

CMBI Credit Commentary

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

The Asset Asian G3 Bond Benchmark Review 2023

We hope you found our commentaries and ideas helpful. We seek to elevate our efforts and value-add further in the coming year. We highly appreciate your support to us in Sell-Side Analysts of the polls of ["The Asset Asian G3 Bond Benchmark Review 2023"](#). Thank you for your time. Your support will mean a lot to us.

- *Markets were quiet this morning. New issues HWQCUS'28 tightened 3bps and DAESEC'26 tightened 5bps. TENCNT/BABA were unchanged to 1bps tighter. SOE Perp/AT1 were better selling. COGARDs dropped 1-6.5pts and DALWANs down 0.75-2.75pts. SHUIONs rose 2 to 5.5pts this morning post the clarification. See below.*
- **SAKAEI:** *Saka Energi raised the tender cap by 10% to USD220mn. We turned neutral on SAKAEI 4.45 05/05/24 with a lower conviction to outperform though we still consider the bond a good short-dated carry play. SAKAEI'24 was unchanged at 98.8 this morning. See below.*
- **China Economy – PBOC raises foreign debt ceiling to support RMB.** *See below for comments from our economic research*

❖ Trading desk comments 交易台市场观点

Yesterday, the new DAESEC 26s performed very strongly, tightened 30bps from RO, amid aggressive PB buying. The recent new issues in Korean space such as SMBCAC/SHINFN/KOHNPW widened 1-3bps. The other recent new issues such as HKLSP/BOCAVI/CKHH 28s/33s remained under selling pressure. On secondary front, the market was relatively quiet. TMT benchmarks BABA/TENCNT were unchanged to 1bp wider. The high beta TMTs such as MEITUA/WB 30s widened 3-5bps. In financials, China leasing papers were firm. The front end of BOCAVIs were unchanged to 1bp tighter with two-way mixed flows. AMC space was quiet. The long end of HRINTH curve was under small buying. In AT1s, the Chinese big-5 bank names were under some selling out of Chinese RM from both onshore and offshore, which was absorbed fairly well by dealers' short positions. Chinese properties performed mixed. DALWAN 23 rallied 28pts to close at low-90s. The rest of DALWANs closed 4.5-9.5pts higher. Media reported Wanda Commercial was close to raising enough funds to repay its USD400mn bond due 23 Jul '23 through asset sales. SHUIONs rebounded 5-7.5pts, after having dropped 13-20pts since Tue this week. SHUION 23s were traded 5.5pts higher to close at high-80s. On the other hand, GRNLGR 24-26s moved 2-4.5pts lower. Industrials were mixed. FOSUNs were traded 0.75-1.25pts higher. WESCHI '26/EHICAR '24 were marked 0.75-1.75pts lower. Macau gaming papers MPELs/SANLTDs lowered 0.5-1pt. Indian space was muted. Elsewhere, GLPCHIs were indicated 1.75-2.25pts higher.

PLEASE READ THE AUTHOR CERTIFICATION AND IMPORTANT DISCLOSURES ON LAST PAGE

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On LGFV/Perp spaces, in light of DALWAN's remarkable rebound, we saw buying flows to pick up ZHHFGR/CPDEV papers from AM/Prop in the ZHHFGRs and from PB in the CPDEVs. However, on a WTD basis, ZHHFGR 25/Perp were marked around 0.5pt lower. CPDEV 25s/26s was quoted 1-2pts lower, and CPDEV Perp drifted around 2pts lower WTD. Elsewhere in LGFVs, we saw some offshore Chinese AMs picking up 24s papers at low-6%, or around 10-20bps tighter than where onshore RMs had bought over the past weeks. Intuitively, the recovery would align with the recent change to the rates outlook amid tame inflation data. Meanwhile Kunming names KNMIDI/KMRLGP were under some selling from PBs. Away from LGFVs, we continued to see more demand recovery in quality HK Perps and SOE perps. Although the loose bonds in the SOE perps remained heavy-ish and thus these papers grinded only by around 0.125pts higher.

