

CMBI Credit Commentary

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

- *Markets remained quiet this morning. Low-beta IG names like CKHH, AIA and CITNAT were better buying with 2-3bps tighten. TMT sector slightly down and TENCNT widened 2-3bps. New issue PGEOIJ'28 rose c0.5pt.*
- **Seazen: Further onshore issues alleviate refinancing pressure.** FUTLAN/FTLNHD changed -0.5 to +0.5pt by mid-day. See below.
- **YUEXIU: Yuexiu Property proposes right issue of 930mn shares at HKD9 per share to raise HKD8.36bn (cUSD1.06bn).** YUEXIUs moved -0.5 to +0.25 this morning. We consider YUEXIUs fairly-valued. For Chinese IG properties, we prefer LNGFORs for yield pick-up. See below.

❖ Trading desk comments 交易平台市场观点

Yesterday, Asia IG space had a quiet and marginally weaker session. On the new issue front, new CKHHs remained active and closed 1-2bps tighter. We saw better buying on CKHH 10y while the 5y paper had more mixed two-way flows. In Korea space, HYUELE curve tightened 5-10bps. Whilst in Korea financials, quasi-sovereign bank papers such as KDB/EIBKOR were under better selling on the front end. In China SOEs, the longer tenor of SINOCHs/SINOPEs tightened 2-4bps. TMT benchmark opened 3-5bps wider, but flows turned to mixed two-way in the afternoon. TENCNT 30s/BABA 31s retraced 2-4bps from the intra-day wide to close at T+151 and T+133 (1-2bps wider than last close), respectively. In financials, HRINTH curve moved another 5-15bps wider. Other AMCs were under small selling. GRWALL/CCAMCL perps lowered another 0.125-0.25pt. Leasing papers 23s/24s were under better selling. Chinese properties were still fragile. SINOCEs dropped another 1.5-6.5pts. GRNLGRs/AGILEs moved 1.5-2.5pts lower. CHINSCs/ROADKGs/COGARDs were down 1.25-4.25pts. On the other hand, SHUIONs/YLLGSPs were bid up 0.25-1.25pts. Industrials performed mixed. FOSUNIs/HONGQIs were traded 0.25-0.75pt higher. EHICAR/HILOHO 24s were marked 0.25-0.5pt lower. Macau gaming names such as MGMCHIs/STCITYs were traded down 0.5-1pt. In India space, Adani complex's BBB papers ADSEZs/ADANEMs were traded 0.5-1.25pt higher. VEDLNs gained 0.5-1pt. GRNKENS/RPVINs/AZUPOEs were also marked 0.25-0.5pt higher.

In the LGFV/Perp/Asia AT1 spaces, LGFVs had another constructive session amid thin trading volume. Sentiment on front-end LGFVs generally remained cautious as yield was getting less attractive at around mid-5%, compared to funding costs. Higher-yielding papers, as well as selective quality names remained sought after. GXFING/GSHIAV 23s were under better buying. Flows on Shandong/Chongqing names were still quite active but a bit mixed. Higher-yielding LGFVs like SHUGRP were under better buying whilst QDHTCO/CQLGST were under better selling. Big-bank AT1s were better bid.

Glenn Ko, CFA 高志和
(852) 3657 6235
glennko@cmbi.com.hk

Cyrena Ng, CPA 吳蓓瑩
(852) 3900 0801
cyrenang@cmbi.com.hk

Jerry Wang 王世超
(852) 3761 8919
jerrywang@cmbi.com.hk

ICBCAS 3.58 Perp/BOCOM 3.8 Perp grinded 0.125pt higher. Thai bank names such as BBLTB/KBANK AT1s also edged 0.125pt higher. KEBHNB 3.5 Perp was bid up 1pt. However, HK bank AT1s such as BNKEA/CINDBK perps moved 0.25-0.5pt lower. Elsewhere, CTIH 6.4 perp was marked 0.25pt lower.

❖ Last Trading Day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
SHUION 6.15 08/24/24	90.9	1.2	SINOCE 5.95 02/04/27	26.2	-6.5
VEDLN 6 1/8 08/09/24	62.9	1.1	SINOCE 6 07/30/24	38.8	-4.3
ADSEZ 3.828 02/02/32	68.5	1.1	CHINSC 7 3/8 04/09/24	58.1	-4.2
ADSEZ 3.1 02/02/31	68.2	1.0	ROADKG 5 1/8 07/26/26	59.1	-3.6
KEBHNB 3 1/2 PERP	88.8	0.9	GRNLGR 5 7/8 07/03/26	26.1	-2.5

❖ Marco News Recap 宏观新闻回顾

Macro – S&P (-0.60%), Dow (-0.33%) and Nasdaq (-0.80%) were weak yesterday, mainly affected by disappointed Tesla 1Q23 results. U.S. latest weekly initial jobless claim increased to +245k from +240k in last week and was higher than expectation of +245k. PBOC maintains 1/5yr LPR unchanged at 3.65%/4.3% for eight consecutive months. The U.S. treasury yield overall down yesterday, 2/5/10/30 yields decreased to 4.14%/3.63%/3.54%/3.75%, respectively.

