

CMBI Credit Commentary

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

- *Markets were active this morning. New issue KBANK'28 tightened 10bps, HSBC AT1 were also under better buying. Secondary Asian IG space was stable while LENOVO/MEITUA widened 2-3bps. LGFV sector overall edged up with short-term names rose 0.5pt.*
- **CAPG:** *Proposed standstill arrangement. The bond prices were unchanged this morning. See below.*
- **VEDLN:** *Media reported that Vedanta in talks with JPM, DB, Barclays for up-to-USD 1bn loan at Zinc International; The company said it is fully confident of meeting upcoming maturities in 1H23. VEDLNs up 0.25-1.25pts this morning.*

❖ Trading desk comments 交易平台市场观点

Asia IG space had a relatively quiet session yesterday. In Korea space, KHFC remained sought-after with two-way activities on 28s/33s though we saw some selling on Korea POEs such as POHANG/HYUELE. Korea Bank T2s performed relatively firm on front end. WOORIB/KEBHN 24s were under better buying. China SOE/TMT benchmark papers such as 10y HAOHUA/TENCNT edged 1-3bps wider. In financials, AMCs were traded a bit heavy as HRINTH/CCAMCL encountered better selling. There were active two-way flows on the <5y leasing names. We saw better buying on 23s vs selling on 24s-27s. Bank T2 were largely unchanged. BCHINA/CCB curves broadly tightened 1-3bps. In IG properties, LNGFORs tightened 5-13bps. In China HY property space, SINOCEs/FTLNHDs/FUTLANs were up 0.5-1.5pts. On the other hand, CIFIHG were marked 1-2pts lower on the day. Media reported CIFI was in talk with BOC to anchor its delayed up-to-RMB1.5bn CBICL-guaranteed notes offering. CSCHCNs/CHINSCs drifted 0.5-1.5pts lower across the curve. Industrial names FOSUNs moved 0.5-1.5pts lower across the curve. Macau gaming names SANLTDs/WYNMACs were unchanged to 0.5pt lower. India space was mixed. Adani bonds were unchanged except ADANIG 4 '24 gained 3.6pts as media reported the company would utilize USD800mn 3y credit facility to refinance its due-2024. GRNKENS were indicated another 0.5-1.5pts higher across the curve, post the news of its prepaying GRNKEN 4.875 2023s. Other renewables like RPVIN were also up 0.5pt. VEDLNs were unchanged on the day after dropping 2-3pts on Monday. In Indonesian space, LPKRIJs/LMRTSPs were down 1-2pts across the curve. PERTIJs/PLNIJs notably tightened 10-15bps (translating to 1-1.5pts higher).

In the LGFV/Perp/Asia AT1 space, the market has a sluggish month end day, with flows dominated by rebalancing selling in the LGFV space. CNSHAN 4.3 Perp were 0.25pt lower on the back of RM selling, but then found decent support from Chinese RM into 7%. We also saw RMs trying to offload

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rich front-end LGFVs as well as weak papers. SHUGRP/SHDOIS 24s were quoted 0.25-1pt lower. SOE Perps had two-way flows among Chinese NBRM, with c23s were generally better offered whilst c25s were better bid. Non-SOE perps were unchanged skewed to better selling, and we saw active two way flows in the reset perps like HYSAN 4.1 Perp/NWDEVL 6.15 Perp. AT1s were largely stable to a touch weaker amid several new issues offering. CINDBK 3.25/CHOHIN 5.5 AT1s moved 0.25pt lower. BNKEA AT1s were marked another 0.25pt higher. On new issue front, HSBC priced its USD2bn PerpNC5.5 AT1 note at par to yield 8%. NANYAN priced its USD300mn PerpNC5 AT1 at 7.35%. Elsewhere, we saw demand for LIHHK after news about HK's end of mandatory mask wearing since 1 Mar.

❖ Last Trading Day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
ADANIG 4 3/8 09/08/24	82.1	3.6	CIFIHG 5 1/2 01/23/23	27.2	-2.2
PERTIJ 4.15 02/25/60	71.6	1.7	LMRTSP 7 1/4 06/19/24	71.2	-2.2
PERTIJ 4.175 01/21/50	77.4	1.6	LMRTSP 7 1/2 02/09/26	61.1	-1.8
PERTIJ 5 5/8 05/20/43	93.4	1.4	CHINSC 7 1/4 04/19/23	89.9	-1.7
FTLNHD 4.8 12/15/24	82.1	1.4	CSCHCN 9 12/11/24	86.7	-1.6

❖ Marco News Recap 宏观新闻回顾

Macro – U.S. stock markets remained weak yesterday. S&P (-0.30%), Dow (-0.71%) and Nasdaq (-0.10%) erased YTD gains in Feb'23 amid worries about sticky inflation. U.S. Feb'23 consumer confidence index retreat to 102.9 from former 106, and is lower than forecast of 108.5. The U.S. treasury yields slightly edged up yesterday, 2/5/10/30 yields reached 4.81%/4.18%/3.92%/3.93%, respectively.

