

CMBI Credit Commentary

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

- *Asian IG space overall widened 2-4bps this morning. Recent new issue BOCAVI, CKHH were weak while KR names were firm. High-beta TMT MEITUA/LENOVO widened 5-10bps. Yunnan LGFV such as KMRLGP were affected by market rumor and skewed to better selling.*
- **CARINC & EHICAR:** 1Q23 results better than expected. Buy CARINC and EHICARs. See below.
- **VEDLN:** Media reported that Vedanta Resources secured USD850mn financing from JP Morgan, Oaktree. VEDLNs moved -0.25 to +0.25pt this morning.

❖ Trading desk comments 交易台市场观点

Yesterday, Asia ex JP IG space remained firm. The front end of UST yields edged 2-3bps higher overnight and brought more all in yield buyers on the recent new issues. AIA/CKHH/BOCAVI papers tightened by 2-5bps. In Chinese SOEs, HAOHUA curve grinded another 2-4bps tighter, on the back of RM buying support. In TMTs, benchmarks BABA/TENCNT tightened another 1-2bps. High beta TMTs such as MEITUA/LENOVO were squeezed another 10-15bps tighter. In financials, AMCs were mixed. The long end of CCAMCL curve was under better buying, whilst HRINTHs were still better offered. Away from China, Korea names KOB COP/HYUELE/KOMRMR/SKONKR closed unchanged to 2bps tighter. Chinese properties continued to perform softly. DALWAN 23s/24s lowered another 0.5-1.5pts. VNKRL 27s declined 3pts while the rest of curve was unchanged. ROADKGs dropped 1.5-4pts across the curve. FUTLANs/FTLNHDs moved 1.5-3pts lower. COGARDs/CHINSCs were traded down 0.5-1.5pts. Industrials performed mixed. HILOHO 24s gained 1.25pts, whilst EHICAR 26s were marked 2.75pts lower. Macau gaming names such as MPELs/SANLTDs/WYNMACs rebounded 1-2pts, with more some short covering on the long end. In Indian space, VEDLNs were traded another 1.25-2.25pts higher across the curve. ADSEZs/ADTINs were marked 0.5-1pt higher. Indonesian names MEDCIJ 28s/KIJAIJ 27s were marked down around 0.5pt.

The Perp/LGFV/Asia AT1 spaces had a weak session as the overnight rates crept up another 3bps. Sentiment remained cautious, amid more hawkish remarks from Fed officials caught attention. There were some better selling flows in SOE Perps. HUADIA 4 Perp moved 0.25pt lower. LGFVs across 23s/24s and some c25s at tight yield were also better offered, with the selling mainly out of Chinese prop desks and AMs. KMRLGP 24s were marked down 0.5pt to high-80s. SHDOIS/SHUGRP 24s were 0.125-0.25pt lower. As investors prepared for potentially higher funding costs should the Fed hike rates again in the June FOMC meeting, we reckon the carry bonds would indeed need yield at 5.7%-5.8% to move. Away from the recent weakness

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in the broader credit space, CTIH 6.4 Perp was the one and only exception to edge another 0.25pt higher to almost 105, on the back of onshore RM demand. Elsewhere, Chinese AT1s were traded a touch softer. Selective BCHINA/BOCOM AT1s were better offered. There were some sporadic demand on some HK Perps and Thai/Korean/Europe AT1s from PBs in small size. STANLN 4.3 Perp was bid up 0.25pt. NWDEVL 5.25 Perp was quoted 1.5pts higher.

❖ Last Trading Day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
VEDLN 6 1/8 08/09/24	67.3	2.2	ROADKG 6.7 09/30/24	77.7	-4.0
MPEL 5 3/8 12/04/29	81.2	2.1	VNKRLE 3.975 11/09/27	85.6	-3.1
MPEL 5 3/4 07/21/28	84.9	1.8	FUTLAN 6 08/12/24	65.8	-3.1
WYNMAC 5 5/8 08/26/28	85.4	1.8	EHICAR 7 09/21/26	61.6	-2.7
NWDEVL 5 1/4 PERP	84.3	1.5	FTLNHD 4.8 12/15/24	61.5	-2.6

❖ Marco News Recap 宏观新闻回顾

Macro – S&P (-1.12%), Dow (-0.69%) and Nasdaq (-1.26%) down post unproductive US debt ceiling talks. US May Markit manufacturing PMI was 48.5, down from 50.2 in Apr and lower than expectation of 50.0. US new home sales increased 4.1% to a seasonally adjusted annual rate of 683k units in Apr'23, the highest level since Mar'22. The US treasury slightly retreated on Tuesday, the 2/5/10/30 yield reached 4.26%/3.76%/3.70%/3.96%, respectively.

