

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 2024](#)". Thank you for your support!

- *Flows on ZHOSHK'28 skewed to better selling. In Asian IG space, CCAMCL/HAOHUA/TENCNT widened 2-3bps. HYUELEs tightened 1-2bps.*
- *ZHOSHK: Larger than expected issue paves the way for refinancing. Buy ZHOSHKs. New issue ZHOSHK'28 traded 5bps wider while cash price rose c0.15pt, See comments below.*
- *LGFV: Supports for debt repayments of LGFVs in 12 provinces with high debt ratios extended to Jun'27. See below for comments.*

❖ Trading desk comments 交易台市场观点

Yesterday, the new KOHNPW 27s widened 2bps from RO (T+70). KRKPSC 27-29s tightened 1-3bps. In financials, SMBCAC '34/MIZUHO '35 were 1-2bps tighter on PB buying. ANZ/MQGAU Float 27s widened 1-2bps. BBLTBs tightened 1-3bps. In AT1s, ACAFP 6 Perp/UBS 7.75 Perp were 0.1-0.2pt higher. Chinese AMCs were mixed, HRINTH 25-30s closed unchanged to 0.2pt higher (unchanged to 5bps tighter). GRWALL 7.15 Perp was 0.2pt higher. CCAMCL 29-31s, on the other hand, widened 2-4bps. ORIEAS 29s widened 2bps on small selling. BCHINA 24s tightened 3bps. In Chinese IGs, the long end of YANTZEs were 0.3-0.6pt lower (unchanged to 10bps wider in spreads). HAOHUA/TENCNT 28s were 1-2bps tighter. MEITUA/LENOVO 30s tightened 2-3bps. ZHOSHK '26 was 12bps tighter (0.2pt higher). ZHOSHK priced a USD600mn 3.5-yr bond at T+198. See below for comments. In HK, BNKEA 34s tightened 4bps. DAHSIN 33s closed 1bp wider under small selling. CKINF/LIFUNG Perps were up 0.3pt. Chinese properties were firm. FUTLAN/FTLNHD 25-26s moved 1.0-1.7pts higher. ROADKGs were up 0.5-1.3pts and closed 0.8-2.9pts higher WTD. SHUION 25/26 were 0.4-1.3pts higher. PINGRE '26/DALWAN '26/YUEXIU '31 were up 0.7-0.8pt. YLLGSP '26/VNKRLE '29 were 0.4pt higher. In industrials, EHICAR '27 was up 0.3pt. In Macau gaming, MGMCHI '25/WYNMAC '29 were 0.3pt lower. In Indonesia, MDLNIJ '25 declined 0.6pt. In India, the new PIELIN '28 rose 0.5pt from RO (99.556) and closed around 100.1. Elsewhere, the new VLLPM '29 was up 0.4pt from par.

In the LGFVs/SOE perps/high beta spaces, ZHHFGR priced a CNH1.9bn NC3 Perp at par to yield 6.0% and the USD ZHHFGRs closed unchanged. CPDEV 25/26/ Perp were 0.2pt higher. CDHIIN '26/GUAMET '30 were up 0.3pt. KMRLGP '24/GSHIAV '25 were 0.2-0.3pt higher. JMUDIV/SHGUOH

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25s were up 0.1-0.2pt. In SOE perps, CHPWCN/HUADIA/SPICPT Perps were up 0.1-0.2pt. In the high beta names, ZHONAN '25/SUNSHG '26 were 0.1-0.2pt higher.

