

CMBI Credit Commentary

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

- *Asian IG space was firm with better buying. Outperformers yesterday such as LENOVO, MEITUA tightened another c2bps, XIAOMI also narrowed another 5bps. HRINTHs were up c0.5pt higher. LGFV/SOE Perps/Chinese AT1s were quiet and mostly unchanged this morning.*
- **VEDLN:** Vedanta Resources FY23 revenue up 3% yoy to USD18.1bn and EBITDA down 26% yoy USD4.6bn due mainly to lower ASP. VEDLNs were unchanged to +0.75pt this morning. See below.
- **YUEXIU:** Yuexiu Property plans to issue up to RMB2bn corporate bonds for repayment of interest-bearing borrowings. YTD, it raised RMB3.4bn from onshore bond issues and RMB3.4bn from offshore bond issues. YUEXIUs were unchanged this morning.

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❖ Trading desk comments 交易台市场观点

Yesterday, UST yields edged 5-8bps wider post Bank of Canada's surprise rate hike. We saw better buying flows on Asia ex JP IG space and spreads were traded in a narrow range of 1-4bps. The recent new issues such as CKHH/HKINTL 28s/33s were marked 2-5bps tighter. KNBZMK 28s and 33s grinded 2bps tighter to close at T+85 and T+112, respectively. TMT benchmarks TENCNT 30s/BABA 31s closed largely unchanged to 1bp wider. The high beta TMTs were under better buying. LENOVO/MEITUA 30s tightened 7-10bps. In financials, AMC space was mixed. HRINTH curve were traded around 0.5-1pt higher (15-20bps tighter) while CCAMCL 25-30s widened 1-3bps with front-end switching to long-end. Chinese bank T2s such as ICBCAS/BOCOHK edged 1-2bps tighter. Meanwhile Chinese AT1s continued to see buying flows from onshore RMs and prices remained stable. Chinese properties remain constructive. SINOCES rallied 2.5-5pts across the curve. ROADKG 25s/26s were traded 4.5-5.5pts higher, while the rest of ROADKGs gained 1-2.5pts. FUTLAN/FTLNHD 24s/25s rose 2.5-4pts. COGARDs were up 1.75-3.25pts. DALWANs were 0.5-1.5pts higher post Dalian Wanda Group announced that it was appealing against the share-freeze order of RMB1.98bn. Industrials performed strongly. FOSUNI 25-27s were 2.5-4pts higher on the potential injection of over RMB5bn from two founders after the completion of the planned sales of their controlling stakes in Tosperity Securities. WESCHI/EHICAR 26s moved 0.5-1.5pts higher. In Macau gaming space, MPELs/SANLTDs were indicated around 0.25-0.5pt higher amid two-way flows. In Indian space, ADSEZs/ADANIGs drifted ~0.25pt higher. Indonesian space was muted. LPKRIJ '25 was indicated 0.25pt higher.

The LGFV/SOE Perp space were largely stable. SOE Perps and front-end LGFVs in general remained heavy as cash liquidity was still tight amid the broad market anticipation of higher funding costs. That said, the price levels

for SOE Perps/LGFV 23s stabilized at $\geq 6\%$. Whilst we also saw AMs trying to pick up some quality c25 LGFVs at sub-6%. Overall, quality 24-26s LGFVs performed mixed with overall balanced two-way flows. There was a fair bit of pickup in demand for Shandong LGFVs from non-bank accounts WTD. Against the backdrop of rising hurdle costs, Shandong names turned out to become the relatively least worried ones among high-beta LGFV names. Hence we saw the recognized names in Shandong such as SHGUOH/SGDOLD/SHDOIS/HKIQCL papers were under better buying. The PB-centric names such as QDHTCO/SHUGRP were also sought after. Elsewhere, the recent new issue ZTSECB 6.7 '25 remained firm at 100.35. HK Corp perps such as NWDEVL/PEAKRN Perps drifted 0.25-0.5pt lower.

