

CMBI Credit Commentary

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

- *Markets sentiment recovered compared to the previous days. Low beta IG names HKAA/AIA/CKHH tightened 2-5bps, AMC sector were unchanged. For LGFV/SOE Perp/AT1, front-end and callable within 2023 names were better buying while long-end names skewed to sell.*
- **SAKAEI/PGASIJ:** *PGN's tender offer reinforces our views that SAKAEI'24 is a good leverage play. PGASIJ 5.125'24 largely unchanged after the news and it is trading at 100.15 with YTM of 5% this morning. See below.*
- **FUTLANs/FTLNHDs:** *Issued USD100mn 364-day paper to refinance FTLNHD 7.95 06/01/23. FUTLAN/FTLNHD changed -0.5 to +0.75pt this morning. See below.*

❖ Trading desk comments 交易台市场观点

Yesterday, Asia ex JP IG was traded in a constructive tone amid the front-end of UST widened around 10bps overnight. On the recent new issue front, new BOCAVI 28 tightened 3bps and CKHH 28s/33s were also under better buying on the back of rates movement. In Chinese SOEs, HAOHUAs grinded 4-7bps tighter post the Syngenta headline of reviving its IPO process. TMT benchmarks were traded within a small range, TENCNT 28s-30s edged 2bps tighter amid two-way flows. High beta TMTs such as LENOVO/MEITUA/XIAOMI were under better buying as well. In leasing sector, the front-end of CCBL/ICBCIL were under some selling from PB accounts. In financials, Chinese bank T2s such as CCB/CINDBK 29s were under better selling. In AMCs, HRINTHs were marked around 0.5pt lower (10-20bps wider) with small selling on the belly, but the flows quieted down. In Korean space, KOROIL/SKONKR/HYUELE continued to be better bid. Chinese properties remained fragile. LNGFOR 27s slumped another 5pts and the rest of the LNGFORs were marked down 1-2pts, after falling 3.5-4.5pts across the curve on Wed. CHINSC performed mixed with its 24s gained 3pts, but rest of the curve lowered 1-4pts. COGARDs dropped 1-5.5pts across the curve, with its 26-30s stayed range bound between high-20s and low-30s. SHUION 24s/26s moved 2.5-5pts lower. AGILE/CIFIHG 24s-26s were down 0.5-1.5pts. In industrials, HILOHO '24 gained 1.25pts and EHICAR '24 was bid up 0.5pt. Macau gaming names such as SANLTDs/STCITYs/WYNMACs were quoted 0.75-1.75pts lower. In Indian space, VEDLNs were indicated 0.5-1pt higher. Indonesian name LPKRIJ '26 was up 0.75pt. Elsewhere, GLPSP 24s/26s edged 0.25-0.5pt lower.

In the LGFV/Perp/Asia AT1 spaces, sentiment stabilized but remained lackluster. Flow-wise, onshore RM continued to deploy in quality LGFVs, though in a relatively slow pace. On the other hand, we also saw bonds coming out of AM and structured products unwinding on LGFVs such as CQNANA/KMRLGP. Elsewhere, SOE Perps and Asian AT1s were traded

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slightly softer amid better selling, although European AT1s were better bid by PBs after London desk came in. HSBC/STANLN Perps were traded 0.25pt higher. In HK Perps, NWDEVL curve had a sharp rebound and CKINF/NANFUN perps gained 0.5pt with street short covering. NWDEVL 6.15 Perp/5.25 Perp led the move to be squeezed 4-4.5pts higher with PB buying, and after falling 8pts WTD.

❖ Last Trading Day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
NWDEVL 6.15 PERP	86.0	4.5	COGARD 6.15 09/17/25	34.8	-5.5
NWDEVL 5 1/4 PERP	80.9	3.8	SHUION 6.15 08/24/24	82.5	-5.2
CHINSC 7 3/8 04/09/24	39.1	2.9	COGARD 5.4 05/27/25	39.0	-5.0
NWDEVL 6 1/4 PERP	69.9	1.4	LNGFOR 3 3/8 04/13/27	77.1	-4.9
HILOHO 9 3/4 11/18/24	55.6	1.2	COGARD 5 1/8 01/17/25	45.2	-4.6

❖ Marco News Recap 宏观新闻回顾

Macro – S&P (+0.94%), Dow (+0.34%) and Nasdaq (+1.51%) led by tech companies to rally higher. The US House Speaker expected Democrats and Republicans will make the deal about debt ceiling next week. The US St Louis and Dallas Fed president expressed hawkish view against rate-hike pause. Latest initial claim of jobless in the US was +242k, lower than expectation of +254k. The US treasury edged higher yesterday, the 2/5/10/30 yields reached 4.24%/3.69%/3.65%/3.91%, respectively.

❖ Desk analyst comments 分析员市场观点

➤ SAKAEI/PGASIJ: PGN's tender offer reinforces our views that SAKAEI'24 is a good leverage play

PGN announced a tender offer to purchase its sole outstanding USD bond, PGASIJ 5.125 05/16/24, in full at USD100.6. This is PGN's second tender offer for PGASIJ 5.125 05/16/24 over the past 6 months. Recalled that PGN tender-offered to redeem USD400mn of PGASIJ 5.125 05/16/24 in Dec'22. Separately, Saka Energi early redeemed USD248.8mn of SAKAEI'24 through market repurchases and tender offer during FY22. These demonstrated PGN's confidence on its liquidity, as well as that of Sake Energi. These also reinforces our belief that SAKAEI'24 is a good leverage play on PGN in view of Saka Energi's significant improvement in credit and liquidity profile, and the track record of support from PGN. See our [more detailed comments on Sake Energi on 17 May'23](#).

