

CMBI Credit Commentary

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

- *Asian IG space opened 1-3bps wider. New issue EIBKOR'33 widened 2-3bps as rates drop. Recent new issues KNBZMK/CKHH widened due to profit taking. High-beta MEITUA/LENOVO were better selling. LGFV/SOE Perp were under two-way flows and skewed to buying.*
- **SINOCE:** *To sell Ocean We-Life Plaza (Beijing) to Beijing Easyhome Furniture Franchise. SINOCEs were unchanged to +1pt this morning. See below.*
- **DALWAN/FOSUNI:** *Media reported that Fosun International denies it has arrangement to buy Dalian Wanda's Shanghai hotel. DALWANs rose 0.25 to 1.25pts and FOSUNIs were unchanged to +2pts this morning.*

❖ Trading desk comments 交易台市场观点

Yesterday, Asia IG space was largely firm but sentiment was mixed. On the primary side, KEXIM priced USD500mn 10Y bond at T+90 overnight. The recent new issues KNBZMK/CKHH 28s/33s remained stable but flows turned more two-way. In Chinese SOEs, CHGRID 28s/SINOPE 29s tightened 1-3bps and HAOHUA 24s-30s tightened 2-4bps. TMT benchmarks were under a small buying, BABA 24-31s and TENCNT 26-28s grinded 3-5bps tighter. In the high beta TMTs, XIAOMI closed flat with mixed flows whilst MEITUA 30s widened 3bps. In financials, AMCs performed mixed. HRINTHs were traded 0.25pt higher (10-20bps tighter) and GRWALL curve was also under better buying. Whilst there were selling flows on the front end of CCAMCL curve.

Chinese properties rebounded. DALWANs rallied another 2.25-5pts to close 6-8pts higher WTD. LNGFOR 27-32s jumped 3.5-4pts. COGARDs bounced another 1.5-3.5pts across the curve. AGILE/CENCHI/GRNLGR 24-27s were marked 0.5-2.5pts higher. Industrials performed mixed. EHOUSE 23s/HILOHO 24s were traded 1-2pts lower. FOSUNIs were marked 0.5-1pt higher. S&P revised FOSUNI's rating outlook to stable from negative and affirmed BB- rating. In Macau gaming, SANLTDs gained 0.5-1pt while STCITYs/WYNNMACs were marked 0.25-0.5pt higher. In Indian space, VEDLNs were traded 1-2pts higher. AZUPOEs were marked around 0.5pt lower, post Moody's downgraded Azure Power Energy's rating to B1 from Ba3 on Mon. Indonesian names remained quiet. Elsewhere, GLPCHI 24s/26s gained another 2-4pts.

The Perp/Asia AT1/LGFV spaces were largely stable. Market sentiment stabilized and recovered a bit amid the rates movement. Chinese AT1s such as BCHINA/ICBCAS papers were under some small buying from onshore RMs, mainly driven by switching flows to the front-end papers. There were better buying flows in the China/SG bank T2 space. CINDBK/BCHINA/OCBCSP/UOBSP were better bid. In non-China space, SMBCAC 28s/SUMIFL 28s/SBIIN 28s/ EXIMTH 27s/SKONKR 26s were sought-after.

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European AT1s HSBC 8 Perp/STANLN 4.3 Perp were marked around 0.375pt higher. HK Perps were under better buying from PBs, while price contexts stayed roughly stable. NWDEVL/LIFUNG were indicated 0.25-0.5pt higher. Nonetheless, SOE Perps were skewed to better selling, as market continued to digest the loose bonds, led by short-dated to call issues. RLCONS 3.97 Perp/HUANEN3.08 Perp/ HUADIA 3.375 Perp were marked down 0.125pt. LGFV flows were skewed to better buying, driven by the cash deployment need from AMs. In Shandong names, SHGUOH 26s/SHDOIS 24s were bid up 0.25-0.375pt.

