

CMBI Credit Commentary

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

- *HRINTH curve rose 0.5pt post further repurchase this morning, GRWALL increased up to 0.75pt while CCAMCLs/ORIEASs were unchanged. New issues INDKOR'28 tightened c5bps and LGENSO'26/28 were c2bps tighter. Other sectors were relatively quiet.*
- *HRINTHs: Another round of sizeable bond buy-back. See below.*
- *CHINSC: China SCE obtained verbal agreement on syndicated loan to roll over for 16 months. CHINSCs were unchanged to down 1.5pts this morning. See below.*

❖ Trading desk comments 交易台市场观点

Asia ex-JP IG space was largely firm yesterday. HRINTH continued to the focus. HRINTHs were traded 0.25-0.5pt lower amid more mixed two-way flows. Last night, Huarong announced further bond repurchases of USD290.9mn. These once again focused on longer-dated and lower-cash-price bonds. See below for comments. On recent new issues, BBLTB 28s/33s tightened 1-3bps. The other new LGENSO 26s/28s closed 2bps tighter. On Chinese SOE/TMT, SINOCH 31s/BIDU 30s widened 2bps. The front-end of Chinese bank T2s were traded two-way with better buying on 24s called while better selling on longer called papers. The front end of CCBs/BCHINAs tightened 2-5bps. Chinese AT1s such as BCHINA 3.6 Perp/ICBCAS 3.2 Perp were 0.125pt lower. HK low-beta papers such as CKHHs were better bid. HK Corp perps such as CKPH 3.8 Perp/CKINF 4.85 Perp were 0.5-1pt higher. HK/Chinese properties remained lackluster. COGARD 24s declined 0.5-1.5pts. CSCHCNs were 0.75-1.5pts lower. Moody's revised the rating outlook of CHIOLI/CRHZCH/YUEXIU/GRNCH's to negative despite affirmed their ratings. Moody's also placed CHJMAO/VNKRLE's ratings on review for downgrade. Industrials such as EHICAR 26s/FOSUNI 27s edged down 0.75-1.25pts. Macau gaming names such as MPEL/SANLTD 28-30s were down 0.5pt. In Indian space, VEDLNs were up 0.25-0.5pt. Indonesian names APLNIJs/LMRTSP 24s were marked 0.75-1.5pts higher. Elsewhere, GLPCHIs were up 0.25pt.

The Perp/LGFV spaces had a quiet session. SOE perps such as HAUDIA 4 Perp/CHPWCN 3.45 Perp were quoted 0.1-0.15pt lower as rates widened 10-15bps overnight. Overall, the bids in SOE perps remained supportive. Flow-wise, we saw clients continued to look for short-term carry in c23 SOE perps and 24s LGFVs. The front end of QDJZWD/JMUDIV papers were better bid. Whilst the offer side liquidity of high-yielding/high-beta names such as SHUGRP/SHGUOH remained scarce. Chongqing names such as CQNANA 4.66 '24/CQLGST 5.3 '24 were quoted down 0.15pt. CPDEV 25/26/Perp lowered another 0.25-0.5pt. The high-beta IG papers such as SUNSHG/ZHONAN 26s were under better selling. FRESHK 25s/26s were marked 0.25-1.25pts lower.

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❖ Last Trading Day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
GRNLGR 6 3/4 06/25/24	13.0	1.7	CITLTD 5.07 04/18/48	87.9	-1.8
APLNJ 5.95 06/02/24	72.4	1.6	SINOPE 4 1/4 05/03/46	81.2	-1.8
PINGRE 3 1/4 06/23/25	70.4	0.8	TAISEM 4 1/2 04/22/52	86.4	-1.8
LMRTSP 7 1/4 06/19/24	63.7	0.8	SINOPE 4 1/4 04/12/47	80.9	-1.7
AZUPOE 5.65 12/24/24	89.4	0.8	TAISEM 3.1 09/23/51	65.2	-1.7

❖ Marco News Recap 宏观新闻回顾

Macro – S&P (-1.64%), Dow (-1.08%) and Nasdaq (-1.82%) continued to down after strong labor market data that the latest initial jobless claim was +201k, the lowest level within 2023 and lower than the expectation of +225k. The long term UST yields rallied higher on Thursday and 10yr yield increased to the highest level since 2007, 2/5/10/30 yield reached at 5.12%/4.61%/4.49%/4.56%, respectively.

❖ Desk analyst comments 分析员市场观点

➤ HRINTHs: Another round of sizeable bond buy-back

Last night, Huarong announced additional bond repurchases and cancellation of USD290.9mn. Recalled that Huarong announced on 19 Sep'23 the repurchases and cancellations of bonds equivalent to cUSD288mn. So far, Huarong disclosed that it bought back bonds of cUSD580mn equivalent. This morning, HRINTHs rose 0.5pt, GRWALL rose up to 0.75pt, CCAMCLs/ORIEASs were unchanged.

Out of the latest repurchases of USD290.9mn, we believe that the repurchases of HRINTH 3.375 02/24/30 could be done over a longer period of time and the repurchased amount finally exceeded the disclosure threshold. The remaining cUSD150mn, on the other hand, should be done since 19 Sep'23. Taking cues of recent market flows, we suspect that a significant part of the repurchases were conducted through direct repurchases from major holders instead of on-market repurchases. As per HKEX listing rules, issuers have to disclose redemptions and cancellations exceeding 10% and every subsequent 5% interval of issues as soon as possible.

