

CMBI Credit Commentary

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

- *Markets were cautious before tonight's CPI. New issue SUMILF Perp rose c0.3pt this morning. BOCAVI'29 and SAMTOT'29 were unchanged. High-yielding SOE Perp/LGFV were under better buying flows from onshore buyers.*
- **ROADKG:** *Repurchased USD281.7mn of three of its bonds. ROADKGs were unchanged this morning post yesterday's 1.5-4.1pts rally. See below.*
- **LNGFOR:** *Media reported that Longfor Group plans to repay maturing debts via new bond issues and additional bank loans. LNGFORs were unchanged to 0.5pt higher this morning.*

❖ Trading desk comments 交易台市场观点

Yesterday, SAMTOT priced a 5.5-yr bond of USD400mn at CT5+153 and it closed 2bps wider from RO. The new BOCAVI '29 was traded actively and tightened 2bps from RO. The new HYUELE 27/29 papers were traded 1-3bps tighter from Tue close. China SOE/TMT benchmark papers were better bid. CNOCC/BABA/TENCNT 29-31s were 1-3bps tighter. In the high beta TMTs, MEITUA/WB 30s were largely unchanged to 2bps tighter amid balanced two-way flows. In financials, Chinese bank T2 papers were under better selling on the short-dated-to-call papers such as SHCMBK/NANYAN 29s. BCHINA 24s/ICBCAS 25s/CCB 29-30s also widened 2-6bps. Chinese AT1s such as BCHINA/BOCOM Perps were firm. EU AT1s HSBC/STANLN Perps were up 0.1-0.3pt. In AMC space, HRINTH 27-30s were 0.1pt higher (around 5bps tighter). CCAMCL 24-28s were 1-3bps tighter. In HK Corp space, SHUION '24/NANFUN '28 were 0.6-1pt lower. Chinese properties were firm. ROADKG repurchased the 2024 and 2025 bonds. ROADKG '24 was up 1.5pts, ROADKG 25s were 3.9-4.1pts higher, and ROADKG 26s were up 1.8-3pts. See below for comments. DALWANs were 1.7-2.4pts higher. VNKRLs were 0.3-0.9pt higher. CSCHCNs were up 0.2-0.4pt. In industrials, WESCHIs/ACTECs were 0.4pt lower. Macau gaming names MPELs/STCITYs were 0.7-1.9pts higher. In Indian space, ADSEZ 29-31s were up 0.4-0.5pt. VEDLN 24-26s were 0.2-0.3pt higher. Indonesian name LMRTSP 24/26 retraced 0.6-1pt after gaining 1.5-4pts on Tue. MDLNIJ '25 dropped another 3.5pts to close around 10pts lower WTD.

The Perp/LGFV flows skewed to slightly better buying. In SOE perps, CHSCOI 4 Perp/RLCONS 3.97 Perp were up 0.1pt whilst CHCOMU 3.65 Perp/HUANEN 3.08 Perp were down 0.1-0.2pt. The quality LGFVs were better bid, supported by Chinese RMs deploying flows. The 6-7% yielding JNHITE/HZCONI 24-26s were up 0.1-0.2pt. Shandong/ Chongqing names QDJZWD/CQNANA 24s were up 0.1pt. CPDEV 25/26 were 0.2-0.4pt higher.

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Overall, flows were light ahead of US CPI as RMs largely stayed put. Elsewhere, ZHONAN 25-26s were down 0.1-0.2pt.

❖ Last Trading Day's Top Movers

| Top Performers | Price | Change | Top Underperformers | Price | Change |
|-----------------------|-------|--------|-----------------------|-------|--------|
| ROADKG 5.9 03/05/25 | 65.0 | 4.1 | MDLNIJ 3 06/30/25 | 21.2 | -3.5 |
| ROADKG 6 09/04/25 | 55.3 | 4.0 | ANTOIL 8 3/4 01/26/25 | 93.6 | -3.0 |
| DALWAN 11 01/20/25 | 80.4 | 2.4 | LMRTSP 7 1/4 06/19/24 | 90.6 | -1.0 |
| ROADKG 5 1/8 07/26/26 | 29.1 | 2.3 | NANFUN 5 09/05/28 | 94.1 | -1.0 |
| LIHHK 4 1/2 06/26/25 | 89.0 | 2.0 | PINGIN 4 1/4 05/28/29 | 91.4 | -0.9 |

❖ Marco News Recap 宏观新闻回顾

Macro – S&P (+0.57%), Dow (+0.45%) and Nasdaq (+0.75%) rallied higher on Wednesday. Market eyes for tonight's US Dec'23 CPI after strong employment data. The expectation of CPI is +3.2% yoy, higher than +3.1% yoy in Nov'23. UST yields edged up yesterday, 2/5/10/30 yield reached 4.37%/3.99%/4.04%/4.20%, respectively.