❖ Last Trading Day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
FTLNHD 4 1/2 05/02/26	66.8	1.7	SOFTBK 6 7/8 PERP	99.0	-0.8
SHUION 5 1/2 06/29/26	78.4	1.3	MDLNIJ 5 06/30/25	50.1	-0.6
ROADKG 7 PERP	26.3	1.3	YANTZE 2.15 09/22/30	87.2	-0.6
FUTLAN 4.45 07/13/25	81.5	1.1	YANTZE 3.2 10/16/49	73.8	-0.4
FTLNHD 4 5/8 10/15/25	76.3	1.0	TAISEM 3 1/8 10/25/41	78.4	-0.4

❖ Marco News Recap 宏观新闻回顾

Macro – S&P (-0.16%), Dow (-0.14%) and Nasdaq (-0.06%) were largely stable on Tuesday. The US Jun'24 home sales decreased to 3.89mn units, lower than the expectation of 3.99mn units. UST yields retreated yesterday, 2/5/10/30 yield reached 4.40%/4.15%/4.25%/4.48%.

❖ Desk analyst comments 分析员市场观点

➤ Zhongsheng: Larger than expected issue paves the way for refinancing. Buy ZHOSHKs

Priced at CT5+209bps and YTM of c6.3%, ZHOSHK 5.98 01/30/28 offer a good yield pick-up over ZHOSHK 3 01/13/26 which is trading at 96.5 (CT2+99bps). ZHOSHK 3 01/13/26 was c50bps tighter and 0.7pt higher since last week. We like the improving credit story of Zhongsheng ([see our detailed analysis on 13 Jun'24](#)) and acknowledged that new car sales only accounted for 5.9% of its aggregate profit in FY23. The larger than expected new issue will notably lengthen Zhongsheng's debt maturity profile and enhance its financial flexibility in refinancing the debt maturities in 2025. ZHOSHKs are amongst the higher yielding Chinese BBB credits. Hence, we initiate with a buy recommendation on ZHOSHK 5.98 01/30/28 and maintain buy on ZHOSHK 3 01/13/26 and ZHOSHK 0 05/21/25 (CB) which will be redeemed at 117.49 in May'21. The larger than expected new issue could offer Zhongsheng the war-chest for further early redemptions of ZHOSHK 3 01/13/26 and the CB through market repurchases. This should continue to support the performance of ZHOSHK 3 01/13/26 and the CB.

While the coupon rate of the new issue is higher than that of ZHOSHK 3 01/13/26, the tender offer could pave the way for closing the refinancing of syndicated loan of USD350mn due Apr'25 and avoid rating downgrade pressure. Recalled that Zhongsheng will have offshore syndicated loans of USD350mn due Apr'25 and o/s CBs of HKD3.1bn (cUSD400mn) maturing in May'25. We understand that Zhongsheng is in good progress of refinancing the offshore syndicated loans with another 3-yr syndicated loans of USD350mn with lower credit spread (although higher SOFR will lead to higher all-in funding cost). The USD600mn new issue and concurrent tender offer should help speed up the closing of the new syndicated loan. As per our discussions with Zhongsheng, the closing of the new syndicated loans is not conditional upon the completion of new issue and concurrent tender offer.

Anyhow, we are not too concerned on Zhongsheng's liquidity profile in view of its positive operating cash flow and adequate liquidity profile. Yesterday, Zhongsheng announced that it has NAFMII's approval for Panda bond issues of up to RMB5bn. These recent funding exercises will considerably lengthen Zhongsheng's debt maturity profile and enhance its liquidity profile.

Ticker	Ccy	O/S (mn)	Coupon	Maturity	Offer price	Z-spread	YTM (%)
ZHOSHK 0 05/21/25 CB	HKD	3,124.0	0.0%	5/21/2025	111.8	138.5	6.1%
ZHOSHK 3 01/13/26	USD	450.0	3.0%	1/13/2026	96.5	92.8	5.5%
ZHOSHK 5.98 01/30/28	USD	600	5.98	1/30/2028	99.1	226.6	6.3%

Source: Bloomberg.

➤ LGFV: Supports for debt repayments of LGFVs in 12 provinces extended to Jun'27

Media reported that China government issued another document (No.134) on the support of debt repayments of LGFVs last week. The new document extended the validity of previous supportive document (No.35) to Jun'27 from the end of 2024.

