

CMBI Credit Commentary

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

- *Markets sentiment recovered after UST down. Asian IG benchmarks tightened 1-3bps and we saw profit takings on front-end names. AMC sector was under better buying that HRINTHs rose 0.5-1pt. **CHINSC** is exploring holistic debt management post the non-payment of syndicated loan. CHINSCs were unchanged to -0.4pt. See below.*
- **AACTEC:** *Further repurchases of USD bonds; maintain buy AACTECs were unchanged to +0.3pt this morning. See below.*
- **LIFUNG:** *Raised the tender cap on LIFUNG 5 08/18/25 by USD100mn to USD272.5mn. LIFUNG'25 was unchanged and LIFUNG Perp down 0.2pt this morning. See below.*

❖ Trading desk comments 交易台市场观点

Yesterday, UST 10/30yr yields widened up to 10-15bps to 4.81% and 4.95% respectively, post the stronger-than-expected US labor-market data. The sentiment remained weak on the back of higher rates level. Asia ex-JP IG spreads were 1-5bps wider. The recent new BBLTB 28s/33s widened 5-8bps. Chinese SOE/TMT benchmarks were 1-3bps wider. The high beta TMTs such as LENOVO/WB 30s widened 5-10bps. In Chinese financials, HRINTH curve was traded 0.25-1pt lower. Chinese bank T2s were traded with mixed two-way flows. BCHINA 24s/CCB 29s remained better bid. Whilst ICBCAS/NANYAN 29s were under small better selling. Among Chinese AT1s, BCHINA 3.6 Perp/ICBCAS 3.58 Prep were down 0.15-0.25pt. CHOHIN/BNKEA Perps edged 0.5pt lower. Thai/KR AT1s had a choppy session. BBLTB/KBANK Perps were down 0.50-1pt. In European AT1s, HSBC 8 Perp/STANLN 7.75 Perp were 0.5pt lower. HK Corp perps remained active. NWDEVL 4.8 Perp/CKPH 3.5 Perp lowered 0.5-1pt. HK/Chinese properties remained weak. SHUION 25s/YLLGSP 26s were 0.75-1pt lower. LNGFOR 27-32s dropped 1.5-1.75pts. DALWAN 24s/CHJMAO 26s were down 1-1.5pts. CHINSCs closed 1.5pts lower to close at single-digits, post China SCE's announcement on exploring holistic debt restructuring. CSCHCNs/COGARDs lowered 0.75pt. In industrials, WESCHI/EHICAR 26s edged down 0.25pt. Macau gaming space was still subdued. MPEL/STCITY/WYNMAC 28-30s were down 1.25-1.75pts. In Indian space, VEDLN 25s/26s declined 0.5-1pt. In Indonesian SOEs, the long-end of INDOISs/IDASALs were subdued.

In the LGFV/Perp spaces, flows continued to be limited amid China long holiday. The market sidelined amid higher rates and persisting USD strength. LGFVs remained stable with onshore accounts out. Shandong/Chongqing names were firm. CPDEV '25 were down 1pt. We saw better selling from PBs and offshore Chinese AMs in CPDEV. The higher-yielding LGFV papers were mixed. GSHIAV '24 was up 0.5pt. YUNINV '25 was down 1.5pts. In SOE perps, CHPWCN 3.55 Perp/CHCOMU 3.425 Perp were 0.15-0.2pt lower.

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❖ Last Trading Day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
GRWALL 3 7/8 08/31/27	86.3	2.0	INDOIS 3.8 06/23/50	69.6	-1.8
TAISEM 4 1/2 04/22/52	83.4	0.9	MPEL 5 3/8 12/04/29	80.7	-1.7
GZHRCB 5.9 PERP	95.7	0.9	INDOIS 3.55 06/09/51	66.5	-1.7
CSSSHI 3 02/13/30	79.3	0.8	IDASAL 6.757 11/15/48	89.1	-1.7
GEMDAL 4.95 08/12/24	43.3	0.8	LNGFOR 3.85 01/13/32	38.7	-1.7

❖ Marco News Recap 宏观新闻回顾

Macro – S&P (+0.81%), Dow (+0.39%) and Nasdaq (+1.35%) rebounded on Wednesday. US Sep ADP employment was +89k, down from +180k in Aug and was lower than the expectation of +153k. US Sep Markit service PMI was 50.1, below the expectation of 50.2. The UST yields retreated yesterday, the yield curve bull flattened and 2/5/10/30 yield reached at 5.05%/4.72%/4.73%/4.87%, respectively.

❖ Desk analyst comments 分析员市场观点

➤ CHINSC: Exploring holistic debt management post non-payment of syndicated loan

On 4 Oct'23, China SCE announced the non-payment of USD61mn amortization of syndicated loan due 28 Sep'23. The non-payment has triggered an event of default of China SCE's USD bonds with outstanding amount of USD1.8bn. The syndicated loan facilities were provided by HSBC, BOCHK and Hang Seng Bank in Mar'21, comprised of HKD351mn and USD342.5mn and original final maturity is in Sep'24. On 21 Sep'23, Media reported that China SCE obtained verbal agreement from all lenders to effectively extend the maturity of the existing facilities by 16-month. Nonetheless, the pressure for loan amortization remains to be challenging given its weak property sales which slumped 42% yoy to RMB23.7bn in 8M23. Additionally, China SCE is yet to pay the coupon of cUSD13.4mn on CHINSC 5.95 09/29/24 due 29 Sep'23. China SCE will appoint an external advisor for a holistic debt restructuring.