❖ Desk analyst comments 分析员市场观点

➤ CARINC & EHICAR: 1Q23 results better than expected

We consider CARINC'24 a low-beta and short-dated carry play (YTM of 13.4% with a tenor of c10 months). At 96.5, CARINC'24 is trading only c0.75 pt lower than the level in mid Feb'23. EHICAR'24 and '26, on the other hand, corrected 19 pts and 24 pts over the same period. At 77.4 and 63.5, EHICAR'24 and '26 are trading at YTM of 27.5% and 23.4%, respectively. We see an upside of 15-17 pts for the bonds even if we assume a "normalized" of mid-teens. We expect the sustainable and significant yoy revenue growth (2Q is traditionally a slack season), as well as the progress of refinancing of EHICAR's onshore syndicated loans over the next few months to be the catalysts for stronger performance. We have buy recommendations on CARINC'24 as well as EHICAR'24 and '26.

Both CARINC and EHICAR announced better than expected 1Q23 results. Their 1Q23 revenue and operating statistics not only rebounded significantly from the low bases of 1Q22, but also exceeded or were close to the pre-pandemic levels in 1Q19. While there are concerns of the losing steam of the recovery of China, we take comfort with the relative strength of that of the service sector. The 2-year CAGR of service sector output mildly slowed from 4.6% in 1Q23 to 3.2% in Apr'23. The PMI of the service sector in Apr'23 was 56.4, reflected the relatively strong business sentiment. Indeed, both CARINC and EHICAR guided FY23 revenue growth of 30-40% with an even larger growth in EBITDA given the improvement in utilization rate and RevPAC.

We expect both CARINC and EHICAR to generate positive free cash flow in FY23 given the improvement in operating cash flow and disciplined capex. Both companies have been able to access onshore funding for rental car purchases and refinancing smoothly. CARINC has only 1 USD bonds with an o/s amount of USD155mn (excluding USD175mn CBs placed to its shareholder MBK) due Mar'24. EHICAR, on the hand, has 2 USD bonds with o/s amounts of USD413.8mn due Nov'24 and USD300mn due Sep'26. The near-term refinancing risk is manageable.

	1Q23 vs.	CARINC	EHICAR
Car rental revenue	1Q22	+55.9%	+25%
	1Q19	+20.5%	+22%
EBITDA change	1Q22	+88.4%	+69%
	1Q19	-1.8%	+38%
ADRR	1Q22	+19%	+10%
	1Q19	+2.7%	+39%
Utilization rate	1Q22	+4.6pp	+16pp
	1Q19	+11.7pp	-4pp
RevPAC	1Q22	+27.5%	+37%
	1Q19	+22.8%	+25%
1Q23 Net debt/EBITDA		2.4x	4.9x
1Q23 EBITDA/int expense		4.1x	2.5x

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

Issuer/Guarantor	Size (USD mn)	Tenor	Coupon	Yield	Issue Rating (M/S/F)
CCB Sydney	500	3yr	4.5%	T+55	A1/-/-
Tokyo Metropolitan	500	3yr	4.625%	SOFR MS+84	-/-/-

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

Issuer/Guarantor	Currency	Size (USD mn)	Tenor	Pricing	Issue Rating (M/S/F)
Khazanah Nasional Bhd	USD	-	5/10yr	T+135/160	A3/A/-

➤ **News and market color**

- Regarding onshore primary issuances, there were 79 credit bonds issued yesterday with an amount of RMB78bn. As for Month-to-date, 629 credit bonds were issued with a total amount of RMB731bn raised, representing a 32.5% yoy increase
- **[BABA]** Media reported that Alibaba cloud unit cut 7% of staff ahead of potential IPO
- **[COGARD]** Country Garden shareholders approve general mandate to issue new shares not exceeding 20% of its issued share and up to 10% share buy-back in AGM
- **[FRESHK]** Far East Horizon operation equipment unit Horizon Construction Development priced HKD4.52 per share for IPO with HKD14.5bn market capitalization
- **[GERGHK]** Golden Eagle Retail completed full redemption of 4.625% senior notes with outstanding amount of USD378.5mn
- **[GRNCH]** Greentown proposes to offer up to RMB1.5bn MTNs to repay debts
- **[HACOMM]** Fitch affirmed Huai'an Traffic at BB with stable outlook

- **[KWGPRO/LOGPH]** Media reported that Logan, KWG's HK project 'The Corniche' could be seized if lenders demand immediate repayment of HKD10.2bn project loan
- **[MEDCIJ]** Fitch affirmed Medco Energi at B+ and placed positive outlook
- **[SOFTBK]** S&P downgraded rating of SoftBank Group to BB and subordinated bonds to B; placed stable outlook
- **[VEDLN]** Media reported that Vedanta Resources secured USD850mn financing from JP Morgan, Oaktree
- **[ZZTRAN]** Fitch affirmed Zhangzhou Transportation at BB+ with stable outlook

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