

CMBI Credit Commentary

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

- *The overnight rates widened 10-16bps while the tone in Asian IG space remained under better buying. KR/AU bank T2s such as WOORIB 27/29 and ANZ '27/WSTP '30 were better bid.*
- **CSCHCN:** *The default and the deadlock. This morning, CSCHCNs lowered another 13-18pts. The moves on last Friday and this morning largely erased the YTD gain of the CSCHCN curve. See comments below.*
- **MGMCHI:** *MGM China 4Q23 revenue up 462% YoY to HKD7.7bn and adj EBITDA was HKD2.2bn compared with -ve adj. EBITDA HKD402mn in 4Q22. MGMCHIs were unchanged to 0.8pt lower.*

❖ Trading desk comments 交易平台市场观点

Last Friday, overnight UST widened 3-7bps across the curve. The new KDB 27/29 were unchanged to 1bp wider. HDFCB '29 tightened 1bp. Chinese SOE/TMT benchmarks HAOHUA/SINOPE/TENCNT 30-31s were 1-2bps wider. The high-beta TMTs XIAOMI/WB 30s were unchanged to 2bps wider. In financials, HRINTHs were unchanged to 0.1-0.3pt lower (5-20bps wider). CCAMCLs widened 1-5bps. Chinese AT1s BCHINA 3.6 Perp/ICBCAS 3.58 Perp were 0.1pt lower while others were unchanged. In EU/Thai AT1s, STANLN/KBANK/BBLTB Perps were up 0.2-0.3pt. Chinese properties were mixed. RDHGCL '24 was up 0.5pt. VNKRL/YUEXIU/FTLNHD 25-26s were 0.4-0.5pt higher. CHINSCs/GRNLGRs were up 0.6-0.7pt. On the other hand, CSCHCNs were 1.1-4.9pts lower. On 9 Feb, China South City (CSC) announced the failure to pay the scheduled amortization of CSCHCN 9 10/09/24 and the coupon of CSCHCN 9 04/12/24. See below for comments. ROADKG 24-26s and PINGRE/DALWAN 24s declined 0.5-0.8pt. In industrials, SFHOLD '30 declined 1.3pts. HILOHO '24 was 1.1pts lower. Macau gaming names such as MPEL/STCITY/WYNMAC 26-30s were 0.6-1pt higher. Indian conglomerate VEDLNs were 0.8-1.6pts higher. Indonesian names were muted. Elsewhere, GLPCHI '26 was 1.3pts higher.

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

Cyrena Ng, CPA 吴倩莹
 (852) 3900 0801
 cyrenang@cmbi.com.hk

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

The LGFV/SOE Perps space was stable and flows were light ahead of CNY. The recent new issues FANGYA '27/GZDZCD '25 closed 0.1pt higher. The quality LGFVs HZCONI '25/WUXIND '26 was 0.3pt higher. NJYZSO '27/SXUCI '26 were unchanged to 0.1pt higher. Shandong names SHGUOH '26/LYCDIN'25 were up 0.2pt. QDHTCO/SHDOIS 24s were also 0.1-0.2pt higher. In SOE perps, HUADIA 3.375 Perp/CHPWCN 3.08 Perp were down 0.2-0.3pt.

❖ Last Trading Day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
VEDLN 13 7/8 01/21/27	93.8	1.6	CSCHCN 9 04/12/24	46.2	-4.9
GLPCHI 2.95 03/29/26	72.8	1.3	CSCHCN 9 06/26/24	42.7	-3.2
VEDLN 13 7/8 12/09/28	86.3	1.1	CSCHCN 9 10/09/24	40.0	-1.8
MPEL 5 3/8 12/04/29	91.0	1.0	CSCHCN 9 12/11/24	39.0	-1.8
WYNMAC 5 1/8 12/15/29	91.1	1.0	SFHOLD 2 7/8 02/20/30	86.8	-1.3

❖ Marco News Recap 宏观新闻回顾

Macro – S&P (-1.37%), Dow (-1.35%) and Nasdaq (-1.80%) closed lower on Tuesday, following the stronger-than-expected CPI. US headline CPI in Jan was 3.1% yoy, compared with the expectation of 2.9% yoy. The core CPI rose 3.9% yoy, higher than the expectation of 3.7% yoy. The overnight UST yields were unchanged to 2bps wider before CPI release yesterday, 2/5/10/30 yield were stable at 4.46%/4.13%/4.17%/4.37%, respectively.

