

CMBI Credit Commentary

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

- *Asian IG space was quiet and benchmarks were unchanged to 1-2bps tighter with mixed flows. LGFV/SOE Perp were also silent while high quality China AT1 like ICBCAS/BCHINA/CTIH were actively traded under buying flows from domestic RM.*
- **SINOCE/SINOCL:** *Sino-Ocean's USD800mn term loan refinancing still in progress; Sino-Ocean Capital launched consent and possible exchange offer. SINOCEs moved -0.75 to +0.75pt and SINOCL down c14pts post the news. See below.*
- **GRWALL:** *S&P revised China Great Wall Asset Management, subsidiary outlook to negative on delayed results and affirmed BBB/A-2 ratings. GRWALLs changed -0.25 to +0.25pt this morning.*

❖ Trading desk comments 交易台市场观点

Yesterday, Fed delivered a rate hike of 25bps as expected and indicated that it might pause further increases. UST 2y yield lowered 15bps to 3.75%. Asia ex JP IG space started the day in a weak tone post FOMC meeting, as dealers hit down benchmark IG papers. We saw better selling flows on the front-end of financials. In AMC space, HRINTH curve was traded a touch softer under RM selling. Other AMC peers were relatively firm after Wed weakness. Before close, S&P revised China Great Wall AMC's outlook to negative from stable and affirmed BBB rating. In bank T2 space, ICBCAS/HSBC/OCBCSP were under small better buying. China TMTs/SOEs opened 4-6bps wider but retraced to 1-4bps wider at close. TMT benchmarks such as BABA/TENCNT were range-bound and closed 1-3bps wider. HAOHUA 28-30s edged 1-2bps wider. Recent new issues CKHH/BOCAVI 33s were still traded firm despite rates rally. The Chinese properties remained fragile. SINOCL 23s were indicated 13-14pts lower to close at low-20s, post Sino-Ocean Capital launched a second consent solicitation to defer the coupon payment of USD282.3mn 6% notes due-2023 for 6 months. COGARDs/CSCHCNs/ROADKGs were traded 0.5-2pts lower. AGILEs dropped 2-3.5pts across the curve. GRNLGRs were among the exception, and its 25-27s bounced 0.5-3pts from the lows. Industrials FOSUNIs gained 0.5-1pt. Macau gaming names such as SANLTDs/WYNMACs lowered 0.5-1pt. In Indian space, Adani complex bonds such as ADANEMs/ADTINs moved 0.5-1pt higher. However, VEDLNs were traded 1-1.5pts lower across the curve. AZUPOEs were marked 0.5-1pt lower. Indonesian oil names MEDCIJs drifted 0.25-0.5pt lower.

The LGFV/Perp/Asia AT1 spaces had a relatively constructive session. Flows in LGFV space resumed to better buying as onshore clients began to return from long holiday. LGFV bonds remained well-bid across the credit curve

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from papers yielding mid-5% to 10%+, thanks to confidence towards LGFVs' public importance providing a counter-cyclical element and the continuous scarcity/ supply shortage of papers. SOE Perps and Chinese AT1s were traded 0.125-0.25pt higher amid balanced two-way flows, the prices were largely stable as current rich absolute yields prevented these papers from enjoying the retreat in UST yields. Elsewhere, HSBC/STANLN Perps were traded 0.25-0.5pt lower amid the broadly cautious risk sentiment. On the other hand, POE Perps yielding 6%-7%+ such as CKINF/LIFUNG perps were under better buying.

❖ Last Trading Day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
GRNLGR 5.9 02/12/25	33.5	3.0	SINOCL 6 10/24/23	21.2	-14.5
ICBPIJ 4.745 06/09/51	75.6	2.0	SINOCL 6 1/4 06/22/23	22.9	-13.8
PWONIJ 4 7/8 04/29/28	90.3	1.5	AGILE 5 1/2 05/17/26	32.4	-3.3
HYSAN 3.55 06/16/35	87.4	1.2	AGILE 5 1/2 04/21/25	37.0	-3.3
ICBPIJ 4.805 04/27/52	75.0	1.2	AGILE 5 3/4 01/02/25	42.5	-2.8

❖ Marco News Recap 宏观新闻回顾

Macro – S&P (-0.72%), Dow (-0.86%) and Nasdaq (-0.49%) dropped due to concerns about U.S. regional banks' viability. U.S. latest weekly initial jobless claim was +242k, slightly higher than expectation of +240k. China April Caixin PMI was 49.5 and lower than expectation of 50.3. The U.S. treasury yields overall down yesterday, 2/5/10/30 yields reached 3.75%/3.29%/3.37%/3.73%, respectively.

