

CMBI Credit Commentary

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

- *New issue ORIEAS'27 widened c10bps while SYSTIO'27 remained above RO this morning. Asian IG space was 0-3bps wider. High-beta TMTs were weak and widened 3-10bps. LGFV space performed strong, high quality LGFVs repriced to mid-5% post Moody's downgrade.*
- **ORIEAS:** *First USD bonds issuance since 2020. See below.*
- **RAKUTN:** *Rakuten Group launched tender offers for USD notes due 2024 with cap of USD1bn, it plans more offers for JPY bonds later. RAKUTNs moved -1 to +2pts this morning.*

❖ Trading desk comments 交易台市场观点

Asia IG space was traded in a constructive tone yesterday, and we saw some all-in-yield buyers loading up risks. On the new issues, ORIEAS priced a USD550mn 3-yr bond at CT2+135.5/CT3+155 on Fri morning. New issue KORELE 27s tightened 8bps at open but closed only 3bps tighter from RO. HYUELE/DAESEC 27s were traded in active two-way flows and closed 1-3bps tighter, whereas POHANG/SKENER 27s were under better selling and closed unchanged to 1bp wider. JP/AU papers such as SUMIFL 29s/WSTP 30s were 1-3bps tighter. Chinese IG benchmarks HAOHUA 30s/TENCNT 31s were 1-2bps tighter. The high beta TMTs were a bit mixed. MEITUA/LENOVO 30s were unchanged to 3bps tighter, whilst XIAOMI 30s widened 3-5bps. In financials, leasing papers were mixed with better buying on 28s or longer-tenor papers vs more selling on the front-end papers. In AMC space, there was buying flows on CCAMCL 27s. HRINTH 24-27s were 0.1pt lower (5-10bps wider). In Chinese bank T2s, CINDBK 33s were traded in active two-way flows skewed to better buying. CINDBK/NANYAN 33s were 1-3bps tighter. Chinese AT1s were stable while EU AT1s HSBC/STANLN Perps were 0.2-0.5pt higher. In HK space, SHUION 24-26s were 3-3.6pts higher. LASUDE '26 and LIHHK 24-25s were up 1-1.2pts. However, HYSAN/NANFUN Perps were down 0.5-0.8pt. Chinese properties were firm. GEMDAL '24 was 5pts higher. DALWAN 24-26s were 1.1-2.4pts higher. PINGRE 24-26s were up 0.5-1.2pts. FUTLAN/FTLNHD 24-26s and LNGFOR 27-28s were up 0.5-1pt. On the other hand, CSCHCNs were 0.6-2.9pts lower. ROADKG 26/Perp were down 0.8-1pt. In industrials, AACTEC '31 was 1.5pts higher. HILOHO '24/CHIOIL '26 were up 0.4-0.6pt. In Macau gaming space, MPEL/SANLTD 28-30s were up 0.5-0.8pt. Indian conglomerate VEDLN 27-28s were up 0.3pt. Indonesian name LPKRIJ/LMRTSP 24-26s were up 0.8-1.1pts.

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In the LGFV/Perp spaces, we saw some investors to buy on the dip in anticipation of lower rates in the medium term. There were light two-way flows skewed to small better buying, primarily in the SOE perps and quality LGFVs. CHPWCN 4.25 Perp/CHSCOI 3.4 Perp were up 0.1pt. The 6-7% LGFVs HZCONI 25-26s/CDCOMM 24s were 0.1pt higher. Shandong names SHUGRP 24s/SHDOIS 24s/SHGUOH 25s were up 0.1pt. Meanwhile, the high-beta IG CPDEV/SUNSHG continued to be better bid thanks to buying from RMs/PBs. CPDEV 25/26/Perp were 0.1-0.2pt higher.

❖ Last Trading Day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
GEMDAL 4.95 08/12/24	62.1	5.0	CSCHCN 9 12/11/24	40.8	-2.9
SHUION 6.15 08/24/24	85.6	3.6	CSCHCN 9 10/09/24	41.6	-2.8
SHUION 5 1/2 06/29/26	57.1	3.1	ROADKG 5.2 01/12/26	30.6	-1.0
SHUION 5 1/2 03/03/25	67.2	3.0	ROADKG 7 3/4 PERP	25.3	-0.9
DALWAN 11 01/20/25	81.7	2.4	NWDEVL 5 7/8 06/16/27	89.0	-0.8

❖ Marco News Recap 宏观新闻回顾

Macro – S&P (+0.53%), Dow (+0.64%) and Nasdaq (+0.18%) rallied higher and Dow/S&P hit record high level on Thursday. US 4Q23 GDP rose 3.3% qoq, higher than the expectation of +2.0% qoq. The latest initial jobless claim was +214k, higher than the expectation of +200k. UST yields retreated yesterday, 2/5/10/30 yield reached at 4.28%/4.01%/4.14%/4.38%, respectively.

