

CMBI Credit Commentary

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

- *Asian IG space was quiet with few enquiries this morning. Chinese AT1s were also stable. LGFV/SOE Perps showed two-way trades and slightly skewed to selling on due/callable 23/24 names.*
- **Asia ex-JP USD bonds issuance:** 5M23 gross issuance dropped -32.4% yoy to USD70.7bn. See below.
- **DALWAN:** S&P downgraded Dalian Wanda Commercial one notch to BB; the company remains on CreditWatch Negative. DALWANs were unchanged to down 1pt this morning.

❖ Trading desk comments 交易台市场观点

Yesterday, UST 2y yields widened to around 4.5% again post the higher-than-expected NFP data on last Friday. Asia IG spreads in general grinded 1-4bps tighter. The new issue low-beta papers were under better buying. CKHH 28s/33s edged 2-3bps tighter. HKINTL 26s/28s notably tightened 3-6bps while its 33s ended unchanged. Chinese SOEs were largely stable, HAOHUA tightened 1-4bps. TMT benchmarks closed unchanged to 2bps tighter. The high beta TMTs MEITUA/XIAOMI 30s tightened 3-5bps. In financials, AMC space had another constructive session. HRINTH curve were traded around 0.5pt higher (5-10bps tighter). The long end of CCAMCL got better buying as well. Bank T2s such as CCB 29s/BOCOHK 31s/OCBCSP 32s were under better selling. In leasing space, BOCAVI 23-25s were traded 2-3bps tighter, with buying demand from all-in yield buyers. In non-China space, MUFG/SMBCAC remained better bid. Chinese properties were mixed. FTLNHD 24-26s were up 1.25-2.5pts. ROADKGs were indicated 0.5-2pts higher. SHUIONS/AGILEs gained 1.5-2pts. On the other hand, COGARs dropped 1-3pts across the curve. DALWANs closed another 1-1.75pts lower. DALWAN 23s were indicated at low-90s, and its 25s/26s were quoted at high-40s. S&P lowered Dalian Wanda Commercial Management by one notch to 'BB'. Away from properties, EHOUSE 23s were bid up 2.25pts. FOSUNI 26s/27s were traded 1-1.5pts higher to close at high-60s. Macau gaming papers SANLTDs/STCITYs were up 0.75-1.25pts. In Indian space, renewables such as GRNKENS/RPVINs moved 0.25-0.5pt higher. Indonesian oil name MEDCIJ 27s/28s were traded 1-1.75pts higher. Elsewhere, GLPCHI 24s/26s declined 0.5-2.5pts.

The Perp/Asia AT1/LGFV spaces were largely firm. SOE Perps and Chinese AT1s were traded around 0.125-0.25pt weaker after Friday night's post-NFP rates surge. We also saw some Chinese RMs/AMs trying to pick up cheap papers in SOE Perps/AT1s albeit in modest sizes, and prices in these spaces remained roughly resilient at close. HUADIA/CHALUM Perps were better-offered. BCHINA 3.6 Perp/ICBCAS 3.2 Perp were quoted 0.125pt lower.

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

LGFV space was relatively quiet with only sporadic two-way flows from PBs/AMs in some high-yielding/ high-beta names, notably including KMRLGP 24s. KMRLGPs stayed range bound between high-80s to low-90s. Shandong names remained better bid. SHGUOH/HKIQCL 25-26s were bid 0.125-0.2pt higher amid two-way mixed flows. Elsewhere, Thai and Korean AT1s were subject to small better selling from PBs. Whilst HSBC 8 Perp/STANLN 4.3 Perp were indicated aaround 0.25pt higher. In HK Corp perp space, NWDEVL Perps were indicated 0.5pt higher.

❖ Last Trading Day's Top Movers

| Top Performers | Price | Change | Top Underperformers | Price | Change |
|-----------------------|-------|--------|-----------------------|-------|--------|
| FTLNHD 4 5/8 10/15/25 | 49.2 | 2.5 | COGARD 4.2 02/06/26 | 37.2 | -2.9 |
| EHOUSE 7.6 06/10/23 | 11.8 | 2.3 | GEMDAL 4.95 08/12/24 | 85.9 | -2.7 |
| ROADKG 6.7 09/30/24 | 82.7 | 2.1 | SINOCE 6 07/30/24 | 32.3 | -2.7 |
| AGILE 5 1/2 04/21/25 | 32.7 | 2.0 | COGARD 7 1/4 04/08/26 | 38.9 | -2.4 |
| SHUION 6.15 08/24/24 | 82.9 | 2.0 | GLPCHI 2.95 03/29/26 | 60.6 | -2.4 |

