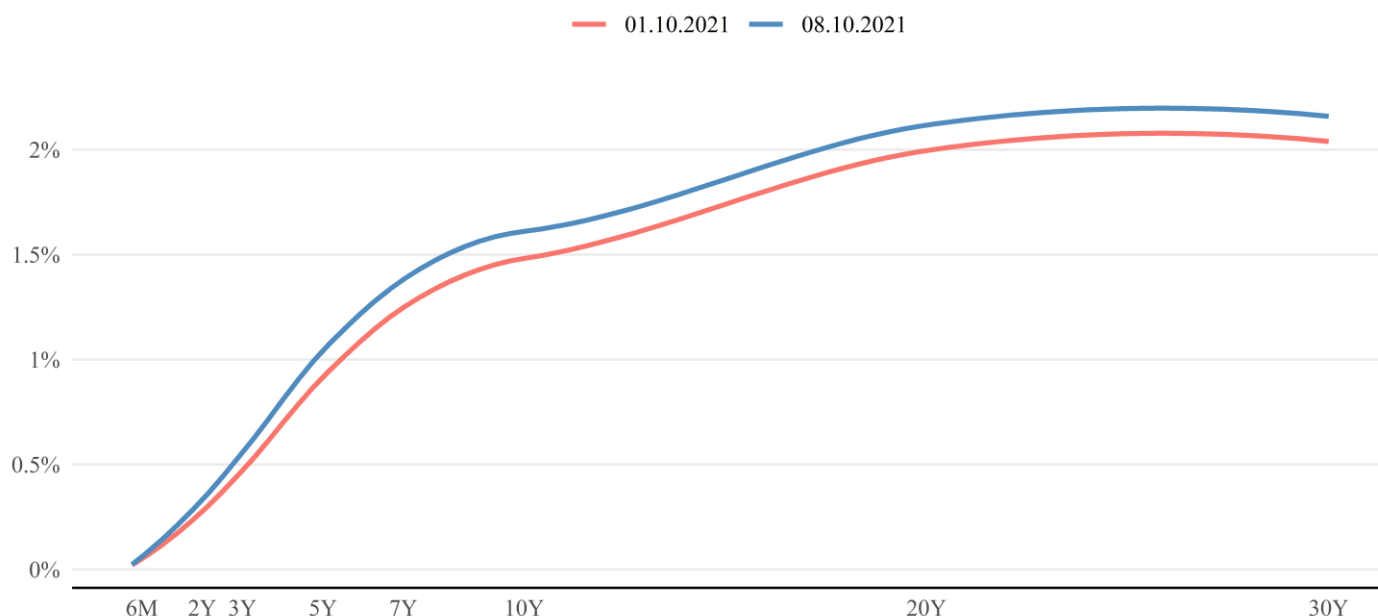
	UST 2Y YTM	UST 10Y YTM	DOW JONES	S&P500	NASDAQ COMPOSITE	SOFR
Last value	0.32	1.61	34746.25	4391.34	14579.54	0.05
Change	18.52%	8.78%	1.22%	0.79%	0.09%	0.00%

*The change for all indices except SOFR is calculated as a difference between values at 01.10.2021 and 08.10.2021. For SOFR change calculated as a difference between values at 01.10.2021 and 07.10.2021.

Last week, US markets started weak, followed by modest gains at the end of the week. Non-farm payrolls increased by 194k monthly in September, lower than the expectation of 500k. The unemployment rate declined to 4.8% against 5.2% the previous month. Energy stocks rose as natural gas, and crude oil prices continued their uptrend. The Dow Jones and S&P 500 indexes are up by 1.22% and 0.79% WoW, respectively.

As senate republicans agreed to raise the treasury borrowing limit by USD 480 billion, the US debt ceiling issue is alleviated temporarily till December 2021. Average hourly earnings rose 0.6% per month, more than expectations in September. Last week the US yield curve shifted parallelly upward, yields across maturity rose in the range of 5-13 bps. The US 10-year benchmark bond closed 13 bps up, at 1.61%.