❖ Last Trading Day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
DALWAN 6 7/8 07/23/23	91.6	28.3	GRNLGR 5.6 11/13/24	20.6	-4.3
DALWAN 7 1/4 01/29/24	39.4	9.4	GRNLGR 6 3/4 09/26/25	13.1	-2.7
SHUION 6.15 08/24/24	71.2	7.9	GRNLGR 5 7/8 07/03/26	12.4	-2.1
SHUION 5 3/4 11/12/23	89.0	5.5	GRNLGR 6 3/4 03/03/26	12.3	-2.1
SHUION 5 1/2 03/03/25	61.8	5.2	WESCHI 4.95 07/08/26	73.6	-1.7

❖ Marco News Recap 宏观新闻回顾

Macro – S&P (-0.68%), Dow (+0.47%) and Nasdaq (-2.05%) were mixed on Thursday that Nasdaq was dragged by Tesla and Netflix. The latest US initial jobless claim was +228k and lower than market expectation of +242k. PBOC kept LPR unchanged at 3.55%. The US treasury yields rallied higher yesterday, the 2/5/10/30 yield reached at 4.80%/4.08%/3.85%/3.91%, respectively.

❖ Desk analyst comments 分析员市场观点

➤ SHUION: Clarification on bondholder identification report

Shui On Land issued press release on the bond identification after the [recent media \(see our previous daily for details\)](#) raised market concerns over the possibility of maturity extension. In the clarification, Shui On said the bondholder identification exercise is part of the company's regular investor relations engagement strategy to better understand its investor base. The engagement of the 3rd party consultant is strictly on bondholder identification, and no other bond related corporate exercise in the scope of service of the consultant. SHUIONs slumped 12-21pts before rebounding 5-8pts on Thursday. SHUIONs rose another 2 to 5.5pts this morning.

We understand the bondholder identification is on SHUION 5.75 11/12/23 and SHUION 6.15 08/24/24, the company's 2 largest o/s USD bonds and 2 nearest maturities. In our view, the bond identification reflects that Shui On Land could explore options in dealing with the upcoming maturities. That said, we do not think that Shui On Land is a dire need for a distressed exchange in view of Shui On Land's adequate liquidity and its potential funding access given the ownership of high quality portfolio of investment properties. Nor, we do not think that Shui On Land is under any rating pressure to have a ready refinancing plan given its unrated status. We tend to believe that even if the company goes for "bond exercise", this would be voluntarily, similar to the one of H&H in Jun'23. Besides, any "maturity extension" will probably be limited to no longer than Mar'25, the next maturity of its USD bonds, after SHUION 5.75 11/12/23 and SHUION 6.15 08/24/24.

See below table for SHUION's maturity details.

Table: SHUION's USD bonds

	Amt o/s (USDmn)	Ask price	YTM (%)
SHUION 5.75 11/12/23	500	91.3	38.0
SHUION 6.15 08/24/24	500	75.0	36.0
SHUION 5.5 03/03/25	490	67.8	32.9
SHUION 5.5 06/29/26	400	60.0	25.8
Total	1,890		

Source: Bloomberg.

➤ SAKAEI: Raised the tender cap by 10% to USD220mn

Saka Energi raised the tender cap for SAKAEI 4.45 05/05/24 to USD220mn from USD200mn after receiving tender of USD307.484mn up to the early tender deadline on 19 Jul'23. While the tender offer remains open until the tender deadline on 2 Aug'23, no more bond will be accepted for the tender. Upon completion of tender offer of USD220mn (by today), the outstanding amount of SAKAEI will reduced to USD156mn. Recalled that the tender offer price, including the early tender premium of 0.75, is 99.25. This is the 2nd upsized tender offer for SAKAEI 4.45 05/05/24. In Feb'22, Saka Energi upsized the tender offer to USD220mn from USD200mn at a tender price of 98.5, including early tender premium of 0.75. Additionally, the company bought back USD11.981mn in Jan and Feb'22, as well as USD16.77mn in 4Q22. We expect Saka Energi to conduct further tender offer and on-market purchases of SAKAEI 4.45 05/05/24 given its cash on hand of cUSD164mn (pro-forma after the tender offer) and positive free cash flow generation.

At 98.8, SAKAEI 4.45 05/05/24 is trading at a YTM of 6%. The yield pick-up of SAKAEI 4.45 05/05/24 further tightened to c30bps from 130-150bps over PGASIJ'24 and INDON 4.45 02/11/24. We turned neutral on SAKAEI 4.45 05/05/24 with a lower conviction to outperform though we still consider the bond a good short-dated carry play.