❖ Desk analyst comments 分析员市场观点

➤ SINOCE/SINOCL : Sino-Ocean's USD800mn term loan refinancing still in progress; Sino-Ocean Capital launched consent and possible exchange offer

Sino-Ocean is facing USD800mn-equivalent term loan due on 11 Jun. It missed the amortization payment on the this loan on 31 Mar, yet the amortization is voluntary and such non-payment does not constitute an event of default. Given the company now it is seeking consent from lenders to defer such amortization to May, we believe that they are still discussing the possible refinancing of the principal due next month that final plan not yet concluded. Tangible support from China Life such as guarantee or support letter would facilitate the refinancing talks especially with Chinese banks, in our view. Also, there should be still rooms to pledge investment properties as collaterals; 63% of investment properties are pledged for borrowings as at Dec'22, despite it increased from 49% as at Dec'21.

Meanwhile, we expect 2H23 would be more challenging for Sino-Ocean, with the coupon dues of all six bonds and perps of cUSD97.8mn in total. Investors and lenders are also eye on its contract sales recovery to assess its ability for ongoing operation and debt repayment. For 3M23, it recorded 10% growth yoy in contract sales that is above its peer's average, ranked the 9th in terms of growth rate among the 37 developers under our radar.

On the other hand, the company's associate Sino-Ocean Capital launched a second consent for its SINOCL 6 10/24/23. It is asking the bondholders to agree on the 6-month extension of coupon payment of cUSD8.5mn to Oct'23. Sino-Ocean Capital has another outstanding USD bonds SINOCL 6.25 06/22/23 which will be due next month, media reported that it is exploring options including exchange offer for this notes. Sino-Ocean only provided a letter of support for SINOCL 6.25 06/22/23 and a keepwell for SINOCL 6 10/24/23, but not a

guarantee. Considering the tight liquidity condition, we expect Sino-Ocean to continue to prioritize the debt repayment at the parent company level.

	Px (ask)	YTM/YTC (% ask)	Amt o/s (USDmn)
SINOCE 6 07/30/24	41.4	97.6	700
SINOCE 2.7 01/13/25	34.2	80.7	520
SINOCE 3.8 04/26/25	99.7	4.0	200
SINOCE 3.25 05/05/26	33.6	46.6	400
SINOCE 5.95 02/04/27	29.0	49.2	500
SINOCE 4.75 08/05/29	27.3	32.8	600
SINOCE 4.75 01/14/30	26.7	31.9	400
SINOCE 6.946 PERP	19.5	62.0	600
Total			3,920
SINOCL 6.25 06/22/23	22.9	1280.5	497
SINOCL 6 10/24/23	21.2	387.9	282.3
Total			779.3

Source: Bloomberg

➤ Offshore Asia New Issues (Priced)

Issuer/Guarantor	Size (USD mn)	Tenor	Coupon	Yield	Issue Rating (M/S/F)
No Offshore Asia New Issues Priced Today					

➤ Offshore Asia New Issues (Pipeline)

Issuer/Guarantor	Currency	Size (USD mn)	Tenor	Pricing	Issue Rating (M/S/F)
No Offshore Asia New Issues Pipeline Today					

➤ News and market color

- Regarding onshore primary issuances, there were 42 credit bonds issued yesterday with an amount of RMB36bn. No onshore credit bonds issuance yoy change due to Chinese Labor Holiday last year
- **[ADTIN]** Meida reported that Adani unit Adani Transmission plans to buy back USD100mn bonds
- **[AGILE]** Agile Group said compulsory auction for Kowloon Tong Eastbourne Road property project (base price of cUSD123mn) cancelled
- **[BABA]** Media reported that Alibaba global online commerce unit mulls US IPO
- **[FOSUNI]** Media reported that Fosun USD500mn-equivalent loan launched into general syndication
- **[FRESHK]** Far East Horizon to sell minority stake in leasing unit for up to RMB4bn (cUSD579mn)

- **[GRWALL]** S&P revised China Great Wall Asset Management, subsidiary outlook to negative on delayed results and affirmed BBB/A-2 ratings
- **[SUNAC]** Sunac China announced that consenting creditors holding approximately 85% of existing debt acceded to the RSA

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