

CMBI Credit Commentary

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

The Asset Asian G3 Bond Benchmark Review 2023

We hope you found our commentaries and ideas helpful. We seek to elevate our efforts and value-add further in the coming year. We highly appreciate your support to us in Sell-Side Analysts of the polls of ["The Asset Asian G3 Bond Benchmark Review 2023"](#). Thank you for your time. Your support will mean a lot to us.

- *Asian IG space was weak with better selling flows this morning. Recent new issues NACF/KOEWPW widened 2-5bps. TMT benchmarks widened 1-2bps and high-beta names XIAOMI/LENOVO were c5bps wider. LGFVs were overall two-way balanced while property-related names such as CPDEV were weak.*
- *SHUION: Seeks to identify the holders of two of its USD bonds. SHUIONs further dropped 6-10.5pts this morning post yesterday's 10-12.5pts slump. See below.*
- *SINOCE: Sino-Ocean onshore unit announced that it faces uncertainty over redemption of outstanding RMB2bn 18Yuanyang01 bonds due 2 Aug'23. Media reported it proposed a one-year payment schedule with six installments due Aug'24. SINOCES moved -0.5 to 0.5pt this morning.*

❖ Trading desk comments 交易台市场观点

Asia IG space had a relatively firm session yesterday. In Chinese SOEs, CHGRID were better bid. TMT benchmarks TENCNT 30s were unchanged to 2bps wider. The high beta TMTs MEITUA/XIAOMI 30s were traded 5bps wider. In financials, AMCs were under better selling from RMs. HRINTH curve was traded 0.5-0.75pt lower. Chinese bank T2/leasing papers were well-bid with two-way balanced flows. Chinese AT1s such as BCHINA/ICBCAS Perps grinded 0.125-0.25pt higher with better buying interests from onshore RMs. Elsewhere, Korea space was subdued with some profit taking flows. NACF/KOEWPW/KORGAS/HATELE papers edged 1-3bps wider. In Japan credit, SMBCAC/SUMIFL 28s were under better buying. Chinese properties remained lackluster. DALWAN opened 6-8pts higher, post news that Wanda Investment will sell stake in Wanda Film for RMB2.34bn. Media reported that Dalian Wanda still short of USD200mn to redeem the notes due in Jul'23 despite the sale of stakes in Wanda Film. DALWANs closed 2.5-5.5pts lower than last EOD. SHUION 23-26s plunged 10-12.5pts. LNGFORs were weighed down 1-2.5pts. GRNLGR 24s/25s declined 1.25-3.25pts. In industrials, FOSUNI 25-27s were traded 1.5-3pts. Macau gaming space was muted. In Indian space, VEDLN 24s were marked 0.5pt higher. AZUPOE 26s/GRNKEN 28s also gained 0.5-0.75pt. Elsewhere, LPKRIJs/LMRTSPs were bid up 0.25-0.5pt. GLPCHIs were marked 1-2pts higher.

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The LGFV/Perp spaces were quiet. Market attention remained in HY property space especially the volatilities in DALWAN/SHUION, etc. The weak sentiment spilled over to CPDEV/ZHHFGR, as they are usually prone to moves in the property space. There were better selling in moderate sizes in these two LGFVs. Overall flows on LGFVs were mixed two-way, with decent deployment demand persisted in quality names yielding low-6% to ~7%. Whilst the weaker and less liquid names were skewed to slightly better offered. Away from LGFVs, SOE Perps continued to attract interests from Chinese RMs/AMs at low-6%. The prices of SOE Perps were largely stable, given the existing vast amount of loose bonds. In HK corp Perp space, NWDEVL/FWDGRP Perps were indicated 0.5-1pt lower with selling amid the property weakness

❖ Last Trading Day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
FTLNHD 4 1/2 05/02/26	39.9	1.2	SHUION 6.15 08/24/24	73.4	-12.5
NANFUN 5 09/05/28	95.3	1.0	SHUION 5 1/2 06/29/26	57.8	-11.4
NANFUN 3 7/8 10/03/27	92.3	1.0	SHUION 5 3/4 11/12/23	85.6	-10.6
CMINLE 2 3/4 08/12/30	84.0	1.0	SHUION 5 1/2 03/03/25	68.3	-9.8
KMRLGP 3.9 12/12/24	84.1	0.7	DALWAN 7 1/4 01/29/24	43.2	-5.3

❖ Marco News Recap 宏观新闻回顾

Macro – S&P (+0.71%), Dow (+1.06%) and Nasdaq (+0.76%) remains strong yesterday and three indexes reached the highest YTD levels. US retail sales increased 0.2% mom in Jun, was lower than market expectation of +0.3% mom. US industrial production fell 0.5% mom in Jun and was lower than expectation of unchanged on mom basis. The US treasury yields slightly dropped yesterday, the 2/5/10/30 yield stayed at 4.74%/4.00%/3.80%/3.91%, respectively.