Summaries of the tender offer for SAKAEI 4.45 05/05/24:-

Tender cap	USD220mn (up from USD200mn)
Early tender premium	0.75
Tender consideration	98.5
Total tender consideration	99.25
Early tender deadline	19 Jul'23
Tender deadline	2 Aug'23

Source: Company fillings.

➤ China Economy – PBOC raises foreign debt ceiling to support RMB

The People's Bank of China (PBOC) announced yesterday it would raise the macro-prudential parameters (MPP) for cross-border financing of enterprises and financial institutions from 1.25 to 1.5. It marked the continuous effort from PBOC to defend a weakening currency by relaxing rules to allow more borrowings from overseas. The hike sent a clear message to the market that the PBOC intends to slow the depreciation process of RMB.

The policy shows China's effort to encourage US dollar fund inflow. The PBOC sets a ceiling for the risk-weighted foreign debt of a domestic enterprise or financial institution. The ceiling for the risk-weighted foreign debt = capital or net assets * foreign debt ratio * MPP. The hike of the MPP will increase the ceiling for foreign debt, showing the attitude of encouraging US dollar fund flow into China.

PBOC uses the policy as a signal to stabilize RMB exchange rate. MPP adjustment is one of the tools used by the PBOC to influence forex market expectations ("Don't fight against the central bank"). Since the inception of this tool in April 2016, the central bank has lowered it for once when RMB was strong and hiked it three times when RMB was weak.

The policy can influence the short-term fluctuation of RMB exchange rate, but has limited impact on its medium-term trend. The hike of MPP can influence market expectations and therefore may cause short-term fluctuations of RMB exchange rate. However, it has no impact on US dollar supply in the global market, which is determined by the US Fed based on the US economic condition. Meanwhile, it has limited impact on renminbi supply, which is determined by the PBOC based on China's economic condition.

We expect RMB to rebound moderately against the US dollar in 2H23 with US\$/RMB spot rate likely to reach 7.05-7.10 at end-2023. There are two factors. First, China economy may moderately improve with an alleviation of deflation. The 2Y CAGR of GDP is expected to rebound from 2%-3% in April-May to 4% in 4Q23. GDP deflator is expected to narrow its YoY declines from 1.4% in 2Q23 to 0.3% in 4Q23. Second, the US economy and inflation is expected to gradually decline. The YoY growth of CPI may further decrease in 4Q23 after possible slight pick-up in July-August.

Click [here](#) for full report

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

Issuer/Guarantor	Size (USD mn)	Tenor	Coupon	Priced	Issue Rating (M/S/F)
Hanwha Q Cells Americas Holdings Group	400	5yr	5.0%	T+105	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 106 credit bonds issued yesterday with an amount of RMB114bn. As for Month-to-date, 1,082 credit bonds were issued with a total amount of RMB1,053bn raised, representing a 17.8% yoy increase
- Media reported that China regulators mull to relax strict home buying policies in major cities to spur home purchase
- **[AZUPOE]** Azure power said it should publish delayed results within 14 weeks to before potential delisting
- **[BABA]** Alibaba injected USD845mn into unit Lazada
- **[CENCHI]** Central China Real Estate appointed BNP, Haitong, Linklaters to advise on holistic solution
- **[COGARD]** Country Garden signed HKD3.58bn, USD388.7mn dual-tranche term loan facilities agreement for refinancing
- **[DALWAN]** Moody's/S&P downgraded Dalian Wanda Commercial to Caa1/CCC; Media reported that Dalian Wanda is close to raising enough funds to repay its USD400mn DALWAN'23

- **[DBMMN]** Development Bank of Mongolia repurchased USD48.8mn of DBMMN 7.25 10/23/2023 on open market, USD351.42mn remains outstanding
- **[FUTLAN/FTLNHD]** Seazen Holdings plans to offer up to RMB850mn three-year CBICL-guaranteed MTNs
- **[GLPSP]** Media reported that GLP Pte Ltd could sell controlling stake in certain China assets to China SOE to lower debts
- **[LPKRIJ]** Lippo Karawaci got marketing sales of IDR2.48tn for 1H23, securing 50.6% of FY23 target
- **[PCORPM]** San Miguel's unit Petron fully redeemed USD477.5mn PCORPM 4.6 PERP
- **[VEDLN]** Vedanta said the report on company's fresh attempt to sell ESL is based on media/market speculations
- **[ZHHFGR]** Zhuhai Huafa Properties received CSRC approval over up to RMB7.82bn corporate bond offering

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