The latest repurchases disclosed continued to be on longer-dated and lower cash price HRINTH bonds despite we would not be surprised if Huarong has repurchased other bonds but the repurchased amount is yet to hit the disclosure threshold. Nonetheless, these reinforced the signal of Huarong's confidence on its near-term liquidity given the sizeable repurchases of longer-dated bonds ahead of the maturity of HRINTH 2.125 09/30/2 (o/s USD600mn) on 30 Sep'23. We believe the repurchases will continue to support the near-term performance of HRINTHs and papers of other AMCs. As per discussions in [our comments China AMCs: Repayment matters more than reporting published on 8 Sep'23](#) and [daily on 20 Sep'23](#), **HRINTHs** have been our top picks of the sector. We also like **GRWALL 3.95 Perp (callable 07/31/24)** after the recent price correction and **CCAMCL 4.4 Perp (callable 03/11/26)** as a low beta play.

Ticker	Currency	Issue size (mn)	O/S (mn)	Repurchased amt (mn) as at 19 Sep	% of issue size	Incremental repurchased amt (mn) as at 21 Sep	% of issue size	Total repurchases disclosed	% of issue size	Offer price	YTM
HRINTH 4 1/2 05/29/29	USD	700	601.348	98.652	14.09%	7	1.00%	105.652	15.09%	81.181	8.8%
HRINTH 3 7/8 11/13/29	USD	500	447.525	52.475	10.50%	23	4.60%	75.475	15.10%	79.34	8.2%
HRINTH 3 3/8 02/24/30	USD	700	700	0	0.00%	141	20.14%	141	20.14%	79.381	7.5%
HRINTH 3 5/8 09/30/30	USD	350	309	41	11.71%	32	9.14%	73	20.86%	79.359	7.5%
HRINTH 4.95 11/07/47	USD	700	627.735	72.265	10.32%	87.905	12.56%	160.17	22.88%	72.428	7.4%
HRINTH 3.8 11/07/25	SGD	400	368	32	8.00%	0	0.00%	32	8.00%	84.641	12.2%
				287.851		290.905		578.756			

Source: Bloomberg, Company filings.

➤ CHINSC: Verbal agreement on syndicated loan roll-over per media report

As per media report, China SCE obtained verbal agreement from all of its lenders of its USD388mn amortizing syndicated facility due Sep'24 to roll into a new facility. The new syndicated facility is also in due-currency, comprises of HKD313.3mn and USD305.7mn and due in Jan'26, effectively extending maturity by 16 months. The new loan requires a payment of 5% of original amortization amount to be paid on 30 Sep, part of its shares in a HK-listed SCE Intelligent Commercial Management Holdings are also pledged for the new loan. The eventual signing of the new syndicated facility will help relieve the near-term refinancing pressure though the amortizations of offshore loans could still be challenging given the weak contract sales. In 8M23, its contract sales dropped 42% yoy to RMB23.7bn.

Recently, China SCE achieved some progresses in refinancing under a very challenging market environment. It has refinanced the HSBC and HSB facilities totaled cUSD122mn in Jul'23, and issued RMB700mn 3-year CBICL-backed MTNs in Aug'23. We take additional comfort that China SCE does not have onshore or offshore bond maturity for the rest of 2023. The next offshore bond maturity will be CHINSC 7.375'24 (o/s USD500mn) in Apr'24. As for onshore bonds, the next maturity will be the o/s RMB506mn bond due in Jul'24.

	Amt o/s (USDmn)	Px (ask)	YTM (%ask)
CHINSC 7.375 04/09/24	500	14.8	1,001.12
CHINSC 5.95 09/29/24	450	12.1	400.0
CHINSC 7 05/02/25	500	10.1	244.3
CHINSC 6 02/04/26	350	8.9	166.8
Total	1,800		

Source: Bloomberg.

➤ Offshore Asia New Issues (Priced)

Issuer/Guarantor	Size (USD mn)	Tenor	Coupon	Priced	Issue Rating (M/S/F)
Industrial Bank of Korea	600	5yr	5.375%	T+85	Aa2-/AA-

➤ 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 125 credit bonds issued yesterday with an amount of RMB122bn. As for Month-to-date, 1,283 credit bonds were issued with a total amount of RMB1,199bn raised, representing a 19.9% yoy increase
- India to be included in JP Morgan EM Index from 28 Jun'24
- **[CHJMAO]** Moody's placed China Jinmao Baa3 issuer rating on review for downgrade
- **[CIFIHG]** Media reported that CIFI unit paid 14 Sep coupon on RMB1.875bn due-2025s during the grace period obtained last week
- **[GDPOLY]** Beijing Energy issued RMB1bn (cUSD137mn) 3.68% notes to fund expansion plans
- **[GEMDAL]** Gemdale shareholder Shenzhen Futian Investment seeks to appoint global joint coordinators for planned up to USD500mn offshore bond issue
- **[GRNCH]** Moody's affirmed Greentown's Ba3 CFR and revised outlook to negative
- **[ROADKG]** Road King Infrastructure chairman Zen Weipeu buys USD 3mn of company's USD bonds since late August
- **[SUNAC]** Sunac's creditors with USD3.99bn in claims select to receive MCBs in restructuring plan
- **[VEDLN]** Media reported that Vedanta limited said its board committee approved to raise up to USD301mn in one or more tranches through debt securities
- **[VNKRLE]** Moody's placed China Vanke's Baa1 issuer ratings on review for downgrade
- **[YUEXIU]** Moody's affirmed Yuexiu Property Baa3 rating and changed outlook to negative; Yuexiu Property signed HKD600mn one-year term loan facility agreement
- **[ZYAMCL]** Zhongyuan Asset Management proposed to offer RMB500mn three-year MTNs to repay debts

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