

## 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/WYNNMAC 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** 吳蔭瑩  
(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](mailto:fis@cmbi.com.hk)

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