The outstanding amount of PGASIJ 5.125 05/16/24 is USD950mn, and PGN plans to fund the tender offer with internal resources and bank loans. On 9 May'23, PGN signed loan agreements with four Indonesian banks to raise USD800mn in total for debt refinancing and other corporate purposes. Assuming the full amount to be used to fund the tender offer, PGN will only need to use USD150mn out of its USD1.63bn cash reported at Mar'23. The cash level will remain abundant after the tender offer, compared with its cash level at a range of USD1.04-1.50bn at Dec'18-Dec'22. PGASIJ 5.125'24 was largely unchanged after the news and it is trading at 100.15 with YTM of 5% this morning.

Bond	PGASIJ 5.125 05/16/24
Tender price	USD100.6
Outstanding amount	USD950mn
Tender amount	Any and all
Expiration date	25 May
Price	USD100.15
YTM	5.0%

Bond	SAKAEI 4.45 05/05/24
Price	97.6
YTM	7.1%

Source: Bloomberg, Company's filing.

➤ **FUTLAN/FTLNHD: Issued USD100mn unlisted bonds to refinance FTLNHD 7.95 06/01/23**

Media reported that Seazen issued USD100mn 7.95% unlisted bonds with maturity of 20 May'24 to refinance due-1 June FTLNHD 7.95 06/01/23 of same amount. The new 364-day paper was issued by Seazen's SPV and guaranteed by Seazen Group. Seazen is one of the few non state-owned property developers with continued access to various funding channels. As we discussed before, the key difference among Seazen and other Chinese developers in distress are Seazen's ownership of a maturing investment property portfolio which generates growing and recurring cash flow and can be collateralized for secured funding. As of 1Q23, Seazen operated 145 Wuyue Square, increased from 140 in Dec'22 and planned to run c160 by the end of 2023. In 4M23, its commercial operating revenue is RMB3.3bn, increased 7% yoy. We consider Seazen's refinancing risk manageable in near term. See our [comments on 4 Apr'23](#) for more detailed discussions.

Security Name	YTM (%)	Ask Price	o/s amount (USD mn)
FTLNHD 7.95 06/01/23	39.5	99.2	100
FTLNHD 6.8 08/05/23	42.8	93.1	350
FTLNHD 7.95 05/20/24	8.0	100.0	100
FUTLAN 6 08/12/24	37.9	70.8	250
FTLNHD 4.8 12/15/24	36.1	64.9	450
FUTLAN 4.45 07/13/25	35.5	55.9	300
FTLNHD 4.625 10/15/25	32.1	56.3	300
FTLNHD 4.5 05/02/26	32.2	49.6	404
Total			2,254

Source: Bloomberg.

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

Issuer/Guarantor	Size (USD mn)	Tenor	Coupon	Yield	Issue Rating (M/S/F)
Korea Credit Guarantee Fund	300	3yr	4.954%	T+120	Aa2/AA/-

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

Issuer/Guarantor	Currency	Size (USD mn)	Tenor	Pricing	Issue Rating (M/S/F)
Korea Credit Guarantee Fund	USD	-	3yr	T+155	Aa2/AA/-

➤ **News and market color**

- Regarding onshore primary issuances, there were 100 credit bonds issued yesterday with an amount of RMB94bn. As for Month-to-date, 454 credit bonds were issued with a total amount of RMB545bn raised, representing a 33.5% yoy increase
- **[BABA]** Alibaba 4Q23 revenue up 2% yoy to USD29.8bn and adj. EBITDA up 37% yoy to USD4.6bn; it approved cloud business spin-off

- **[BTSDf]** Health & Happiness expects to sign agreement for RMB500mn 30-month loan facility with CCB before June-end
- **[CAPG]** Media reported that Aoyuan Group proposed a 3-year extension on its RMB2.54bn due 2025 bonds
- **[DALWAN]** Media reported that Dalian Wanda is preparing for c30% layoffs to reduce labour costs
- **[FUTLAN]** Media reported that Seazen issued USD100mn 7.95% unlisted bonds to refinance due-1 June listed notes of same amount
- **[GEELY]** Geely committed GBP234mn investment to become the third largest shareholder of Aston Martin
- **[LVGEM]** LVGEM (China) completed issue of USD20mn 6% CBs due 2025
- **[MEITUA]** Meituan to start operations in HK next week
- **[SINOCH]** Sinochem-owned Syngenta moves to planned IPO to Shanghai main board
- **[SUNHKC]** Sun Hung Kai & Co repurchased USD45.15mn of 5% notes due 2026 in open market
- **[VEDLN]** Media reported that Vedanta Resources is in talks with international lenders to raise USD500-600mn loan to fulfil debt repayment obligations later in May
- **[ZHHFGR]** Zhuhai Huafa Properties proposes to offer RMB3.04bn corporate bonds

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