❖ Desk analyst comments 分析员市场观点

➤ Seazen: Further onshore issues alleviate refinancing pressure

Seazen Holdings (601155 CH) is reported to issue RMB2bn CBICL guaranteed bonds and the issue will further relieve its refinancing pressure. As we discussed in our comments: [Seazen: Maturing IP portfolio is a key differentiator](#) on 4 Apr'23, Seazen is one of the few non-state owned developers maintaining access to various funding channels. In FY22, Seazen Group (1030 HK) raised equity of cUSD450mn. Seazen Holdings issued USD100mn 1-year green notes in Jun'22 and onshore MTNs totalled RMB4bn, including RMB1bn in Sep'22 and RMB2bn in Dec'22 with CBICL guarantees. In Mar'23, Seazen Holdings announced A-share placement plan to raise no more than RMB8bn for project construction.

The key difference between Seazen and many of its peers is Seazen's ownership of maturing investment properties (IPs) which offer alternative liquidity sources in the form CBICL-guaranteed bonds, operating loans, CMBS and Commercial REIT. As per Seazen, the group's borrowings against these IPs are cRMB26bn (vs book value of its IPs of RMB113.2bn). Assuming a LTV of 60%, the group has a headroom of over RMB40bn for incremental operating loans, CBICL-guaranteed MTN, CMBS, etc. We estimate Seazen has maturity/redemption obligations of cRMB11bn in remaining FY23, its near-term refinancing risk is manageable. We have buy recommendations on Buy FUTLANs/FTLNHDs and prefer longer-dated papers.

	Offer YTM	Ask price	Ask price if fair YTM is:-	
			10%	12%
FUTLAN 6 08/12/24	27.8%	77.4	95.0	92.7
FUTLAN 4.45 07/13/25	25.5%	65.9	89.0	85.4
FTLNHD 7.95 06/01/23	15.1%	99.2	99.7	99.3
FTLNHD 6.8 08/05/23	28.5%	94.3	98.9	98.3
FTLNHD 4.8 12/15/24	22.9%	76.4	92.1	89.2
FTLNHD 4 5/8 10/15/25	23.0%	66.8	88.3	84.3
FTLNHD 4 1/2 05/02/26	22.8%	61.5	85.8	81.2

Sources: Bloomberg.

➤ **YUEXIU: Announced HKD8.36bn right issues**

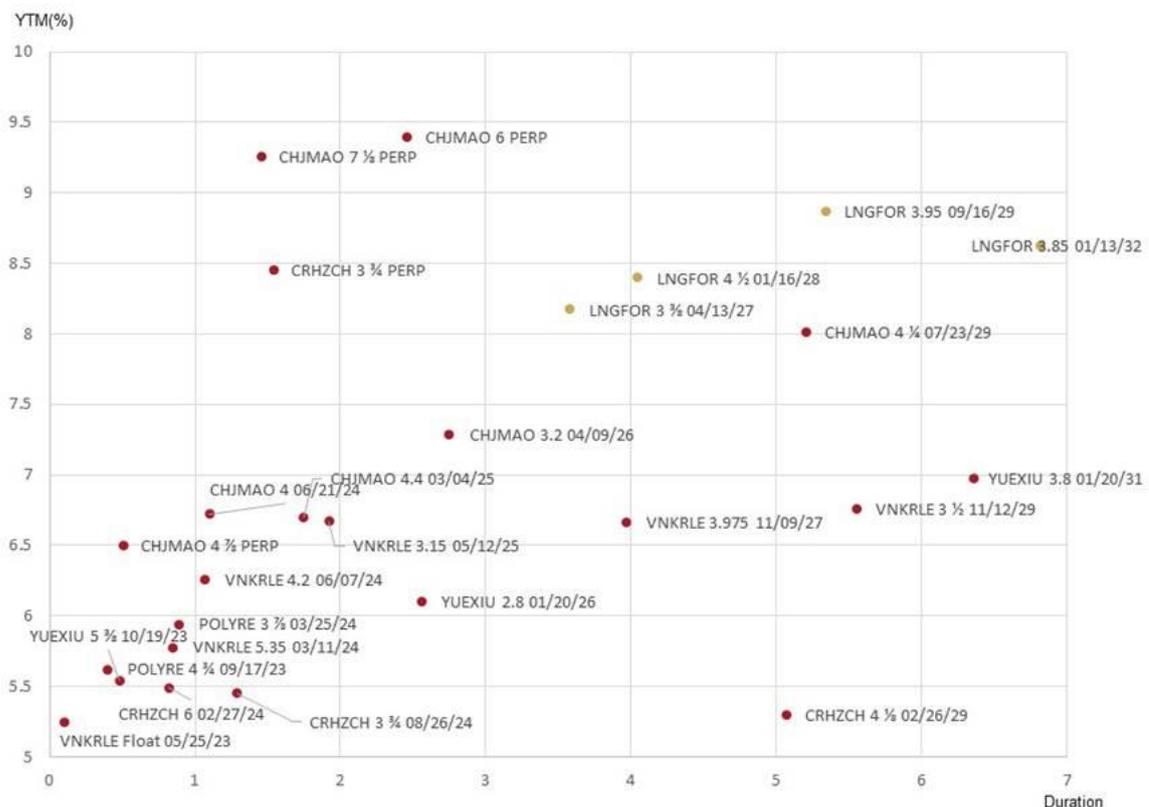
Yuexiu Property (Yuexiu) proposed to raise HKD8.36bn via right issues of c930mn shares at price of HKD9 per share, on the basis of 30 right shares for every 100 existing shares. The net proceeds will be used to invest core cities in GBA and other key provincial capital cities. Yuexiu is in green camp under 3 red-line. As of Dec'22, Yuexiu's Cash/ST debts, Net Gearing and Adj Liabilities to Assets ratios were 1.4x, was 64% and 68.8%, respectively. In 1Q23, it is the best performer among 37 developers under our radar in terms of contracted sales growth. Its contracted sales totaled RMB43.8bn in 1Q23, +217% yoy. It is also 1 of the only 2 developers under our radar reported contracted sales growth in FY22. The rights issue enhances its warchest for growing opportunities without sacrificing its financial prudence