❖ Desk analyst comments 分析员市场观点

➤ CSCHCN: The default and the deadlock

On 9 Feb, China South City (CSC) announced the failure to make the 5% scheduled amortization of CSCHCN 9 10/09/24 on 9 Feb'24 and coupon payment of CSCHCN 9 04/12/24 on 12 Feb'24. The failure to make amortization and coupon payments should not be a surprise after the failure to extend the maturities of 4 out of its 5 outstanding USD bonds in Dec'23. CSC will have amortization and coupon payments totaled cUSD1.2bn from now to Dec'24. This morning, CSCHCNs lowered another 13-18pts. The moves on last Friday and this morning largely erased the YTD gain of the CSCHCN curve.

CSC had demonstrated a strong willingness to honor payments. It cured missed coupon of cUSD12.9mn of CSCHCN 9 06/26/24 prior to the expiry of grace period on 25 Dec'23. It also announced the sales of remaining 30.6% stakes in CSC Xian and 50% in First Asia Pacific via public tender offers. The net proceeds would be used for debt repayments. Recalled that SZCDG agreed to inject RMB5bn in return for the 69.4% stakes in CSC Xian in Dec'22. Based on this, valuation of CSC's remaining 30.6% was valued at RMB2.2bn (cUSD310mn) although we expect the valuation of its remaining stakes to be subject to a significant downward adjustment in view of the deteriorating operating performance of CSC Xian. On the other hand, CSC sold its 50% stakes in First Asia Pacific to Shenzhen SEZ Construction and Development Group (SZCDG) for RMB1.26bn (cUSD177mn) in Aug'22. We believe that the previous valuation offer a good gauge for the current valuation given the growing net profit of First Asia Pacific. That said, even if CSC can sell the these stakes at previous valuations in the near future, the net proceeds appear to be too small to meet all the scheduled amortization and coupon payments totaled cUSD1.2bn for the rest of 2024.

As we discussed in [our daily on 6 Feb'24](#), we expect China South City to conduct further liability management exercises. CSC is in a deadlock situation that its funding access was suspended facing the high refinancing pressure in the near-term. We understand that cRMB3.6bn of its loan facility of RMB6bn arranged in Mar'23

remains undrawn. However, the access and drawdown of un-used loan facility can only be resumed if it can extend the maturities of its other 4 outstanding USD bonds and secure the continued support from SZCDG.

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

Issuer/Guarantor	Size (USD mn)	Tenor	Coupon	Priced	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 0 credit bonds issued with an amount of RMB0bn. As for month-to-date, 370 credit bonds were issued with a total amount of RMB393bn raised, representing a 51.9% yoy increase
- [ADANEM]** Media reported Adani Power is in the process of tying up INR600bn (cUSD7.22bn) funding from domestic private and public sector banks that are being led by state-owned lender SBI
- [CSCHCN]** China South City expects to miss payments on 9% senior notes due April, Oct 2024
- [MGMCHI]** MGM China 4Q23 revenue was up 462% YoY to USD983mn as its casino business surged
- [VEDLN]** Media reported Vedanta is actively working on the demerger plans for key businesses, including its aluminium operations, into separate listed entities, with the demerger process expected to be concluded within 12 months
- [VNKRLE]** China Vanke agreed to sell its 50% stakes in a Shanghai shopping mall named Qibao Plaza to the Link Reit, for a base price of around RMB2.38bn (cUSD333mn)
- [ZHLGHD]** Zhongliang Holdings announced on 9 Feb that the offshore debts restructuring scheme was approved by the requisite majorities of scheme creditors at the scheme meeting

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:

CMBIGM or its affiliate(s) have investment banking relationship with the issuers covered in this report in preceding 12 months.

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.