

## CMBI Credit Commentary

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

- *Market were stable this morning. Asian IG were two-way balanced and LGFV/AT1/SOE Perp skewed to selling. LVGEM (China) plans to issue USD20mn CB, LVGEMs unchanged this morning. See below.*
- **Chinese TMT:** Buy XIAOMI 0'27 (CB), XIAOMI 30-31s, MEITUA 0'27 (CB) and PDD 0'25 (CB). See below.
- **China Policy** – Credit demand softens as economic recovery slows. See below for comments from our economic research.

#### ❖ Trading desk comments 交易台市场观点

Yesterday, overnight UST yields retreated 5-12bps across the curve, post US Apr CPI rose lower-than-expected 4.9% yoy. The recent new issues BAYFIM/EXIMCH 26s edged 1-3bps wider.. Chinese SOEs were roughly stable. The belly of HAOHUA curve was under small better selling at the recent tightens. TMT benchmarks opened strongly, tightening 1-3bps, but TENCNT/BABA 10y papers closed unchanged to 2bps tighter after more profit taking flows emerged. In high-beta/BBB TMTs, LENOVO curve tightened 3-5bps amid two-way interests. The financial papers were resilient amid mixed flows. In AMCs, HRINTH 29s/30s were subdued, while CCAMCL 28s-30s were under better buying. In SG space, UOBSP/OCBCSP 32s were lifted 2-5bps tighter. Korea names KDB/POHANG were under better buying. HYUELE 28s tightened 10bps. Chinese properties continued to be weak, except for COGARDs which rebounded 1-3pts across the curve. On the other hand, CSCHCN 24s declined 1-2.5pts. SINOCE/CHINSC/ROADKGs were down 0.5-1.5pts. AGILEs/GRNLGRs moved 1.5-2.5pts lower. HPDLF'24, on the other hand, were bid up 0.5pt after the c7pts drop on Wednesday. Away from properties, CARINC'24 was traded up 0.5pt to closed at 95.375. Car Inc announced a strong 1Q23 results with a positive guidance. FOSUNI 25-27s were traded 0.5-1pt lower. Macau gaming names such as SANLTDs/STCITYs were marked down 0.25-0.75pt. In Indian space, VEDLNs were traded 1-1.5pts higher. Indonesian oil name MEDCIJs were bid up around 0.5pt.

In the LGFV/Perp/Asia AT1 spaces, deployment buying remained solid in quality single-A-rated/provincial platform LGFVs, as well as longer-dated-to-call SOE Perps and Chinese AT1s. On the other hand, there were some profit takings on the BBB LGFVs and c24 SOE Perps, but their bids remained supportive thanks to the lower rates. The higher beta/weaker LGFV names, except for those affected by the weak property sentiment, remained well bid also as investors continued to hunt for yield. GSHIAVs/TLINVTs were quoted 0.25-0.5pt higher. Elsewhere, the front end papers in Chinese AT1s/Perps were also under better buying as clients looked to park cash. Thai AT1s such as KBANK/BBLTB Perps were indicated 0.25pt higher.

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HK corp names such as NWDEVL 4.8 Perp/LIFUNG 5.25 Perp/PEAKRN 5.35 Perp were marked down 0.5-1.5pts.

#### ❖ Last Trading Day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
COGARD 5.4 05/27/25	49.2	3.1	CSCHCN 9 10/09/24	73.2	-2.6
COGARD 2.7 07/12/26	37.5	2.8	GRNLGR 5.6 11/13/24	35.4	-2.4
COGARD 3 1/8 10/22/25	40.8	2.6	CSCHCN 9 12/11/24	70.7	-2.0
COGARD 4.2 02/06/26	40.7	2.5	SINOCE 2.7 01/13/25	27.9	-1.8
COGARD 7 1/4 04/08/26	41.2	2.4	PEAKRN 5.35 PERP	81.0	-1.6

#### ❖ Marco News Recap 宏观新闻回顾

**Macro** – S&P (-0.17%), Dow (-0.66%) and Nasdaq (+0.18%) were mixed yesterday that worries about regional banks reignited. U.S. Apr PPI was +2.3% yoy, lower than expectation of +2.4% yoy. U.S. latest weekly initial jobless claim was +264k, higher than expectation of +245k. The U.S. treasury overall down yesterday, yield curve bull flattened and the 2/5/10/30 yields reached 3.89%/3.36%/3.39%/3.73%, respectively.