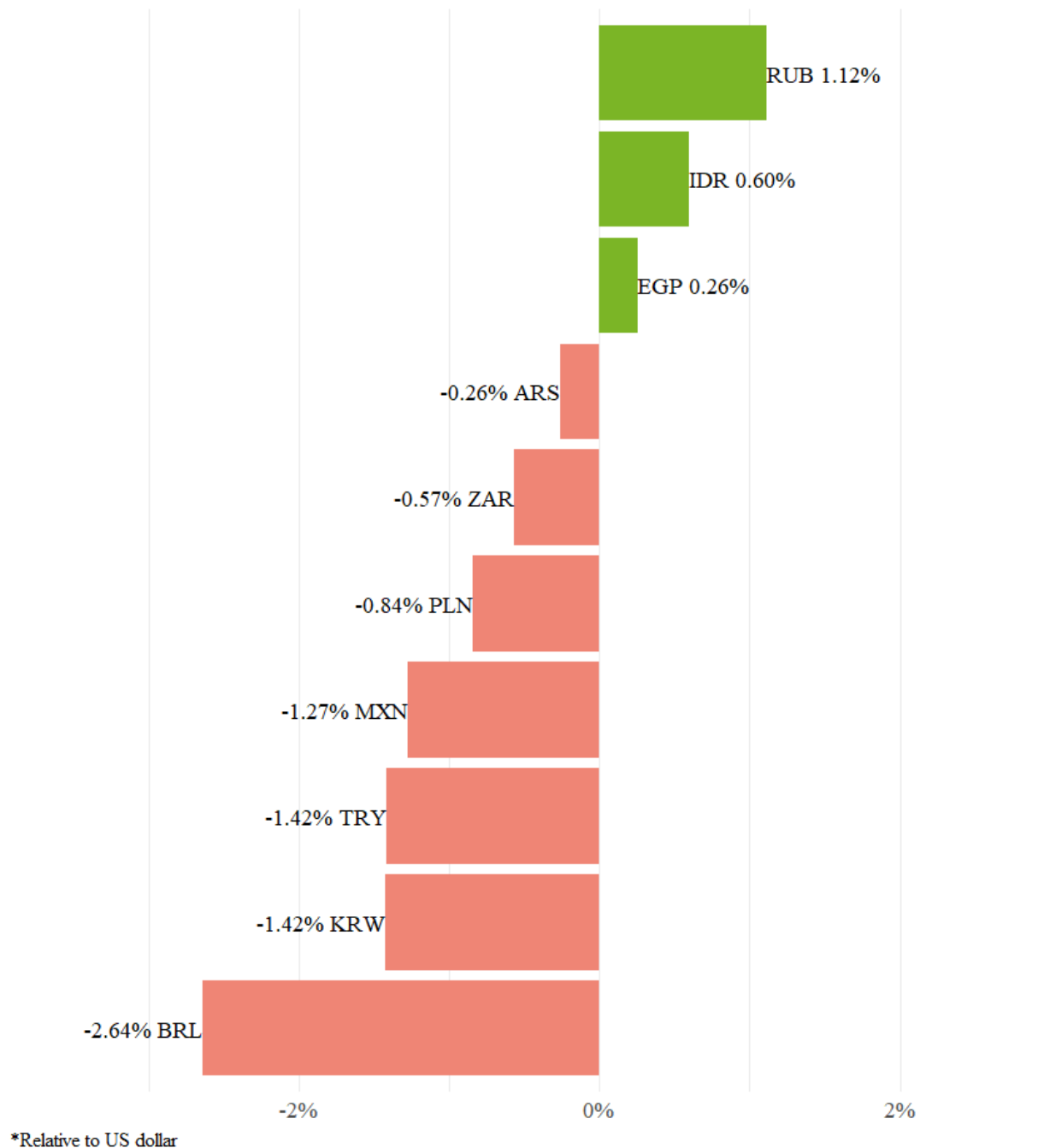
US Treasury Yield Curve



Currency Rate Indices

Currency rate indices track US dollar dynamics relative to foreign currencies. They are calculated once every trading day (at close).