❖ Desk analyst comments 分析员市场观点

➤ SHUION: Seeks to identify the holders of two of its USD bonds

Shui On Land has engaged Morrow Sodali to identify the holders of SHUION 5.75 11/12/23 and SHUION 6.15 08/24/24 to improve communication with the holders, according to the notice the company sent to the bondholders. The move raised the concern over the possibility of maturity extension for the two bonds, SHUION'23 and SHUION'24 slumped 10.6 and 12.5pts respectively yesterday post news.

Shui On engages in property development and property investment in China, mainly in Shanghai. In FY22, property sales represented c75% of the group's total revenue, while the remaining were rental, property management and construction income. In 2022, the occupancy rate of investment properties such as Shanghai Xintiandi, The Hub, Shanghai KIC dropped by 9, 7 and 7 percentage points from FY21 to 91%, 88% and 90% respectively. The corresponding drop in rental income was 21%, 9% and 9% respectively for above properties. In Apr'23, SHUION issued its first onshore CMBS for RMB4.4bn with 3.9% coupon. The CMBS is backed by The Hub located in Shanghai Hongqiao.

The property demand and consumption will likely remain weak for the rest of 2023 under the backdrop of weak economy. As discussed in [our daily](#) last week, while we would not be surprised to see more stimulus packages, we do not expect the government to divert significant resources to support property developers.

Table 1: SHUION's USD bonds

	Amt o/s (USDmn)	Ask price	YTM (%)
SHUIION 5.75 11/12/23	500	79.7	88.1
SHUIION 6.15 08/24/24	500	66.3	49.6
SHUIION 5.5 03/03/25	490	57.2	45.6
SHUIION 5.5 06/29/26	400	52.1	31.7
Total	1,890		

Source: Bloomberg.

Table 2: SHUIION's investment property performance

Project	Type	Occupancy rate				Rental income (RMBmn)			
		2019	2020	2021	2022	2019	2020	2021	2022
Shanghai Xintiandi	Office/ Retail	86%	97%	100%	91%	337	294	454	360
Xintiandi Style II	Retail	96%	83%	79%	60%	107	75	51	31
Shui On Plaza & Xintiandi Plaza	Office/ Retail	92%	88%	99%	93%	194	167	180	174
THE HUB	Office/ Retail	99%	94%	95%	88%	464	375	422	384
Shanghai KIC	Office/ Retail	95%	94%	97%	90%	469	444	487	441
INNO KIC	Office/ Retail	20%	84%	97%	91%	7	40	63	60
Wuhan Tiandi Community	Retail	94%	89%	93%	90%	341	236	320	333
Foshan Lingnan Tiandi Community	Office/ Retail	97%	94%	96%	90%	260	165	187	189
Chongqing Tiandi Community	Retail	73%	84%	94%	96%	57	40	57	68
Total						2,236	1,836	2,221	2,040

Note: Drop in occupancy rate in Xintiandi Style II was due to asset enhancement initiative that tenants were vacated since 2021.

Source: Company fillings

➤ Offshore Asia New Issues (Priced)

Issuer/Guarantor	Size (USD mn)	Tenor	Coupon	Priced	Issue Rating (M/S/F)
Korea Development Bank	300	5yr	5.992%	SOFR+90	Aa2/-/-

➤ Offshore Asia New Issues (Pipeline)

Issuer/Guarantor	Currency	Size (USD mn)	Tenor	Pricing	Issue Rating (M/S/F)
Mirae Asset Securities	USD	-	3yr	T+295	Baa2/BBB/-
Resorts World Las Vegas	USD	-	7yr	8.9%	-/BB+/BBB-

➤ News and market color

- Regarding onshore primary issuances, there were 86 credit bonds issued yesterday with an amount of RMB105bn. As for Month-to-date, 863 credit bonds were issued with a total amount of RMB852bn raised, representing a 10.4% yoy increase
- [DALWAN]** Wanda Investment announced to sell Wanda Film 8.14% stake for RMB2.34bn
- [EHOUSE]** E-House delayed dispatch of circular on planned HKD483mn rights issue to 31 Aug
- [FTHDGR]** HK High Court dismissed Fantasia winding-up petition
- [LANCNS]** Moody's withdrawn Lanzhou Construction's ratings for business reasons

- **[OCTOWN]** Overseas Chinese Town (Asia) completes redemption of entire USD 500m senior guaranteed perps
- **[SINOCE]** Sino-Ocean onshore unit announced that it faces uncertainty over redemption of outstanding RMB2bn 18Yuanyang01 bonds due 2 Aug'23. Media reported it proposed a one-year payment schedule with six installments due Aug'24
- **[VNRKLE]** China Vanke plans to raise RMB2bn via domestic notes

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