

CMBI Credit Commentary

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

- *Massive selling flows on Chinese AT1 after PBOC governor's talk that financial-help of financial institutions should become the main way of dealing with financial risks. High beta names BNKEA/NANYAN/CHOHIN/CINDBK down 5-8pts, big four banks AT1 slightly down around 1pt. LGFVs/SOE Perps were also better selling this morning.*
- *HLBCNH: Launch another round of exchange offer for HLBCNH 11 10/08/23 as expected while accepted the tender of HLBCNH 11 03/24/23 despite the tendered amount is below the minimum acceptance level of 90%. See below.*
- *LNGFOR: Controlling shareholder further purchase 1mn company shares (HKD11.27 per share) and USD5mn of senior notes; The company also purchased USD1mn senior bonds from open market. LNGFOR'27 slightly down 0.5pt and other up 0.5-2.5pts this morning.*

❖ Trading desk comments 交易台市场观点

Yesterday, China IG space embraced a firmer session with flows obviously on the lighter side, where IG properties outperformed. VNKRLs recovered 4-8pts from the previous lows with 25-27s marked at low-50s, but market viewed it merely as a technical bounce rather than some meaningful buying. LNGFORs were also traded 1-4pts higher, on the back of the expectation of CBIC-backed issuance. YUEXIUs/CHJMAOs were up 1-2pts. TMTs generally closed 5-10bps tighter. TENCNT curve tightened 6-15bps amid China Unicom & Tencent joint venture buoyed investor sentiment. Financials space was 3-5bps tighter with small buying on T2/leasing papers, though overall flows was rather small ahead of FOMC/NFP. In China HY space, properties still went sideways to lower as investors' confidence in the sector remained lowest. COGARDs belly and long-end ones found support at current levels. Elsewhere, GRNLGR front-end were up 1-4pts amid active flows between PBs. Among HK names, XINHUZ 24-25s notably plunged 11.5-13pts and SHUION 24-25s fell ~5.5pts. NWDEVL 4.8 'Perp further slumped 12.5pts to high-40s. HPDLFs were up 2.5-3pts. Industrial space generally dipped 1pt, We saw RM selling on FOSUNIs on the long end whilst Chinese accounts buying on 23s. HILOHO '24 dropped 6pts. Macau gaming continued to be strong with SANLTD/STCITY/WYNMAC were up another 2-3pts. Ex-China HY was mixed. Indian renewables were again trading up 0.5pt in the street while the VEDLN 24-26s were lifted to low-60s versus trades of high-50s on Tuesday. VEDLNs/GRNKENS went 1-2pts higher, after Vedanta reiterated its plan to meet upcoming maturities, after being downgraded one notch to B3 by Moody's on Monday. KIJAII'23 was down 6pts.

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

In LGFV/SOE Perp/AT1 spaces, all eyes were on FOMC decisions. The LGFV space was mixed, the 22s to early 23s papers were largely unchanged while long-end still heavy. Selective 24s papers had some short covering, which gave a precious liquidity window for offshore asset managers to flock into selling again. The client buying remained restricted to short dated papers maturing or callable in 2022 or 1Q23. Whilst we saw sellers on the longer dated and/or lower tier papers CQLGST '24/SHUGRP '24/CQNANA '26 which moved a touch lower. ZHHFGR 4.25 Perp was traded 11 pts lower at mid-70s level by EOD. Overall flows were rather sluggish on the day as many in town were working from home already given T8 in Hong Kong. Street tried to push SOE Perps and Chinese AT1s lower again not least amid PBoC Governor Mr. Yi Gang suggesting that 'self-helping' of financial institutions shall be the key direction in response to financial market risks from now on. That said, there were some buying interests in power names such as HUANEN/CHPWCN, while large Chinese banks' AT1s were mostly unchanged to +0.125pt with onshore investors sidelined.

❖ Last Trading Day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
VNKRLE 4.2 06/07/24	65.8	7.8	CSCHCN 9 07/20/24	28.0	-18.3
VNKRLE 3 1/2 11/12/29	44.5	7.5	XINHUZ 11 09/28/24	70.5	-12.9
VNKRLE 3.975 11/09/27	51.2	6.8	NWDEVL 4.8 PERP	47.3	-12.6
VNKRLE 3.15 05/12/25	57.2	6.8	XINHUZ 11 06/06/25	62.6	-11.4
NWDEVL 5 1/4 PERP	69.0	5.4	ZHHFGR 4 1/4 PERP	75.8	-11.2

❖ Macro News Recap 宏观新闻回顾

Macro – U.S. stock markets closed down after 75bps hike yesterday, the S&P (-2.50%), Dow (-1.55%) and Nasdaq (-3.36%) turned to downward after the Fed expressed to continue rising the interest rate to curb inflation. Fed also said the final interest rate level may be higher than previous expectation. The U.S. treasury yield curves bear flattened that the 2/5/10/30 yields reached 4.61%/4.30%/4.10%/4.15%, respectively.