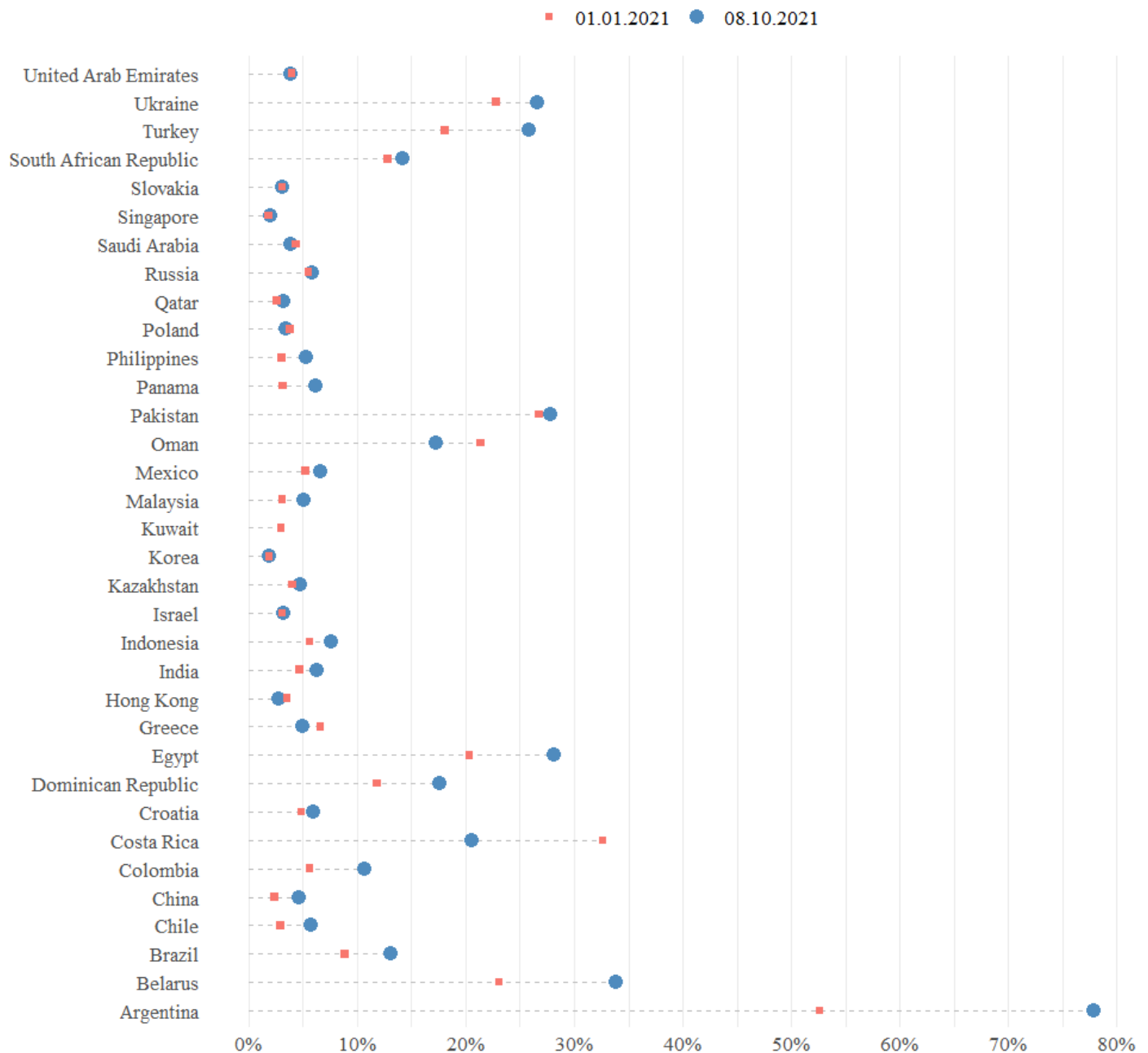
EM countries currencies over last week



ICE and Interactive Default Probability Indices

Default probability indices assess the risks on the Sovereign debt market for the respective country. They are calculated based on CDS for terms of between 3 months and 30 years and calculated once every trading day (at close).

Default probability based on 5 year CDS



*As of the previous week's last trading day



Weekly Knowledge Hub:

Samurai Bonds

Samurai Bonds are bonds denominated in Japanese yen and placed by foreign issuers on the Japanese domestic market. The name of the bonds emphasizes the peculiarities of Japanese culture: the term "samurai" in Japanese history refers to the military-feudal estate of sovereign princes (daimyo) and minor nobles.

Characteristics of Samurai Bonds:

- the issuer is not a resident of Japan;
- issue currency is Japanese currency - yen;
- they are placed with the help of underwriters from Japan;
- posting is regulated by Japanese law;
- can be freely purchased by non-residents of Japan.

Advantages:

- access to liquid capital from investors in Japan;
- interest of conservative Japanese institutional investors in investing in large foreign companies with an international presence and high credit ratings;
- ability to hedge currency risk.

Disadvantages:

- such bonds are the subject to double taxation for US issuers;
- complicated placement procedure and lack of flexibility in terms of placement.

Historically, American financial companies have been the main issuers of samurai bonds due to their popularity among Japanese investors. The governments of Asian countries, for example, [Indonesia](#) and [Philippines](#), are also showing interest in the Japanese capital market and the issuance of samurai bonds.

[Read more about bond types in the Cbonds glossary](#)

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