

CMBI Credit Commentary

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

- *Markets sentiment was upbeat this morning. Asian IG overall tightened, new issue KOMRMR'28 tightened 5bps, TMT and bank T2 narrowed 5-10bps. HRINTHs rallied 2-4pts. AT1 rose 0.25-1pts. SINOCEs rebounded 5.5-12.5pts yesterday but retreated 3-5pts this morning after the U-turn on Perp coupon payment.*
- **China South City:** *Larger than expected loans secured at a lower than expected cost. We see upside of 10-15pts for CSCHCNs and maintain Buy. CSCHCNs moved 1.5 to 2.5pts higher post the news. See below.*
- **SUNAC:** *Recap of investor call re restructuring plan and business updates. SUNACs dropped 0.5 to 1.25 post announcement of restructuring plan yesterday and moved -0.25 to +0.25pt this morning. See below.*

❖ Trading desk comments 交易平台市场观点

Yesterday, Asia IG market was firmer. AIA priced USD600mn 4.95% bonds due-2033 at T+145 to yield 4.995%. New AIA 33s opened 15bps tighter amid bank buying, but pulled back to close at T+135 (still around 10bps tighter from RO). New HYNMTRs opened 2-5bps tighter, but spreads retraced the tightening in the PM session to close unchanged to 5bps wider from the last close. China SOEs like HAOHUA were unchanged. TMTs spreads significantly narrowed post BABA's reorganization. BABA tightened 10bps following Alibaba's strong equity performance. TENCNT also tightened 2-8bps. Financials were under better buying. Bank T2s tightened 5-10bps. In HK space, HKAA tightened 2bps whilst BNKEA 27s still performed weakly. In SG sector, UOBSP/OCBCSP 32s tightened 10bps. China property space was strong. Media reported that Sino-Ocean repaid deferred coupon on the USD600mn SINOCE 6.876 Perp. SINOCEs jumped 5.5-12.5pts. LNGFORs were traded 0.5-1pt higher (10-30bps tighter). COGARDs/FUTLANs/FTLNHDs were traded 1.5-4.5pts higher. CSCHCNs gained 1.5-2.5pts across the curve. However, GRNLGR 24-26s dropped 2.5-7.5pts and CIFIHGs/AGILEs were indicated 0.5-1pt lower. Industrials were largely stable. Macau gaming names such as MGMCHIs/SANLTDs were traded 0.5-2pts higher. In India space, VEDLNs gained 1-2.5pts following news of a potential USD1.25bn loan from Farallon Capital. AZUPOEs were unchanged to 0.5pt lower. Indonesian names MEDCIJs were up 0.5-1.5pts.

In the LGFV/Perp/Asia AT1 spaces, market had a fairly busy day approaching quarter end. We saw active two-way flows in LGFVs across 23s-26s papers as buying from Chinese RM absorbed loose bonds in the market and occasional selling out of AMs/PBs rebalancing. In AT1s, Chinese names were up 0.125-0.25pt with flows still focused on Big-4 bank names. BCHINA/BOCHKL perps were marked 0.125pt higher. However, perps were

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better-offered from AMs/PBs across SOE and non-SOE names. We also saw loose bonds coming out of CTIH 6.4 Perp were well absorbed and the bond was actively traded at 102 where support persisted.

❖ Last Trading Day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
SINOCE 6.876 PERP	38.5	12.7	GRNLGR 5 7/8 07/03/26	36.2	-7.6
SINOCE 6 07/30/24	73.3	12.3	GRNLGR 6 3/4 09/26/25	38.2	-3.9
SINOCE 3 1/4 05/05/26	55.9	10.2	CIFIHG 4.45 08/17/26	21.2	-0.8
SINOCE 4 3/4 08/05/29	45.6	9.2	AGILE 5 1/2 05/17/26	43.5	-0.7
SINOCE 4 3/4 01/14/30	44.4	7.7	GRNLGR 5.6 11/13/24	44.6	-0.7

❖ Marco News Recap 宏观新闻回顾

Macro – U.S. stock markets rebounded yesterday, S&P (+1.42%), Dow (+1.00%) and Nasdaq (+1.79%) were mainly driven by tech names' rally. Investors' worry about bank sector gradually mitigated and regional banks also bounced up. The U.S. treasury yields edged higher yesterday, the yield curves bear flattened and 2/5/10/30 yields reached 4.08%/3.67%/3.57%/3.78%, respectively.

❖ Desk analyst comments 分析员市场观点

➤ China South City: Larger than expected loans secured at a lower than expected cost

China South City finally concluded the 3-yr onshore syndicated loans with upside surprises on loan size and funding cost. The onshore loans are upsized to RMB6bn and funding cost is 4.7% (1-yr SHIB+1.05%). On 23 Feb'23, we discussed in our daily that China South City was close to conclude onshore 3-yr syndicated loans of at least RMB3bn with expected funding cost of 5.5-6%. YTD, CSCHCN'24s are still 12-18pts higher despite the recent pull back of 6-10pts in the course of market correction. We consider China South City one of the survivors of the sector in view of SZCDG's demonstrated willingness and ability to provide financial and other supports. Offered at mid-low 80, CSCHCNs are trading at an appealing YTM of 23-26%, we consider CSCHCN'24s good short tenor plays. The fair bond prices, in our view, should be mid to high 90, implying an upside of 10-15 pts even if we assume a conservative yield of 10-12%. We also consider CSCHCN'24s good yield pick-up trades over the LGFVs of higher tier cities (YTM of 5-6%). We maintain Buy on CSCHCNs.