➤ AACTEC: Further repurchases of USD bonds; maintain buy

USD mn	Issue size	Outstanding (USD mn)	Offer price	YTM	13 Oct'22	Jan'23	Jun'23	Sep-Oct'23	Repurchase d amt
			95.1						
AACTEC 3 11/27/24	388.00	276.818	7	7.5%	111.182	-	-		111.2
			85.3						
AACTEC 2 5/8 06/02/26	300.00	231.254	1	9.0%	47.396	1	11	9.35	68.7
			70.3		-				
AACTEC 3 3/4 06/02/31	350.00	292.153	1	9.3%		1	33.927	22.92	57.8
									237.8

Tender price or est buyback price

AACTEC 3 11/27/24	88.0	-	-	-
AACTEC 2 5/8 06/02/26	75.8	84.6	86.3	84.8

AACTEC 3 3/4 06/02/31

74.7

71.3

69.6

AACT Tech announced further repurchases its USD bonds. The focuses in the latest repurchases from 28 Sep'23 - 4 Oct'23 were on AACTEC'26 and '31. We estimate the prices for latest repurchases of AACTEC'26 and '31 to be 84.8 and 69.6, respectively. Over the last 12 months, AAC Tech, through tender offer and open market repurchases, has early redeemed USD bonds totaled USD237.8mn in principal amount, including USD111.2mn of AACTEC'24. We estimate the proceeds for early redemptions so far to be cUSD193mn. The estimated redemption prices for AACTEC'24, '26 and '31 are 88, 75.8-86.3 and 69.6-74.7, respectively. AACTECs were unchanged to +0.3pt this morning.

We maintain buy on AACTECs in view of AAC Tech's sufficient liquidity profile, our expectation of further bond repurchases and the yield pick-up over bonds of fellow IG industrial such as SUNOTG. As of Jun'23, AAC had RMB7.1bn cash on hand while its short-term debts was RMB1.6bn. We are not too concerned on Moody's negative rating outlook post the announcement of acquisition of PSS. On a pro-forma basis, we estimate AAC Tech's debt/EBITDA to be 3.3x (vs downgrade trigger of 3.5x) after the payment of the first tranche of acquisition considerations and consolidation of PSS operations. We expect AAC Tech's revenue and profit to improve along with the recovery of global consumer electronics market.

➤ **LIFUNG: Raised the tender cap on LIFUNG 5 08/18/25 by USD100mn to USD272.5mn**

Li & Fung raised the tender cap on LIFUNG 5 08/18/25 by USD100mn to USD272.5mn. The subsequent tender consideration is increased to 94 from 91. As of the early deadline, USD191.3mn was accepted for purchase, and the outstanding amount of the bond decreased to USD331.2mn from USD522.5mn. The expiration date was extended to 19 Oct from 16 Oct.

Li & Fung only has two USD bonds outstanding: LIFUNG 5 08/18/25 of USD331.2mn and LIFUNG 5.25 Perp (FFL perp) of USD650mn, totaled USD1,172.5mn. If the revised maximum acceptance amount of USD272.5mn is reached, it will represent c23% decrease in total USD bonds to USD900mn. Meanwhile, together with the USD77.5mn of LIFUNG 5 08/18/25 repurchased in the tender offer in Nov'22, the amount of debts reduction would also exceed the USD250mn "plan" set by Li & Fung last year.

Bond	LIFUNG 5 08/18/25
O/s amt after early tender settlement	USD331.226mn
Revised maximum acceptance amt	USD272.485mn
Accepted amt in early tender	USD191.259mn
Maximum amt could be accepted in subsequent tender	USD81.226mn
Subsequent tender consideration	USD94
Expiration date	19 Oct
Px (ask)	93.5
YTM (ask,%)	8.9

Source: Bloomberg, Company filling.

➤ 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)
No Offshore Asia New Issues Pipeline Today					

➤ News and market color

- Onshore primary issuances suspend during the National Day Holiday
- **[CHINSC]** China SCE Group announced to explore holistic solution after non-payment of syndicated loan causes event of default
- **[DEXICN]** Dexin China further delayed circular on sale of parking space rights and Huzhou hotel to Dexin Services to on or before 24 Oct'23
- **[ESRCAY]** ESR Group to exercise right to redeem all outstanding USD0.6mn 1.5% CBs due 2025
- **[INDYIJ]** Indika Energy unit secured USD20mn loan from Bank KB Bukopin
- **[MEDCIJ]** Medco Energi aims to reduce consolidated net debt to 2018 level of USD2.2bn by the end of 2023 and plans USD bonds buyback

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