Under No.35 document, the government asked financial institutions to support LGFVs of 12 heavily indebted provinces on repayments of debts due before 2025 via debt restructuring or debt swap, etc. Besides, PBOC would provide emergency loans to relieve liquidity risk for those LGFVs in relation to the maturities before 2026 if their respective local governments would be unable to solve their LGFVs' debt problem. For LGFVs in other provinces with less heavy debt load, they could restructure or swap debts with financial institutions in a market-oriented manner and apply for short-term bridge loans from PBOC.

On the other hand, the new No.134 document prohibits LGFVs from issuing new offshore bonds with tenor shorter than one year while allows LGFVs to repay offshore debts with proceeds from onshore bond issues. We believe that the impact of this prohibition should be small given the relatively small size of 364-day papers (total o/s amount is only USD3.3bn). Additionally, most of these 364-day papers were issued by LGFVs from provinces with less heavy debt load such as Shandong and Henan and those LGFVs remain accessible to onshore funding channels.

While we are yet to have the full access of reported No. 134 document, from the patchy information we have so far, the No.134 document demonstrated the strong commitment from the government to support LGFVs, especially those from provinces with high debt ratios. Provinces such as Chongqing, Gansu, Guangxi, Guizhou, Jilin, Tianjin and Yunnan will be the major beneficiaries. Among LGFV bonds from these regions, our picks are CCUDIH, GSHIAV, GXFING and KMRLGP for better risk-return profiles.

Security Name	ISIN	O/S amount (USD mn)	Mod Dur	YTM (Ask)	Ask Price	Rating (M/S/F)
CCUDIH 4.3 09/09/24	XS2374510407	230	0.1	6.1	99.8	Baa2-/BBB
CCUDIH 6.8 06/25/27	XS2824607266	230	2.6	6.7	100.2	-/BBB
CCUDIH 7 06/13/26	XS2701555968	200	1.7	6.5	100.8	-/BBB
CCUDIH 5 06/14/25	XS2476853085	250	0.9	6.1	99.0	Baa2-/BBB
GSHIAV 4.9 03/30/25	XS2455963590	300	0.7	6.1	99.2	-/BBB+/-
GXFING 7 ½ 11/14/25	XS2713658537	150	1.2	6.2	101.6	-/BBB
KMRLGP 3.9 12/12/24	XS2084435002	200	0.4	11.1	97.3	-/-
KMRLGP 8 ½ 12/07/25	XS2558634791	253	1.3	8.6	99.9	-/-

Source: Bloomberg.

➤ Offshore Asia New Issues (Priced)

Issuer/Guarantor	Size (USD mn)	Tenor	Coupon	Priced	Issue Rating (M/S/F)
Zhongsheng Group Holdings	600	3.5yr	5.98%	T+198	-/BBB/-

➤ Offshore Asia New Issues (Pipeline)

Issuer/Guarantor	Currency	Size (USD mn)	Tenor	Pricing	Issue Rating (M/S/F)
Agricultural Bank of China Hong Kong Branch	USD	-	3yr	3.35%	A1/-/-
Mirae Asset Securities	USD	-	3yr	T+135	Baa2/BBB/-

➤ News and market color

- Regarding onshore primary issuances, there were 122 credit bonds issued yesterday with an amount of RMB129bn. As for month-to-date, 1,462 credit bonds were issued with a total amount of RMB1,444bn raised, representing a 29.6% yoy increase
- **[CRHZCH]** China Resources Land obtained term loan of RMB800mn
- **[SKONKR]** S&P put SK Innovation, SK Geo Centric BB+ ratings on CreditWatch Positive and SK E&S BBB- rating on CreditWatch Negative on merger plan
- **[YZCOAL]** Yankuang Energy plans to acquire controlling stake in Australian potash producer Highfield Resources
- **[ZHOSHK]** Zhongsheng got approval for registration of RMB5bn debt financing instruments from NAFMII

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