#### ❖ Desk analyst comments 分析员市场观点

##### ➤ Chinese TMT: Buy XIAOMI 0'27 (CB), XIAOMI 30-31s, MEITUA 0'27 (CB) and PDD 0'25 (CB)

#### Executive Summary

- **Strong liquidity profile and a moderating regulatory environment:** Chinese TMT issuers are cash-rich with solid liquidity profiles. Most of them are in net cash positions and/or have strong coverage ratios for their rating levels. See Table 2. Despite the noise on sanction risk and recent weakness in their equities. Their credit stories remain solid. We take additional comfort that the restrictive regulatory environment is moderating.
- **XIAOMIs are our top picks with favourable risk-return profile:** XIAOMI 3 3/8 04/29/30 and XIAOMI 2 7/8 07/14/31 are trading at higher YTM than JD/WB/MEITUA at similar credit rating. XIAOMI'30 is trading at 80.9 while XIAOMI'31 is trading at 75.9, both with YTM of c7%. See Table 1.
- **Shorter-dated carry plays in CB space.** We consider XIAOMI 0 12/17/27 (CB), puttable in Dec'25 with a YTP of 6.8%, a good shorter-dated play within the XIAOMI curve. On MEITUAs, we prefer MEITUA 0 04/27/27 (CB) which offers yield pick-up of c140bps over MEITUA 2.125 10/28/25. Additionally, the cash price of the CB is c4pts lower and the tenor is effectively 6 months shorter. We also like PDD 0 12/01/25 (CB), puttable in Dec'23, as a good short-dated carry play with a cash price of 95.8 and YTP of 8.4%. Xiaomi, Meituan and PDD all have large net cash positions and CB redemptions should be well manageable.

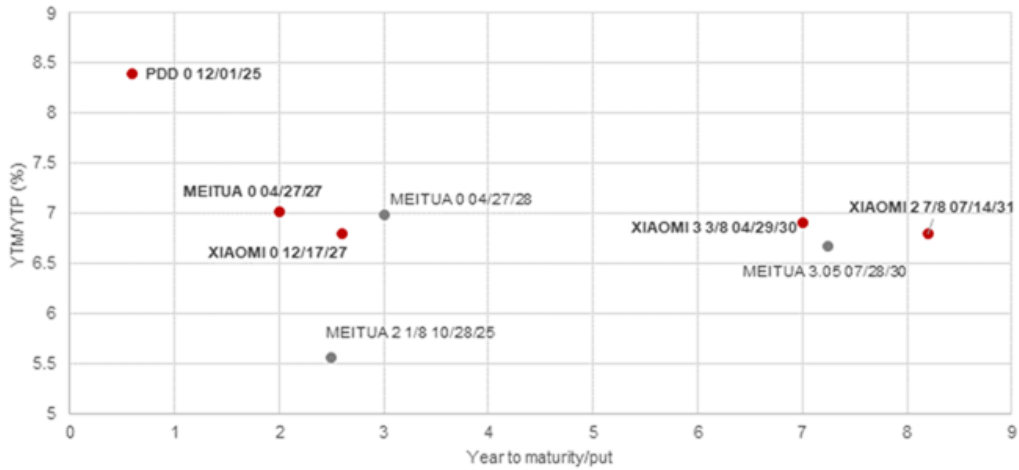
**Table 1: Summary of our picks**

Bond	Px	YTM/YTP	Outstanding (USDmn)	Maturity/put date	Year to maturity/put
MEITUA 0 04/27/27	87.8	7.0%	1,480	04/27/25	2.0
PDD 0 12/01/25	95.8	8.4%	2,000	12/01/23	0.6
XIAOMI 0 12/17/27	84.1	6.8%	855	12/17/25	2.6

XIAOMI 3 3/8 04/29/30	80.9	6.9%	600	04/29/30	7.0
XIAOMI 2 7/8 07/14/31	75.9	6.8%	800	07/14/31	8.2

Source: Bloomberg.

Chart 1: YTM/YTP of MEITUAs, PDD and XIAOMIs



Source: Bloomberg.

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➤ **LVGEM: Issue USD20mn 6% convertible bonds to CCB International**

LVGEM (China) plans to issue USD20mn convertible bonds at 6% due in 2025 to CCB International. The conversion price at HKD2, compared with the yesterday close at HKD1.65. The proceeds will be used to repay the CB LVGEM 5 05/17/23 issued in 2018 with an outstanding amount of USD78mn. Taking a cue from the small issuance of USD20mn to a single investor with a shorter maturity, the refinancing environment remains challenging for non state-owned developers. It shall need additional financing from banks to bridge the gap between the planned issuance and the outstanding amount. Nonetheless, the liquidity pressure of the company will ease after the redemption of CB.