Nonetheless, at YTM of 5.8-7.2%, we consider YUEXIUs are fairly value. Within Chinese IG properties, we prefer LNGFORs as these offer more decent yields (8.2%-8.9%). The prices of LNGFORs retreated 6-9pts since mid-Feb'23, we believe that the corrections offer better entry points. Please see [our latest comments on Longfor](#).

	Asked Price	YTM	O/S amount (USD mn)
YUEXIU 5.375 10/19/23	99.9	5.8	400
YUEXIU 2.8 01/20/26	91.8	6.3	650
YUEXIU 3.8 01/20/31	81.2	7.2	150
			1,200

Sources: Bloomberg.

Chart: YTM-Duration of Chinese IG developers' USD bonds



Sources: Bloomberg.

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

Issuer/Guarantor	Size (USD mn)	Tenor	Coupon	Yield	Issue Rating (M/S/F)
Pertamina Geothermal	400	5yr	5.15%	5.15%	Baa3/-/BBB-

➤ **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 136 credit bonds issued yesterday with an amount of RMB125bn. As for Month-to-date, 1,346 credit bonds were issued with a total amount of RMB1,407bn raised, representing a 46.9% yoy increase
- PBOC said China 1Q23 mortgage lending increased 50% QoQ to RMB590bn
- **[COGARD]** Media reported that Country Garden plans to issue up to RMB800mn (cUSD116mn) CBICL-bakced MTN; the company failed to resell RMB3.39bn (cUSD492mn) due-2025 notes put by holders
- **[DALWAN]** Dalian Wanda Commercial Management's 21DalianwandaMTN003 noteholders exercise RMB500mn put option
- **[RNW]** ReNew Energy Global raised USD400mn via issue of green bonds with 7.95% coupon
- **[SUNAC]** Sunac China announced that holders representing over 75% of existing debt submit letters to accede to RSA; consent fee deadline extended to 4 May
- **[SYSTIO]** Shaoxing Shangyu State-owned Capital Investment Operation raised RMB630mn via offering 270-day bills at 2.85% coupon

CMB International Global Markets Limited

Fixed Income Department

Tel: 852 3657 6235/ 852 3900 0801

fis@cmbi.com.hk

CMB International Global Markets Limited ("CMBIGM") is a wholly owned subsidiary of CMB International Capital Corporation Limited (a wholly owned subsidiary of China Merchants Bank)

Author Certification

The author who is primary responsible for the content of this research report, in whole or in part, certifies that with respect to the securities or issuer that the author covered in this report: (1) all of the views expressed accurately reflect his or her personal views about the subject securities or issuer; and (2) no part of his or her compensation was, is, or will be, directly or indirectly, related to the specific views expressed by that author in this report.