❖ Desk analyst comments 分析员市场观点

➤ ORIEAS: First USD bonds issuance since 2020

China Orient issued USD550mn 3-year bonds at 5.5% coupon (T+155bps) via its SPV Joy Treasure Assets Holdings, the coupon rate is the highest among ORIEASs. China Orient Asset Management Co. is the guarantor of the bonds. It has 10 USD bonds outstanding after the issuance, totaled USD4.5bn. It also listed a USD1.4bn MTN program on HKEx on 26 Jan.

It is the first issuance of China AMCs in 2024, and first issuance of China Orient since Nov'20. The AMC sector has experienced net redemption trend offshore since 2021. Good access to low-cost onshore funding offers AMCs an alternative to raise funds onshore under the high interest rate environment offshore over the past two years.

Meanwhile, there is downgrade pressure on China Orient by Moody's and Fitch. Its ratings are currently be placed at Baa2/Negative and A-/Rating watch negative respectively by the two agencies. Nonetheless, we see the market is less sensitive to the rating actions on China AMCs, taking cues from the price movements post Fitch's downgrades on 3 Jan, as well as Moody's downgrades on 19 Jan, i.e. CCAMCL/ORIEAS 26-30s were unchanged to 5bps wider YTD.

In our view, China Orient is more comparable to China Cinda based on similar credit ratings and total assets size. We prefer CCAMCLs to ORIEASs for higher data transparency of China Cinda given its listing status, higher profitability and higher capital buffer to absorb loss. Our picks in the sector are **HRINTH 4.75 04/27/27**, **HRINTH 4.25 11/07/27** and **HRINTH 4.5 05/29/29**. We also like perps including **HRINTH 4.25 Perp (callable Sep'25)**,

CCAMCL 4.4 Perp (callable in Nov'26) and GRWALL 3.95 Perp (callable 07/31/24), for their lower non-call risk.

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

Issuer/Guarantor	Size (USD mn)	Tenor	Coupon	Priced	Issue Rating (M/S/F)
China Orient AMC	550	3yr	5.5%	T+155	-/BBB/A-
Rudong County Jinxin Transportation Engineering Construction Investment	50	3yr	5.5%	5.5%	-/-/-
Shaoxing Shangyu State-Owned Capital	300	3yr	5.6%	5.6%	-/-/BBB-

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

Issuer/Guarantor	Currency	Size (USD mn)	Tenor	Pricing	Issue Rating (M/S/F)
Changchun Urban Development	USD	-	-	7.3%	-/-/BBB
China Industrial Securities	USD	-	3yr	SOFT+140	-/-/BBB

➤ **News and market color**

- Regarding onshore primary issuances, there were 117 credit bonds issued yesterday with an amount of RMB101bn. As for Month-to-date, 1,518 credit bonds were issued with a total amount of RMB1,257bn raised, representing a 37.8% yoy increase
- Moody's downgraded 17 Chinese LGFVs' ratings and changed outlooks to negative, including LGFVs in Hunan, Guangxi, Shandong, etc
- [CDHIIN]** Moody's confirmed nine Chinese LGFVs' ratings and changed outlooks to negative, including CDHIIN, CDNFA, CDECST, HENANG, QDWCDG, SDECDI, GUOENV and JNUCGC
- [CSCHCN]** Media reported that China South City remitted funds to cure skipped 26 Dec'23 coupon on USD287mn 9% notes June 2024 notes
- [JD]** JD.com signed deal with UK courier to bolster European presence
- [LMRTSP]** LMIRT accepted to purchase USD49.846mn of 2024 notes, USD28.435mn of 2026 notes via tender offers
- [LOGPH]** Media reported that Logan Group expects to formulate and announce the restructuring option selection mechanism before 10 Feb'24
- [MONMIN]** Mongolian Mining Corp closed agreement to invest USD40mn for 50% of Erdene Mongol
- [RAKUTN]** Rakuten Group launched tender offers for USD notes due 2024 with cap of USD1bn, it plans more offers for JPY bonds later

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