❖ Marco News Recap 宏观新闻回顾

Macro – S&P (-0.20%), Dow (-0.59%) and Nasdaq (-0.09%) were weak amid recession worry, the probability of 25bps interest rate hike in Jun lowered to 20% from 25%. US May ISM non-manufacturing PMI was 50.3 and lower than expectation of 51.8. China May Caixin service PMI was 57.1 and better than expectation of 55.2. The US treasury retreated yesterday, the 2/5/10/30 yield reached 4.46%/3.82%/3.69%/3.89%, respectively.

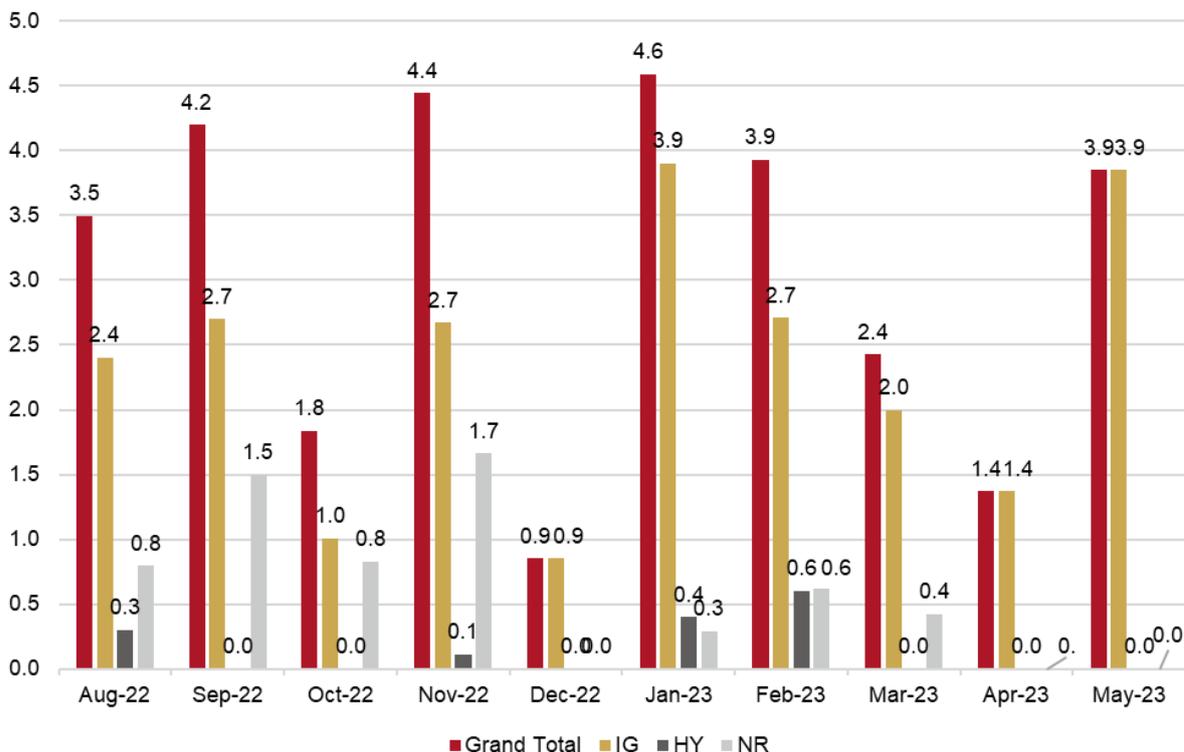
❖ Desk analyst comments 分析员市场观点

➤ Asia ex-JP USD bonds issuance: 5M23 gross issuance dropped -32.4% yoy to USD70.7bn

The gross issuance of Asia ex-JP USD bond issuance in 5M23 was USD70.7bn, down 32.4% yoy from USD104.6bn in 5M22. The decline slightly narrowed from 34.5% yoy in 4M23. IGs accounted for 87.7% of the total gross issuance, compared with 86.2% in 4M22. In 5M23, The new Chinese issues were USD16.2bn, down 61.7% yoy from USD42.3bn in 5M22. In May'23, there were six new issues totaled USD3.9bn from Chinese issuers with a weighted average coupon rate of 4.76%, lower than 5.37% in Apr'23.

