

CMBI Credit Commentary

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

The Asset Asian G3 Bond Benchmark Review 2023

We hope you found our commentaries and ideas helpful. We seek to elevate our efforts and value-add further in the coming year. We highly appreciate your support to us in Sell-Side Analysts of the polls of [“The Asset Asian G3 Bond Benchmark Review 2023”](#). Thank you for your time. Your support will mean a lot to us.

- *Markets were quiet amid weak sentiment as Fed expects one or two more 25bps hike by the end of 2023. IG flows were overall better selling. Besides, we saw two-way flows on LGFV from PBs.*
- *PWRLNG: Another round of liability management exercise. See below.*
- *GRNLGR: Greenland cured the missed coupon of GRNLGR 5.6 11/13/24 despite not within the 7-day grace period. GRNLGRs were unchanged to down 1.5pts this morning*

❖ Trading desk comments 交易台市场观点

Yesterday, Asia ex-JP IG space was quiet given HK and Mainland China were on holiday. TMT benchmarks TENCNT 30s/BABA 27s widened c1bp. Chinese SOEs were widened that HAOHUA, SINOCH, CNOOC widened 0.25 to 1bp. In financials, leasing names BOCAVI/ICBCIL were 1-2bps wider. In AMCs, HRINTHs, GRWALL were unchanged to down 0.25pt while CCAMCL down 0.4pt. Bank AT1 were unchanged to down 0.25pt. Chinese properties were mixed. IG developers were mostly unchanged while HY developer were dragged by PWRLNG's second exchange offer. ROADKG'26 was down 1.3pts, CENCHI'23 down 1pt and COGARDs retreated 0.25 to 0.75pt. GRNLGRs were finally cured the missed coupon of GRNLGR 5.6 11/13/24 despite not within the grace period of 7-day, which should be expired on 22 May'23 given 20 May'23 is Saturday. For industrials, EHICAR and CARINC were unchanged and FOSUNIs rebounded c0.25pt at most after Wednesday's drop. Macau gaming names moved -1 to +0.25pt. SEA space was quiet and most names were unchanged.

LGFV/SOE Perp sectors were also quiet. New issue YWSOAO'26 was traded at 99.75pt with a YTM of 5.78%. Elsewhere, sentiment on high-beta LGFVs were firmer as KMCMIN had redeemed USD110mn KMCMIN 7 06/22/23, somewhat reinforcing the “faith” that LGFVs will not default on public bonds.

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❖ Last Trading Day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
FIHUCN 5 02/26/28	87.0	2.6	ROADKG 5.2 01/12/26	55.6	-1.3
AZUPOE 5.65 12/24/24	84.5	0.7	CNOOC 3.3 09/30/49	73.0	-1.1
CHIOIL 4.7 06/30/26	85.2	0.5	CITLTD 5.07 04/18/48	96.4	-0.9
SHUION 6.15 08/24/24	86.4	0.4	CITLTD 4.85 04/25/46	93.0	-0.9
HRINTH 4.95 11/07/47	67.1	0.4	CHIOLI 6 3/8 10/29/43	104.6	-0.9

❖ Marco News Recap 宏观新闻回顾

Macro – S&P (+0.37%), Dow (-0.01%) and Nasdaq (+0.95%) rebounded after three-day drop. US Fed chairman said on congressional testimony that there might be one or two more 25bps hike in 2023 to subdue inflation. US latest initial jobless claim was +264k, higher than expectation of +260k. Bank of England raised interest rate by 50bps to 5%, the hike pace was higher than expectation of 25bps. The US treasury yields rallied higher on yesterday, the 2/5/10/30 yield reached at 4.77%/4.03%/3.80%/3.88%, respectively.

❖ Desk analyst comments 分析员市场观点

➤ PWRLNG: Another round of liability management exercise

Further maturity extension for 3 bonds coming due

Powerlong announced another round of exchange offer and consent solicitation on all of its 8 offshore USD bonds with a total o/s amount of USD2.1bn. In short, this round of liability management is to extend the maturity PWRLNG 6.95 07/23/23 for 29 months, as well as further the maturities of 2 exchanged bonds: PWRLNG 4 07/14/23 and PWRLNG 7 1/8 01/15/24 for another 1-year and 2-year, respectively. Recalled that Powerlong completed an exchange offer and consent solicitation for 2 bonds originally due in 2022 and issued PWRLNG 4 07/14/23 and PWRLNG 7.125 01/15/24 in Jul'22. Comparing with its previous exchange offer, the terms offered in this round are less favorable: (1) lower incentive fee, (2) lower upfront principal repayment and (3) longer maturities extension. That said, the terms proposed by Powerlong are better than those of distressed property developers such as Sunac and Evergrande which seek for longer maturity extension, offer no upfront principal repayment, cut the coupon and coupon could be in PIK.