According to Bloomberg, the company only has two bonds outstanding: LVGEM 6 08/11/23 and LVGEM 8 12/21/23, both will be due in 2H23 totaled cUSD24mn. Recalled that the company has repaid USD470mn LVGEM 12 03/10/23 in full during Feb-Mar'23 via secondary market repurchase of cUSD87mn and the remaining at maturity.

➤ **China Policy – Credit demand softens as economic recovery slows**

China's new credit growth kept flat in April despite a low base last year. Households' credit demand softened as the recovery momentum weakened in housing market and durable consumption. Consumer income growth and confidence remained weak as labor market was not strong. Private businesses accounted for over 80% of urban employment and they were still cautious to expand capex and employment. Credit demand of SOEs and LGFVs was relatively strong as new loans to corporate sector remained high. Looking forward, China has to

further lower loan rates and send stronger pro-business signals to boost private business confidence and recovery momentum.

**Total social financing was higher than our forecast yet below market expectations.** Total social financing picked up 30.8% YoY in April after growing 20.5% YoY in 1Q23. Breaking down items, the YoY growth of new renminbi loans decelerated from 28.4% in 1Q23 to 22.5% in April as households' loan demand declined. Off-balance-sheet financing remained weak as investors' risk appetite was still low. Corporate bond financing continued to decline 14.8% in April after dropping 27.9% in the first quarter as corporate loans had lower financing costs. Government bond financing rose 16.3% in April after growing 15.7%, pointing to moderate expansion of fiscal expenditure in 2Q23.

**Mortgage and consumer loans shrunk again as recovery momentum in housing & durables weakened.** New medium & long term loans to households turned negative again in April as mortgage repayment exceeded new mortgage borrowing. New short term loans to households also dropped to a negative number as durable consumption remained weak. We note housing sales retreated again in April especially in lower-tier cities.

**Corporate loans maintained strong growth as businesses use more debt to support operation and capex.** Corporate loans continued to expand in April as new medium & long term loans to enterprises rose 151.5% YoY in April after growing 69.1% YoY in 1Q23. Due to weak profit and low loan rates, corporates tends to use more debt to support their operation and capex. In April, bill discount financing turned positive as bill discount rates sharply declined amid weakening of loan demand.

**The possibility of additional monetary policy easing increases due to a subdued credit demand and a fading recovery trend.** Recent information indicates China's economic recovery has noticeably slowed especially in property, durables and business capex. Despite some moderate improvement after the economic reopening, private business sentiment and consumer confidence has remained low. The possibility of additional monetary policy easing like RRR or LPR cut increases due to a subdued credit demand and a fading recovery trend.

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

Issuer/Guarantor	Size (USD mn)	Tenor	Coupon	Yield	Issue Rating (M/S/F)
MDGH GMTN RSC Ltd	1000	10.5yr	4.375%	T+105	Aa2/-/AA
MDGH GMTN RSC Ltd	500	30yr	5.084%	T+135	Aa2/-/AA
Shaanxi Xixian New Area Airport New City Development & Construction Group	50	3yr	6.2%	6.2%	-/-/-

#### ➤ 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 26 credit bonds issued yesterday with an amount of RMB39bn. As for Month-to-date, 218 credit bonds were issued with a total amount of RMB207bn raised, representing a 3.2% yoy increase
- **[ADEIN]** Media reported that Adani Enterprises, Adani Green Energy, and Adani Transmission consider up to USD5bn cumulative fundraise
- **[ADROIJ]** Adaro Energy plans IDR4trn (cUSD271mn) share buyback and USD1bn dividend payment for FY22
- **[ADSEZ]** Adani Ports pays total early tender offer consideration of USD127.4mn for 3.375% senior notes due 2024
- **[CARINC]** CAR Inc 1Q23 revenue up 56% yoy to RMB2bn and EBITDA up 88.4% to RMB0.94bn
- **[CIFIHG]** Media reported that CIFI mulling increasing upfront payment under extension proposal for RMB2.12bn bonds, unlikely to provide chairman's guarantee
- **[DEXICN]** Dexin China to sell 35% of Wuhu Dingxiang Real Estate Development for RMB102mn (cUSD15mn)
- **[JD]** JD.com 1Q23 revenue up 1.4% yoy to USD35.1bn and EBITDA up 56.6% yoy to USD1.4bn
- **[LVGEM]** LVGEM (China) to issue USD20mn 6% CBs due 2025
- **[SANLTD]** Sands China signed amended, restated facility agreement for revolving unsecured credit facility totaled cUSD2.5bn
- **[VEDLN]** Media reported that Vedanta resumes talks with JPM, StanC for smaller loan (USD500-600mn) at Zinc Int'l; its discussions with Farallon for USD1bn loan in final stages

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