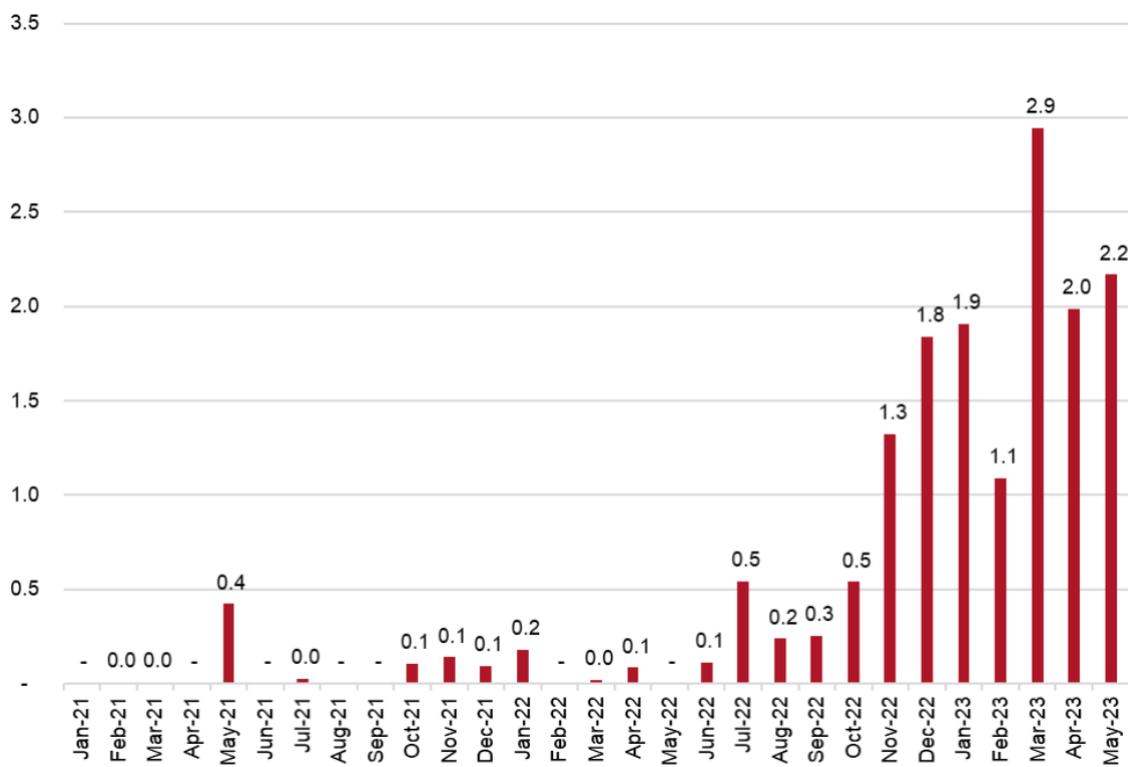
FTZ bonds issuance rebounded by mom in May'23. There were 23 new issues with total issuance amount of RMB15.4bn (cUSD2.2bn), up 9.0% mom from RMB14.1bn (cUSD2.0bn) in Apr'23. The weighted average coupon rate of new FTZ issues in May'23 was 4.30%, increased from 4.14% in Apr'23 while still lower than 4.76% average coupon of USD bonds issued by Chinese issuers. LGFVs were major players of FTZ bonds in May'23, 21 out of 23 new issues and 80.5% of total issuance amount were from LGFV sector. On the other hand, LGFV USD bonds issuance significantly shrinks that issuance amount plunged 83.3% yoy from USD14.4bn in 5M22 to USD2.4bn in 5M23 and recorded negative USD4.7bn net issuance YTD.

Chinese USD bonds new issuance amount (USD bn)