The syndicated loans are led by BOC, CCB, BOCOM and ICBC. Other syndicated banks include Bank of Jiangsu, Shanghai Pudong Development Bank, CITIC Bank, Ping An Bank, Bank of Hangzhou, China Minsheng Bank and China Everbright Bank. The successful conclusion reflected the strong support from the Shenzhen government. As discussed before, Local Financial Regulatory Bureau of Shenzhen Municipality had coordinated with banks on the loan provisions. More importantly, the conclusion of these loans, in our view, will "normalize" China South City's access to funding channels, as well as its funding cost.

As per our discussions with China South City, the new syndicated loans of RMB6bn will be prioritized to refinance more expensive loans such as RMB4bn from AMCs and interest payments. Part of the new loans could be used for redemption of offshore debts. We estimate that the interest expense saving to be in the range of RMB300-350mn factoring into interest rate of its AMC loans of over 10%. The gross interest expenses of China South City in FY22 was cRMB3bn.

Separately, the equity injection of RMB5bn by SZCDG into Xi'an China South City is on track. SZCDG completed the first instalment of equity injection of RMB2bn in Mar'23. The final instalment of RMB3bn will be injected in May/Jun'23. Recalled that the equity injection is at Xi'an China South City level, however, the uses

of proceeds include the repayment of related party loans of RMB2.86bn. This means that China South City will be able to upstream cash of RMB2.86bn to holdco level upon the completion of equity injection.

➤ **SUNAC: Recap of investor call re restructuring plan and business updates**

Sunac held an investor call last night HKT relating to the restructuring plan and also provided updates on the business plans. The key takeaways from the call:

1. It has completed the onshore restructuring at end of 2022, and AHG has signed the offshore RSA. It is actively working on the publication of FY22 audit report and share resumption. Sunac believes these four are the key milestones in order to resume normal operation;
2. It has been cooperating with AMC to raise capital and revitalize high quality projects, including Shanghai Dongjaidu and Wuhan Taohuayuan, in an aggregate over RMB20bn. There are other project collaboration in progress;
3. Majority of the project level loans are still current, especially those projects partnered with strong JV partners;
4. To ensure home delivery, it has been applying special funds from banks and obtained RMB11bn as the first batch of funds. For the second batch, approval was obtained for many of the existing projects;
5. The contract sales in Jan-Feb'23 exceeded the company's expectation. It expects the property market will continue to improve, and will increase the property supply during the recovery window especially in 2H23;
6. It plans to exit from some cities and focus on core cities with comparative advantages. It will also improve the corporate structure, by increasing the operating regions from 7 to 10 and reduce the reporting layers to have more effective management oversight.

Sunac suggests that the USD10.2bn offshore restructuring plan, of which USD1bn converted into CB and remaining with maturity extension of 2-9 years plus optional equity component, will provide breathing room for the company. It also emphasis that it would not dispose of core assets at distressed prices, as these assets are keys to future recovery. The company believes that the policies rolled out by the government is supportive towards economic growth and property market. It is trying to ride on the favorable government policies, improved market sediment, bank financing, cooperation with AMC, as well as its stable management team to resume normal. According to NBS data, nationwide commercial residential housing sales turned to +3.5% yoy in Jan-Feb'23, first positive yoy change since Dec'21. SUNACs dropped 0.5 to 1.25 post announcement of restructuring plan yesterday and moved -0.25 to +0.25pt this morning.

➤ **Offshore Asia New Issues (Priced)**

Issuer/Guarantor	Size (USD mn)	Tenor	Coupon	Yield	Issue Rating (M/S/F)
Korea Mine Rehabilitation & Mineral Resources Gorp	500	5yr	5.375%	T+185	A1/-/A+

➤ **Offshore Asia New Issues (Pipeline)**

Issuer/Guarantor	Currency	Size (USD mn)	Tenor	Pricing	Issue Rating (M/S/F)
Northern Star	USD	-	10yr	T+300	Baa3/BBB-/BBB-

➤ **News and market color**

- Regarding onshore primary issuances, there were 66 credit bonds issued yesterday with an amount of RMB55bn. As for Month-to-date, 2,306 credit bonds were issued with a total amount of RMB2,167bn raised, representing a 28.3% yoy increase
- **[ADIEN]** Adani Group announced it has completed repayment of USD2.15bn in share-backed debt and corresponding shares were released
- **[AGILE]** Media reported that Agile is in talks with lenders of originally HKD4.2bn-equivalent due-24 June loan for maturity extension and offers higher margin
- **[CIFIHG]** Media reported that CIFI awaits regulatory approval to launch holistic domestic bond restructuring process
- **[FOSUNI]** Fosun FY22 revenue up 8.7% to USD25.5bn and profit down 73% to USD668mn; media reported that Fosun's sale of Nanjing Nangang stake to Shagang may collapse as deal attracts competitive bidders including CITIC Pacific Special Steel
- **[HRINTH]** China Huarong revenue drops 45% to USD5.42bn and got USD4bn loss for FY22
- **[SHUION]** Shui On Land unit receives Shanghai bourse approval over RMB4.401bn ABS offering
- **[SINOCE]** Media reported that Sino-Ocean makes semi-annual distribution on its USD600mn perps; it is in early talks with existing lenders for refi of due-June originally USD801.16mn-equivalent syndicated facility
- **[VEDLN]** Media reported that Vedanta Resources has turned to special situations funds Farallon Capital for potential USD1.25bn loan as its zinc financing talks stalled

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