

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 2024”](#). Thank you for your support!

- *Flows were light this morning. Asian IG space was unchanged to 2bps tighter. PBOC lowered 1/5yr LPR by 10bps to 3.35%/3.85%, COGO/GEMDAL rose c0.2pt, VNKRLs moved -0.6 to +0.2pt.*
- *PWRLNG: Longstop date to be extended from 30 Sep'24 after the court hearing scheduled on 29 Oct'24. See comments below.*
- *ZHOSHK: Issuance of USD bonds and concurrent tender offer for ZHOSHK 3 01/13/26 at 96.6. Maintain buy on ZHOSHK'25 (CB) and '26. ZHOSHKs were unchanged this morning. See comments below.*

❖ Trading desk comments 交易台市场观点

Last Friday, Asia IG space was stable with mixed flows. In Chinese SOEs/TMTs, HAOHUA/TENCNT 28s/30s were 1-2bps tighter. The long-end of CHGDNUs/SINOPEs were 0.6-1.3pts lower. In Chinese AMCs, GRWALL Perp was 0.3pt higher. HRINTHs were 0.1-0.2pt higher (unchanged to 10bps tighter). AVIILCs/BOCAVIs were 2-3bps wider. In AT1s, KBANK 5.275 Perp/ICBCAS 3.2 Perp were up 0.1pt. In EU AT1s, BNP 8 Perp was up 0.2pt, BACR 8 Perp was 0.3pt lower. In regional IGs, KOMRMRs/KEBHNBs/SKONKR were 1-2bps wider. ANZ/HYMNTR/NOMURA Float 27s were under better buying and tightened 1-3bps. In HK, the new HKINTL 4.25 '27 tightened 2bps. NWDEVL Perps were 0.3pt higher. Chinese properties were firm. ROADKG 28-30s were 1.2-1.4pts higher, ROADKG Perps were up 0.2-0.4pt. FUTLAN/FTLNHD 24-26s were 0.1-1.3pts higher, following media reported Seazen has prepared enough cash for repayment of USD250mn FUTLAN 6 08/12/24. VNKRL 25/27/29 were 0.2-0.7pt higher. LNGFOR '28 was up 0.7pt. SHUION 25/26 were 0.5-1.2pts higher, while SHUION '24 was down 0.8pt. Outside properties, FOSUNI '25/EHICAR '26 were 0.3-0.6pt higher. GWFOOD '30 was 1.0pt lower. In Macau gaming, SANLTDs/WYNNMACs were down 0.1-0.3pt. In India, VEDLN 26-28s were 0.2pt higher. ADSEZs/ADTINs/ADGREGs were 0.2-0.6pt lower. In Indonesia, MDLNIJ '27 was 0.7pt lower.

In LGFVs, CDCOMM/NJYZSO 27s were up 0.1pt. BJCONS '26 was 0.3pt higher. JMUDIV/QDJZWD 25s were 0.1pt higher. In SOE perps, COFCHK 3.1 Perp/CHSCOI 3.4 Perp were up 0.2pt, HUADIA 3.375 Perp/CHPWCN 3.08 Perp were down 0.1-0.2pt. MINMET announced to redeem all o/s

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

Cyrena Ng, CPA 吳蓓瑩
(852) 3900 0801
cyrenang@cmbi.com.hk

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

USD1bn MINMET 3.375 Perp on 3 Sep '24, the first call date. In the high beta names, CWAHK '26 was 0.6pt lower.

❖ Last Trading Day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
ROADKG 6.7 03/30/28	58.3	1.4	CHGDNU 4.8 09/11/48	91.7	-1.3
FTLNHD 4 5/8 10/15/25	74.4	1.3	DBJJP 3.363 04/25/44	75.8	-1.2
ROADKG 5.9 09/05/28	48.0	1.2	EXIMCH 4 11/28/47	87.1	-1.0
ROADKG 5 1/8 01/26/30	40.1	1.2	GWFOOD 3.258 10/29/30	78.0	-1.0
ROADKG 5.2 07/12/29	41.1	1.2	SHUION 6.15 08/24/24	98.0	-0.8

❖ Marco News Recap 宏观新闻回顾

Macro – S&P (-0.71%), Dow (-0.93%) and Nasdaq (-0.81%) were weak on last Friday. PBOC lowered 1/5yr LPR by 10bps to 3.35%/3.85%. UST yields rallied higher on Friday, 2/5/10/30 yield reached 4.49%/4.16%/4.25%/4.45%.

❖ Desk analyst comments 分析员市场观点

➤ PWRLNG: Longstop date to be extended from 30 Sep'24 after the court hearing scheduled on 29 Oct'24

Powerlong Real Estate (PWRLNG) has received support from 88% of the scheme creditors of the aggregate outstanding amount of the In Scope Debt by acceding to the RSA. On 18 Jul'24, High Court of Hong Kong has directed PWRLNG to convene meetings for each class of the scheme creditors to approve the scheme at liberty, and the substantive hearing of the petition at which the Court will determine whether to sanction the scheme will be held on 29 Oct'24.

Given that the Court has assigned a sanction hearing date later than the longstop date on 30 Sep'24, PWRLNG is in discussion with the AHG to extend the longstop date. The scheme meetings are planned to be held in early Oct'24, a formal notice of the scheme meeting will be issued at least 21 days before the scheme meeting.