❖ Desk analyst comments 分析员市场观点

➤ HLBCNH: Launch another round of exchange offer for HLBCNH 11 10/08/23

Helenbergh China got c85% of HLBCNH 11 03/24/23 holders tendered for exchange, the company will waive the minimum acceptance level of 90% and issue new notes at 8% due-Nov'24, representing c20-month extension. In line with our expectation discussed on 26 Oct, Helebergh announces another round of exchange offer today to amend the coupon of HLBCNH 11 10/08/23.

The company previously completed the consent solicitation on HLBCNH 11 10/08/23, to carve out the cross default clause against due-Mar'23 notes. In this round of exchange offer, the company will not pay incentive cash and there is no change in maturity. The coupon rate will be lowered to 10.33% from 11%, this is higher than the 8% offered in the previous exchange offer of the originally due-Mar'23 notes. See below the comparison of the key terms of the two exchange offers.

The exchange offer, will put the maturity of due-Oct'23 notes ahead of the originally due-Mar'23 notes by 13 months, given the latter one was exchanged to new notes due in Nov'24. The interest rate of due-Oct'23 notes is also higher. Regardless no incentive cash will be given, the proposed new notes will carry just slightly lower coupon rate than before and to some extent, ensure the accrued and unpaid interests will be paid upon redemption. These shall attract bondholders to submit instruction.

Details of the exchange offer:	Proposed offer	Accepted offer
Notes	HLBCNH 11 10/08/23	HLBCNH 11 03/24/23
Original coupon rate	11%	11%
Outstanding	USD270mn	USD350mn
Minimum acceptance level	90%	90%
Accrued and unpaid interest up to settlement date	Pay in the form of new notes	Pay in the form of new notes
Incentive cash	-	0.25pt
New maturity	No change on 8 Oct'23	3 Nov'24
New coupon rate	10.33%	8%
Expiration deadline	9 Nov'22	31 Oct'22
Settlement date	On or about 11 Nov'22	On or about 3 Nov'22

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

Issuer/Guarantor	Size (USD mn)	Tenor	Coupon	Yield	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**

- Regarding onshore primary issuances, there were 68 credit bonds issued yesterday with an amount of RMB65bn. As for Month-to-date, 142 credit bonds were issued with a total amount of RMB128bn raised, representing a 12.6% yoy decrease
- Media reported that CBICL is proceeding with second round of CBICL-backed bond issuances by non SOE developers
- **[BUMIJ]** Bumi Resources 9M22 revenue up 109.4% yoy to USD1.39bn, cash and equivalents up 198.6% yoy to USD396mn and current liabilities down 6.4% from Dec'21 to USD2.69bn
- **[EHOUSE]** E-House gets creditors approval for planned USD debt restructuring
- **[GCLNE]** GCL Energy Technology's application to issue up to RMB4.5bn (cUSD618.3mn) six-year CBs has been accepted by CSRC

- **[GNGLNG]** Ganglong China accepted for exchange USD145mn of GNGLNG 13.5 11/11/22
- **[LNGFOR]** Longfor Group's controlling shareholder further purchase 1mn company shares (HKD11.27 per share) and USD5mn of senior notes; The company also purchased USD1mn senior bonds from open market
- **[LOGPH]** Media reported that Logan Group has proposed to extend all of its RMB bonds (14 bonds, o/s RMB20.3bn) to Jun'25 - May'27
- **[LPKRIJ]** Lippo Karawaci recorded USD223.7mn property presales in 9M22 and reached 68% of its full-year target
- **[MPEL]** Melco Resorts 3Q22 revenue plunged 46% yoy to USD241.8mn and adjusted EBITDA was negative USD34.9
- **[RISSUN]** Media reported that RiseSun has obtained sufficient formal consents from holders of each of its already restructured USD bond for a 6 months coupon default waiver

CMB International Global Markets Limited

Fixed Income Department

Tel: 852 3761 8867/ 852 3657 6291

fis@cmbi.com.hk

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