❖ Desk analyst comments 分析员市场观点

➤ CAPG: Proposed standstill arrangement

China Aoyuan has reached an agreement with an ad hoc group of creditors holding 20% of its outstanding offshore senior notes on non-legally binding term sheet outlining key terms of proposed standstill arrangement. For each consenting creditor who accedes to the standstill agreement would receive a general consent fee of 0.5% of the notes principal amount, and additional 0.25% if they accede on or before the early-bird consent fee deadline. After signing the standstill agreement, each consenting creditor agrees to standstill and forbear from taking any enforcement action in respect of the notes outstanding, and support any action taken by the company to dismiss any legal action proposed by other bondholders.

The company is facing USD10.1mn coupon due on its due-27 notes today, and also RMB2.5bn puttable bond onshore coming Friday. On top of these, it also faces RMB3bn puttable bonds onshore in total in Jul and Aug'23. The bond prices were unchanged this morning.

Detail of the standstill agreement

General consent fee	0.5% of the notes principal amount, accedes on or before 1 calendar month from the effective date of the standstill agreement
Early-bird consent fee	0.25% of the notes principal amount, accedes on or before 15 business days from the effective date of the standstill agreement

Source: HKEX filing.

It has been over a year since Aoyuan defaulted its offshore obligations in Jan'22. The standstill agreement is a step forward towards the restructuring as the consenting creditor agree not to take legal actions in regard to the notes they hold. Aoyuan included all its 12 offshore outstanding senior notes due in 2022-27s in the proposed restructuring, total outstanding amount is USD3.45bn. Recalled that back in Dec'22, the company has entered into contractual arrangements with certain onshore financial institutions to extend the maturity of existing onshore financing arrangements of over RMB27bn in principal amount. Nonetheless, the company has not share a detail restructuring plan. We will provide an update when we have more information on the plans, both offshore and onshore.

Meanwhile, Aoyuan is cashing out from its assets to boost liquidity, including the disposal of stakes in Aoyuan Healthy Life Group for HKD256mn and an urban redevelopment project in Zhuhai for RMB584.4mn in Feb'23. The current macro environment is also more supportive to the real estate developers in obtaining liquidity since 4Q22, as the regulators encourage banks to provide additional financing to the developers to ensure project delivery. That said, the fund channeled to project construction not necessarily deal with debt repayment offshore or onshore, yet on-time home delivery could help to revive the buyer's confidence in home purchase, which in turns, help to regain the contracted sales momentum that might eventually direct to debt repayment.

➤ Offshore Asia New Issues (Priced)

Issuer/Guarantor	Size (USD mn)	Tenor	Coupon	Yield	Issue Rating (M/S/F)
Nanyang Commercial Bank	300	PNC5	7.35%	7.35%	Ba2/-/-
Kasikornbank	600	5yr	5.458%	T+125	Baa1/-/BBB
HSBC	2000	PNC5.5	8.0%	8.0%	Baa3/-/BBB

➤ Offshore Asia New Issues (Pipeline)

Issuer/Guarantor	Currency	Size (USD mn)	Tenor	Pricing	Issue Rating (M/S/F)
Sumitomo Mitsui Trust Bank	USD	-	3/5yr	T+140/160-165	A1/A/-

➤ News and market color

- Regarding onshore primary issuances, there were 62 credit bonds issued yesterday with an amount of RMB40bn. As for month-to-date, 1,307 credit bonds were issued with a total amount of RMB1,173bn raised, representing a 5.6% yoy increase
- China Feb'23 official manufacturing PMI published as 52.6, higher than expectation of 50.5
- **[ADEIN]** Media reported that Adani Group intends to repay/prepay USD 690mn-USD790mn of share-backed debts by end of March; The company gets commitment for USD800mn debt facility to refinance Adani Green Energy's bond coming due in Sep'24
- **[CHJMAO]** Fitch affirmed China Jinmao at BBB- and stable outlook
- **[CIFIHG]** Media reported that CIFI is in talk with BOC to anchor planned up-to RMB1.5bn (cUSD208mn) CBICL-guaranteed notes offering; it plans to sell two office buildings in Shanghai for RMB1.43bn (cUSD206mn)

- **[COGARD]** Country Garden Chairman resigned and his daughter Yang Huiyan appointed as successor. The impact to COGARD should be limited
- **[NANYAN]** Moody's assigned Ba2(hyb) ratings to Nanyang Commercial Bank's USD AT1
- **[VEDLN]** Media reported that Vedanta in talks with JPM, DB, Barclays for up-to-USD 1bn loan at Zinc International; the company said it is fully confident of meeting upcoming maturities in 1H23
- **[WYNMAC]** Wynn Macau FY22 revenue drops 52.1% to USD721.5mn, EBITDAR is loss USD220.6mn

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