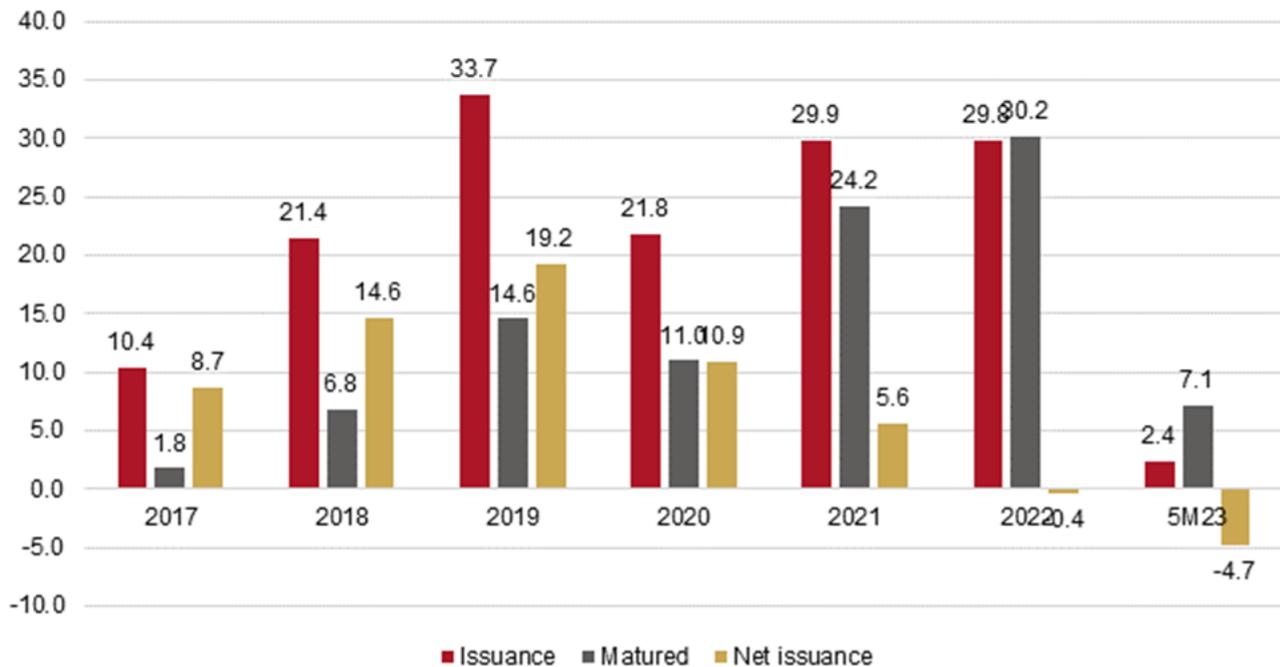
Source: Bloomberg.

Shanghai FTZ bonds new issuance amount (USD bn equivalent)



Source: DMI.

LGFV USD bonds issuance (USD bn)



Source: Bloomberg.

➤ Offshore Asia New Issues (Priced)

| Issuer/Guarantor | Size (USD mn) | Tenor | Coupon | Yield | Issue Rating (M/S/F) |
|---|---------------|-------|--------|------------|----------------------|
| ANZ Bank | 1350 | 3yr | 4.675% | SOFR MS+73 | Aaa/-/AAA |
| Zhejiang Changxing Financial Holdings Group | 160 | 3yr | 3yr | 6.95% | -/-/- |

➤ Offshore Asia New Issues (Pipeline)

| Issuer/Guarantor | Currency | Size (USD mn) | Tenor | Pricing | Issue Rating (M/S/F) |
|------------------------------|----------|---------------|-------|----------|----------------------|
| CMB London Branch | USD | - | 3yr | SOFR+110 | A2/-/- |
| Hangzhou Shangcheng District | USD | - | 364d | 6.3% | -/-/BBB |

➤ News and market color

- Regarding onshore primary issuances, there were 58 credit bonds issued yesterday with an amount of RMB45bn. As for Month-to-date, 198 credit bonds were issued with a total amount of RMB219bn raised, representing a 169.2% yoy increase
- [ADEIN]** Media reported that Adani Group has repaid USD2.65bn to complete its prepayment programme and reduced group's overall leverage

- **[BTSDF]** Health & Happiness sets 13.5% minimum coupon for new notes related to tender and exchange offers for 2024 notes
- **[CIFIHG]** CIFI schedules additional withdrawal period for put option exercise registration regarding RMB2.12bn 20Xuhui01 bonds
- **[DALWAN]** S&P downgraded Dalian Wanda Commercial one notch to BB; the company remains on CreditWatch Negative
- **[FRESHK]** S&P affirmed Far East Horizon's BBB- rating and changed outlook to stable from negative
- **[SINOCL]** Sino-Ocean Capital's hearing for HK winding up petition reschedule to 16 Aug

CMB International Global Markets Limited
Fixed Income Department

Tel: 852 3657 6235/ 852 3900 0801

fis@cmbi.com.hk

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