❖ Last Trading Day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
ROADKG 5 1/8 07/26/26	53.8	5.4	NWDEVL 5 7/8 06/16/27	96.4	-1.6
SINOCE 2.7 01/13/25	34.2	5.1	GRNLGR 6 3/4 06/25/24	33.2	-1.3
SINOCE 6 07/30/24	41.7	4.8	FIHUCN 5 02/26/28	85.0	-1.2
ROADKG 6 09/04/25	65.8	4.5	KMRLGP 3.9 12/12/24	87.5	-0.8
FOSUNI 5.05 01/27/27	72.5	3.9	GRNCH 5.95 12/22/24	98.6	-0.8

❖ Marco News Recap 宏观新闻回顾

Macro – S&P (+0.62%), Dow (+0.50%) and Nasdaq (+1.02%) rebounded yesterday and S&P index entered technical bull market with more than 20% increase since Oct'22. US latest initial jobless claim was +261k, higher than expectation of +235k and +233k in last week. China May CPI was +0.2% yoy and lower than expectation of +0.4% yoy. China May PPI was -4.6% yoy, further retreated from -3.6% yoy in Apr'23. The US treasury retreated yesterday, the 2/5/10/30 yield reached 4.52%/3.87%/3.73%/3.89%, respectively.

❖ Desk analyst comments 分析员市场观点

➤ VEDLN: Lower EBITDA but progress in deleverage at parent level

Vedanta Resources (VRL) published FY23 results that revenue up 3% yoy to USD18.1bn and EBITDA down 26% yoy USD4.6bn. The major reason of EBITDA drop is mainly due to lower ASP as commodity price declined. The company's net debt to EBITDA ratio increased to 2.8x from 1.9x in FY22. That said, we take some comfort from the progress in deleveraging and refinancing at VRL level. As at Mar'23, the net debt of VRL lowered to USD7.2bn from USD8.9bn at Mar'22. Recalled that Vedanta just secured 5-year USD850mn loan from JP Morgan and Oaktree Capital to repay USD500mn VEDLN 7.125 05/31/23. In our view, the short-term of VRL maturities are manageable. After VEDLN 7.125'23, it is facing USD bonds of cUSD2bn due in 2024 and USD1.8bn in 2025-26. While we are more cautious over the longer term, we prefer short-dated and secured VEDLNs such as secured VEDLN'24 and 25. VRL will host the FY23 result call at 430pm HKT today.

Name	o/s amount (USD mn)	Ask YTM	Ask Price
VEDLN 13.875 01/21/24	1000	27.5	92.7
VEDLN 6.125 08/09/24	950.9	38.9	71.5
VEDLN 8.95 03/11/25	1200	28.0	75.0
VEDLN 9.25 04/23/26	600	23.2	71.9
	3750.9		

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 86 credit bonds issued yesterday with an amount of RMB86bn. As for Month-to-date, 461 credit bonds were issued with a total amount of RMB485bn raised, representing a 65.5% yoy increase
- Media reported that China regulators consider extending loan relaxation policy for property sector
- Media reported that China will launch a nationwide campaign to boost car sales
- **[CHMEDA]** Mengniu Dairy plans to issue HKD650mn exchangeable bonds which are exchangeable to CMD shares
- **[GCLNE]** GCL New Energy to hold SGM on 28 Jun to consider RMB1.425bn sale of Gaotang GCL Jinghui Photovoltaic Power, Inner Mongolia Xiangdao New Energy
- **[LOGPH]** Logan CRO cites talks with AHG over adding equity swap, larger cash-sweep pool to restructuring proposal; CK Asset is potential buyer of HK project loan
- **[RISSUN]** RiseSun Real Estate plans to enter conditional agreement to acquire 76.45% stake in RiseSun MGL New Energy Technology via share issue; the company's top management plans to buy up to RMB120.5mn worth of shares
- **[VEYONG]** ENN Natural Gas unit repurchased and will cancel USD82.4mn bonds
- **[YUEXIU]** Yuexiu Property plans to issue up to RMB2bn corporate bonds for repayment of interest-bearing borrowings
- **[YUZHOU]** Yuzhou Group expects not to pay USD200mn YUZHOU 9.95 06/08/23 on due date

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