❖ Desk analyst comments 分析员市场观点

➤ ROADKG: Repurchased USD281.7mn of three of its bonds

Road King further repurchased three of its bonds totaled USD281.7mn: ROADKG 6.7 09/30/24 of USD99.8mn, ROADKG 5.9 03/05/25 of USD54.7mn and ROADKG 6 09/04/25 of USD127.2mn. These three bonds are the nearest maturities among its eight outstanding USD issues.

We understand that Road King is yet to receive the proceeds from the sales. Road King has got shareholder's approval of the sales on 20 Dec'23, while the buyer China Merchants Expressway Network & Technology Holdings has to file to NDRC and bank for the transaction. The transaction should be completed before the longstop date on 31 Mar'24.

Recalled that Road King agreed to sell 100% stake in Road King (China) Infrastructure, which holds 40-49% of four expressways in Hebei, Hunan, Shanxi and Anhui, at RMB4.4bn (cUSD609.8mn) in Nov'23. The attributable cash dividend to be upstreamed to Road King should be cUSD338mn after repayment of project loans. Road King plans to utilize 80-90% of proceeds, estimated to be HKD2.1-2.4bn (cUSD272.6-306.7mn), to reduce debts.

We changed our recommendation on ROADKG 7.75 Perp to neutral from buy in our 2024 Asia Credit Outlook. ROADKG 7.75 Perp is the only perp of Road King with coupon reset. The coupon reset on the first call date on 18 Nov'24 is 5yr UST+6.003%, i.e. 10.0% based on current UST. While the sentiment of property market remains weak, the loss of recurring cash flow from stable toll road operations will add further challenges to its revenue resilient after the disposal. We expect Road King to be less incentivized to call ROADKG 7.75 Perp under the weakening financial performance and refinancing pressure in 2024.

Table 1: Bond profile of Road King

| | Purchase amt (USDmn) | O/s amt (USDmn) | Ask px | Ask YTM/YTC (%) |
|---------------------|-------------------------|--------------------|--------|--------------------|
| ROADKG 6.7 09/30/24 | 99.769 | 322.731 | 85.18 | 31.26 |
| ROADKG 5.9 03/05/25 | 54.748 | 196.966 | 60.35 | 57.66 |

| | | | | |
|-----------------------|---------|---------|-------|----------|
| ROADKG 6 09/04/25 | 127.199 | 211.689 | 51.60 | 53.89 |
| ROADKG 5.2 01/12/26 | - | 500 | 29.13 | 84.34 |
| ROADKG 5.125 07/26/26 | - | 500 | 26.70 | 71.72 |
| ROADKG 7.95 Perp | - | 300 | 20.23 | 3,536.47 |
| ROADKG 7 Perp | - | 300 | 20.20 | 901.51 |
| ROADKG 7.75 Perp | - | 300 | 24.79 | 275.42 |

Total 281.716 2,631.386

Source: Bloomberg, Company filing.

➤ Offshore Asia New Issues (Priced)

| Issuer/Guarantor | Size (USD mn) | Tenor | Coupon | Priced | Issue Rating (M/S/F) |
|-----------------------------------|---------------|----------|---------------|--------------|----------------------|
| CICC | 500/700 | 3yr | 5.012%/6.295% | T+90/SOFR+95 | -/-/BBB+ |
| Rizal Commercial Banking Corp | 400 | 5yr | 5.5% | T+165 | Baa3/-/- |
| State Bank of India London Branch | 600 | 5yr | 5.0% | T+117 | -/BBB-/BBB- |
| Sumitomo Life Insurance | 1040 | PerpNC10 | 5.875% | 5.875% | A3/-/A- |

➤ Offshore Asia New Issues (Pipeline)

| Issuer/Guarantor | Currency | Size (USD mn) | Tenor | Pricing | Issue Rating (M/S/F) |
|---|----------|---------------|-------|---------|----------------------|
| Huaxin Pharmaceutical (HK) Co., Limited | USD | - | 3yr | 5.8% | -/-/- |

➤ News and market color

- Regarding onshore primary issuances, there were 104 credit bonds issued yesterday with an amount of RMB104bn. As for Month-to-date, 482 credit bonds were issued with a total amount of RMB410bn raised, representing a 14.8% yoy increase
- **[APLNIJ]** Media reported that Agung Podomoro approached some holders of its USD132mn APLNIJ 5.95'24 to gauge their interest and potential prices to repurchase the bonds via private tender offer
- **[CAPG]** China Aoyuan shareholders approve proposed restructuring of the material offshore indebtedness involving the issuance of new debt instruments, new shares, zero-coupon mandatory convertible bonds and perpetual securities
- **[GRNCH]** Bondholders of Greentown onshore bonds exercised put option on RMB2.5bn due 2026 bonds. The company decided not to resell the put bonds
- **[LENOVO]** Lenovo 4Q23 shipments of PC rose 3.9% yoy to 16.1mn. The 2023 shipments of PC down 13.2% to 59mn.
- **[LNGFOR]** Media reported that Longfor Group plans to repay maturing debt via new bond issues and additional bank loans

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