❖ Last Trading Day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
DALWAN 7 1/4 01/29/24	54.3	5.0	ROADKG 7 PERP	32.8	-2.9
DALWAN 6 7/8 07/23/23	90.2	4.2	CENCHI 7.9 11/07/23	18.4	-2.3
GLPCHI 2.95 03/29/26	60.6	3.9	EHOUSE 7.6 06/10/23	12.0	-1.9
LNGFOR 3 3/8 04/13/27	75.1	3.7	CHINSC 7 3/8 04/09/24	30.0	-1.6
COGARD 3 7/8 10/22/30	31.4	3.7	ROADKG 7.95 PERP	32.7	-1.0

❖ Marco News Recap 宏观新闻回顾

Macro – S&P (+0.07%), Dow (-0.15%) and Nasdaq (+0.32%). The Republican House Speaker on Tuesday urged members of his party to support the deal to lift debt ceiling. China May'23 official manufacturing PMI was 48.8, lower than expectation of 51.4. WTI/Brent crude oil price down c4% to USD69/74 per barrel yesterday amid weak demand and uncertain output cut. The US treasury retreated yesterday, the 2/5/10/30 yield reached 4.46%/3.81%/3.69%/3.90%, respectively.

❖ Desk analyst comments 分析员市场观点

➤ SINOCE: To sell Ocean We-Life Plaza (Beijing) to Beijing Easyhome Furniture Franchise

Sino-Ocean Group will sell Ocean We-Life Plaza (Beijing) to Beijing Easyhome Furniture Franchise. The total consideration is cRMB1.96bn including (i) 100% holding in the shopping mall, parking spaces and ancillary facilities of cRMB1.6bn (cUSD226.7mn) payable to the fund manager of GSUM-Sino-Ocean Group No.1 Private Investment Fund to repay the ABS, and (ii) cRMB349mn (cUSD49.5mn) payable to Sino-Ocean as the transfer of preferential rights to purchase the assets. Therefore, Sino-Ocean will only receive cRMB349mn from the asset disposal.

Sino-Ocean has RMB3.2bn ABS will be due on 13 Dec'23. The ABS is in three tranches, in which RMB1.6bn will be paid after the completion of the sale of the above shopping mall. It plans to repay the remaining two tranches of RMB1.6bn in total by asset disposal or refinancing. We expect Sino-Ocean to continue its effort in managing the coming dues by cashing out from assets and refinancing talks with banks. As previously discussed, Sino-Ocean will not have USD bond maturity until Jul'24, it is seeking to defer three loan repayments due 11 Jun by 1 year and most of the lenders tend to agree with the extension. In terms of sales recovery, it recorded 8% growth yoy in contract sales for 4M23, ranked the 9th in terms of growth rate yoy, and being one of the 10 developers showing positive growth yoy among the 35 developers under our radar.

Separately, its 49% owned associate Sino-Ocean Capital launched consent solicitation for SINOCL 6.25 06/22/23 to extend maturity for 6 years, defer coupon payment and cut coupon rate. There is no consent fee as incentive, the accrued but unpaid interests is proposed to be paid in Jun'25. The expiration deadline will be on 14 Jun.

➤ Offshore Asia New Issues (Priced)

Issuer/Guarantor	Size (USD mn)	Tenor	Coupon	Yield	Issue Rating (M/S/F)
Huzhou City Investment	300	3yr	5.68%	5.68%	-/-/BBB
Kexim	500	10yr	4.625%	T+90	Aa2/AA/AA-

➤ Offshore Asia New Issues (Pipeline)

Issuer/Guarantor	Currency	Size (USD mn)	Tenor	Pricing	Issue Rating (M/S/F)
Hong Kong SAR	USD	-	3/5/10yr	T+65/70/80	-/AA-/AA-

➤ News and market color

- Regarding onshore primary issuances, there were 81 credit bonds issued yesterday with an amount of RMB63bn. As for Month-to-date, 1,062 credit bonds were issued with a total amount of RMB1,173bn raised, representing a 29.2% yoy increase
- **[CENCHI]** Media reported that CCRE remitted funds on time to cover late-May amortization on exchanged due-April 2025 bonds
- **[DALWAN/FOSUNI]** Media reported that Fosun International denies it has arrangement to buy Dalian Wanda's Shanghai hotel
- **[DEXICN]** Dexin China scheme of arrangement approved by scheme creditors
- **[FUTLAN]** Seazen Holdings schedules RMB780mn 21Xinkong01 bond put option exercise on 25-31 May
- **[GCLNE]** GCL New Energy repurchased USD41.7mn of GCLNE 10 01/30/24 in open market since 22 May
- **[GRNCH]** Greentown issued RMB1.5bn three-year MTNs to repay debts
- **[SINOCE]** Media reported that Sino-Ocean plans to sell Beijing Shopping Mall for USD226mn
- **[VEDLN]** Vedanta announced that it borrows USD250mn from Glencore by pledging 4.4% stake
- **[YUEXIU]** Yuexiu Property signs HKD200mn 364-day revolving loan facility agreement

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