In Scope Debt totaled cUSD2.8bn included USD2,245mn existing notes and cUSD540mn existing loans. PWRLNG offered four options as restructuring consideration, and creditors can choose one or a combination of the four options. PWRLNG currently holds 63% interests in Powerlong CM (9909.HK). Assuming the maximum of 81,551,235 shares of Powerlong CM will be transferred to the scheme creditors under Option 1, PWRLNG's interest in Powerlong CM will be reduced to 50.3% and Powerlong CM will remain as PWRLNG's subsidiary. See the details of the RSA in [our daily comment on 26 Feb'24](#), and the list of liability management exercises performed by PWRLNG since Jul'22 in [our daily comment on 30 Nov'23](#). At as 31 Dec'23, PWRLNG has RMB3.9bn cash and bank balances, compared with the total borrowings (incl. bank loans, bonds, CMBS, and ABS) of RMB58.8bn in which RMB29.4bn is due within one year.

➤ ZHOSHK: New 3.5yr USD bonds issuance and concurrent tender offer for ZHOSHK 3 01/13/26

Table 1: Details of the tender offer

Bond	ZHOSHK 3 01/13/26
o/s amt	USD450mn
Purchase price	96.6
Maximum acceptance amount	Determined after expiration date and will not exceed the principal amount of new bonds
Expiration date	29 Jun'24

Source: Company fillings.

Zhongsheng Holdings announced the issuance of Reg S USD bonds and concurrent tender offer for ZHOSHK 3 01/13/26. The tenor of new USD bonds will be 3.5 years and the bonds are expected to be rated BBB by S&P. The net proceeds from the new issue will be used to refinance existing offshore debts, including funding the tender offer for ZHOSHK'26. The company will price new USD bonds before the tender offer expiration date of 29 Jul'24.

Meanwhile, the purchase price of concurrent tender offer is 96.6 and the maximum acceptance amount will not exceed the principal amount of new USD bonds and will be determined after the tender offer expiration date. The validly tendered 2026 bonds from bondholders who subscribe new 3.5yr USD bonds could be accepted in priority with same amount of the subscription. If the validly tendered amount of ZHOSHK'26 is higher than maximum acceptance amount, the tendered bonds without priority will be accepted on a pro-rata basis after repurchase of the validly tendered bonds with priority.

Zhongsheng will have offshore syndicated loans of USD350mn due Apr'25 and o/s CBs of HKD3.1bn (cUSD400mn) maturing in May'25. In our view, the new USD bonds and concurrent tender offer for ZHOSHK'26 demonstrate the company's confidence on its liquidity and progress in refinancing debt maturing in 2025. We understand that Zhongsheng is in good progress of refinancing the offshore syndicated loans. We take additional comfort that its cash on hand and other ST deposits are adequate to cover ST debts. In May'24, Zhongsheng submitted the application to issue panda bonds totaled RMB5bn pending for NAFMII's approval. We see a good chance for Zhongsheng to access different funding channels for refinancing given its solid credit profile and track records of cash flow generations. Successful of these funding exercises will considerably lengthen Zhongsheng's debt maturity profile.

We maintain buy recommendation on ZHOSHK'25 (CB) and ZHOSHK'26 and consider Zhongsheng a solid IG credit with leading market position and adequate liquidity. See [our initiation comments on Zhongsheng dated 13 Jun'24 for detailed analysis](#). ZHOSHKs rose c1pt since Jun'24.

Table 2: ZHOSHK's outstanding bonds

Security Name	ISIN	Currency	O/S amount	Ask Price	YTM (Ask)	Z-Spread (Ask)	Rating (M/S/F)
ZHOSHK 0 05/21/25	XS2171663227	HKD	3,124	111.6	6.3	182.7	-/-
ZHOSHK 3 01/13/26	XS2278364075	USD	450	95.9	5.9	137.3	Baa2-/BBB

Source: Bloomberg.

➤ **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)
Korea Hydro & Nuclear Power	USD	-	5yr	T+100	Aa2/AA/-
Piramal Capital & Housing Finance Limited	USD	-	3.5yr	8.25%	Ba3/BB/-
Vista Land & Lifescapes Inc	USD	300	5yr	9.5%	-/-
Zhongsheng Holdings	USD	-	3.5yr	-	-/BBB/-



➤ **News and market color**

- Regarding onshore primary issuances, there were 66 credit bonds issued last Friday with an amount of RMB53bn. As for month-to-date, 1,259 credit bonds were issued with a total amount of RMB1,249bn raised, representing a 33.3% yoy increase
- **[CONTLE]** Continuum Energy fully redeemed USD561mn CONTLE 4.5 02/09/27
- **[GLPCHI]** Media reported that GLP China repaid USD300mn syndicated loan in late Jun'24
- **[MINMET]** China Minmetals Corp announced to redeem all outstanding USD1bn MINMET 3.375 PERP on 3 Sep'24
- **[SINOCE]** Media reported that Sino-Ocean ad-hoc creditor group is strongly against its holistic debt management proposal
- **[VEDLN]** Vedanta Limited paid USD245.8mn to Zambian copper mine's creditors to regain control
- **[VNRLE]** China Vanke secured RMB3.8bn loans from BOC and BOCOM

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:

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.