Besides, the author confirms that neither the author nor his/her associates (as defined in the code of conduct issued by The Hong Kong Securities and Futures Commission) (1) have dealt in or traded in the stock(s) covered in this research report within 30 calendar days prior to the date of issue of this report; (2) will deal in or trade in the stock(s) covered in this research report 3 business days after the date of issue of this report; (3) serve as an officer of any of the Hong Kong listed companies covered in this report; and (4) have any financial interests in the Hong Kong listed companies covered in this report.

Important Disclosures

There are risks involved in transacting in any securities. The information contained in this report may not be suitable for the purposes of all investors. CMBIGM does not provide individually tailored investment advice. This report has been prepared without regard to the individual investment objectives, financial position or special requirements. Past performance has no indication of future performance, and actual events may differ materially from that which is contained in the report. The value of, and returns from, any investments are uncertain and are not guaranteed and may fluctuate as a result of their dependence on the performance of underlying assets or other variable market factors. CMBIGM recommends that investors should independently evaluate particular investments and strategies, and encourages investors to consult with a professional financial advisor in order to make their own investment decisions.

This report or any information contained herein, have been prepared by the CMBIGM, solely for the purpose of supplying information to the clients of CMBIGM and/or its affiliate(s) to whom it is distributed. This report is not and should not be construed as an offer or solicitation to buy or sell any security or any interest in securities or enter into any transaction. Neither CMBIGM nor any of its affiliates, shareholders, agents, consultants, directors, officers or employees shall be liable for any loss, damage or expense whatsoever, whether direct or consequential, incurred in relying on the information contained in this report. Anyone making use of the information contained in this report does so entirely at their own risk.

The information and contents contained in this report are based on the analyses and interpretations of information believed to be publicly available and reliable. CMBIGM has exerted every effort in its capacity to ensure, but not to guarantee, their accuracy, completeness, timeliness or correctness. CMBIGM provides the information, advices and forecasts on an "AS IS" basis. The information and contents are subject to change without notice. CMBIGM may issue other publications having information and/ or conclusions different from this report. These publications reflect different assumption, point-of-view and analytical methods when compiling. CMBIGM may make investment decisions or take proprietary positions that are inconsistent with the recommendations or views in this report.

CMBIGM may have a position, make markets or act as principal or engage in transactions in securities of companies referred to in this report for itself and/or on behalf of its clients from time to time. Investors should assume that CMBIGM does or seeks to have investment banking or other business relationships with the companies in this report. As a result, recipients should be aware that CMBIGM may have a conflict of interest that could affect the objectivity of this report and CMBIGM will not assume any responsibility in respect thereof. This report is for the use of intended recipients only and this publication, may not be reproduced, reprinted, sold, redistributed or published in whole or in part for any purpose without prior written consent of CMBIGM.

Additional information on recommended securities is available upon request.

Disclaimer:

For recipients of this document in the United Kingdom

This report has been provided only to persons (I) falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended from time to time) ("The Order") or (II) are persons falling within Article 49(2) (a) to (d) ("High Net Worth Companies, Unincorporated Associations, etc.") of the Order, and may not be provided to any other person without the prior written consent of CMBIGM.

For recipients of this document in the United States

CMBIGM is not a registered broker-dealer in the United States. As a result, CMBIGM is not subject to U.S. rules regarding the preparation of research reports and the independence of research analysts. The research analyst who is primary responsible for the content of this research report is not registered or qualified as a research analyst with the Financial Industry Regulatory Authority ("FINRA"). The analyst is not subject to applicable restrictions under FINRA Rules intended to ensure that the analyst is not affected by potential conflicts of interest that could bear upon the reliability of the research report. This report is intended for distribution in the United States solely to "major US institutional investors", as defined in Rule 15a-6 under the US, Securities Exchange Act of 1934, as amended, and may not be furnished to any other person in the United States. Each major US institutional investor that receives a copy of this report by its acceptance hereof represents and agrees that it shall not distribute or provide this report to any other person. Any U.S. recipient of this report wishing to effect any transaction to buy or sell securities based on the information provided in this report should do so only through a U.S.-registered broker-dealer.

For recipients of this document in Singapore

This report is distributed in Singapore by CMBI (Singapore) Pte. Limited (CMBISG) (Company Regn. No. 201731928D), an Exempt Financial Adviser as defined in the Financial Advisers Act (Cap. 110) of Singapore and regulated by the Monetary Authority of Singapore. CMBISG may distribute reports produced by its respective foreign entities, affiliates or other foreign research houses pursuant to an arrangement under Regulation 32C of the Financial Advisers Regulations. Where the report is distributed in Singapore to a person who is not an Accredited Investor, Expert Investor or an Institutional Investor, as defined in the Securities and Futures Act (Cap. 289) of Singapore, CMBISG accepts legal responsibility for the contents of the report to such persons only to the extent required by law. Singapore recipients should contact CMBISG at +65 6350 4400 for matters arising from, or in connection with the report.