The Exchange offers

The exchange offers cover PWRLNG 4 07/25/22 and PWRLNG 7 1/8 11/08/22 (the holdouts of the 2 bonds subject to exchange offer in Jul'22), as well as PWRLNG 6.95 07/23/23. The exchange offers are to extend the maturities of these 3 USD bonds to 2024-26. See the table below. For the holdouts of the 2 bonds subject to exchange offers in Jul'22, the "effective" maturity extension is in line with holders of the exchanged bonds (PWRLNG 4 07/14/23 and PWRLNG 7 1/8 01/15/24), i.e. 1-year and 2-year, from Jul'23 to Jul'24 and Jan'24 to Jan'26, respectively. For PWRLNG 6.95 07/23/23 which is the first time subject to an exchange offer, the extension is 29-month. The coupon rates will remain the same and coupon will be payable semi-annually. The deferred upfront payments will be 2-3 pts. Only the exchange offer of PWRLNG 6.95 07/23/23 will be subject to a minimum acceptance level of 90% of the principal amount of USD420mn. The incentive fee for the exchange offers is 0.25pt and deadline for the exchange is 4 Jul'23.

The consent solicitation

The consent solicitation covers PWRLNG 6.25 08/10/24, PWRLNG 5.95 04/30/25 and PWRLNG 4.9 05/13/26. The consent solicitation is to carve out any event of default resulting from the default PWRLNG 6.95

07/23/23 which is subject to the exchange offer in this round of liability management exercise. The approval threshold of the consent solicitation is 50%. The consent fee is 0.15pt and the deadline for the exchange is 4 Jul'23

The concurrent consent solicitation

The concurrent consent solicitation covers the 2 exchanged bonds from the liability management exercise in Jul'22: PWRLNG 4 07/14/23 and PWRLNG 7.125 01/15/24. In brief, the keys for the concurrent consent solicitation are to further extend the maturities of the 2 exchanged by 1-2 years, as well as to carve out any event of default resulting from the default PWRLNG 6.95 07/23/23. The approval threshold will be 75%. The consent fee is 0.25pt and the deadline for the exchange is 4 Jul'23.

	O/s amt (USDmn)	New Notes principal	New maturity	New Coupon	Deferred upfront payment
Exchange offer					
PWRLNG 4 07/25//22	21.294	USD100	Jul'24	4%	2%, payable on 4 Aug'23
PWRLNG 7.125 11/08/22	37.259	USD100	Jan'26	7.125%	2%, payable on 6 Mar'24
PWRLNG 6.95 07/23/23	420	USD97	Dec'25	6.95%	3%, payable on 6 Oct'23
Consent solicitation					
PWRLNG 6.25 08/10/24	500				
PWRLNG 5.95 04/30/25	535				
PWRLNG 4.9 05/13/26	200				
Concurrent consent solicitation					
PWRLNG 4 07/14/23	169.77	-	12 Jul'24	-	2%, payable on 4 Aug'23
PWRLNG 7.125 01/15/24	247.51*	-	15 Jan'26	-	2%, payable on 6 Mar'24
Minimum acceptance amount	Any and all, except USD378mn for PWRLNG 6.95 07/23/23				
Additional entitlement					
- PWRLNG 4 07/25//22	An amount equal to interest accruing from the settlement date to and excluding 14 Jul in cash. 2% of entitlement payable on 4 Aug'23, 98% of the entitlement payable on 11 Aug'23.				
- PWRLNG 7.125 11/08/22	An amount equal to interest accruing from the settlement date to and excluding 15 Jul in cash. 2% of entitlement payable on 6 Mar'24, 98% of the entitlement payable on 14 Aug'23.				
- PWRLNG 4 07/14/23	An amount equal to interest accruing from the settlement date to and excluding 14 Jul in cash.				
- PWRLNG 7.125 01/15/24	An amount equal to interest accruing from the settlement date to and excluding 15 Jul in cash.				
Deferred interest consideration - PWRLNG 6.95 07/23/23	Accrued and unpaid interest up to and excluding the settlement date in cash, payable on 4 Aug'23				
Mandatory redemption - PWRLNG 7.125 01/15/24	Upon the full redemption of PWRLNG 4 07/14/23 on or prior to 12 Jul'24, it shall redeem on a pro rata basis equal to 10% of the issue amount equal to 100% of the principal amount plus accrued and unpaid interest to (but excluding) 12 Jul'24				
Incentive fee/ consent fee/ concurrent consent fee	USD0.25				
Expiration deadline	4 Jul				
Settlement date	On or about 6 Jul				
Listing of new notes	On or about 7 Jul				
Consent fee payment date	6 Jul				
Required consent	Not less than a majority in the respective aggregate principal amount				
Required concurrent consent	No less than 75% of the respective aggregate principal amount				

Note: The amount does not include USD2.09mn held by company's affiliates.

Source: Company's filings.

Click [here](#) for full report.

➤ **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**

- Onshore primary issuances suspend during the Public Holiday. As for Month-to-date, 1,462 credit bonds were issued with a total amount of RMB1,355bn raised, representing a 20.4% yoy increase
- **[KIJAIIJ]** Media reported that Jababeka is seeking loans to repay USD14.1mn outstanding due-2023 notes
- **[RSMACA]** Red Star Macalline announced that the sale of a controlling stake to Xiamen C&D has completed
- **[VEDLN]** Vedanta denies reports on sale of copper plant in southern India for cUSD550mn
- **[YNPOWE]** Yunnan Provincial Energy Investment issues RMB1bn 340-day bills at 4.4% to repay debts
- **[ZHPRHK]** Zhenro Properties to sell 80% of project company holding Nanjing land parcel for RMB75mn to Changjiang Industrial Investment Group

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