

CMBI Credit Commentary

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

- *Market sentiment was firm this morning. Asian IG benchmarks tightened 1-2bps. We saw profit taking on BABA/TENCNT curves. High-beta IGs and Bank T2s were actively two-way traded. Non-China AT1s and LGFVs were under better buying.*
- *European AT1: Netherland's exploratory report will unlikely have material impact in the near-term. INTNED AT1s were unchanged to 1pt higher yesterday. See below.*
- *ROADKG: Weak results as expected. ROADKGs were unchanged to down 1.5pts this morning. See below.*

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❖ Trading desk comments 交易台市场观点

Yesterday, Asia IG space was quiet ahead of FOMC meeting while the tone remained constructive. The recent new SIASP '34 closed 1bp wider. In KR, HYNMTR/HYUCAP 27-29s were unchanged to 2bps wider. Chinese IGs were better bid. HAOHUA/TENCNT 29-30s were 1-3bps tighter. The BBB TMTs such as WB/XAIOMI 30s tightened 3-5bps. In financials, Chinese leasing and AMCs were mixed. BOCAVI 28-33s tightened another 2-3bps, but HRINTH 24-26s remained under better selling and widened 10-20bps. In T2s, DAHSIN '33 was 3bps tighter, and BNKEA '27 tightened another 5bps. BNKEA Perps were up 0.1pt and closed 0.3-0.5pt higher WTD. DBSSP/BBLTB/ANZ AT1s remained better-sold and closed unchanged to 0.1pt lower. EU AT1s were firm. BACR/HSBC Perps were 0.1pt higher under continuous buying from Asian PBs. INTNED AT1s were unchanged to 1pt higher yesterday. Media reported the Dutch government was exploring potential consequences of abolition of AT1s. See our comments below. In HK, NWDEVLs were up 0.1-0.5pt. HYSAN '29/ LASUDE '26 were down 0.5pt. Chinese properties performed mixed. VNKRL 24-29s moved 0.5-1.9pts higher. PINGRE '26/CHJMAO '29/CHIOLI '35 were 0.4-0.8pt higher. CSCHCN '27 was 1.9pts higher, whilst CSCHCN 24s were down 0.6-0.8pt. Radiance defaulted on RDHGCL 7.8 03/20/24. In industrials, HILOHO '24 slumped 11.2pts to low-60s, post Hilong announced the delay of its FY23 results. The company also disclosed it has appointed a financial advisor for its extension of debts. Macau gaming were mixed. MPEL/SANLTD 25-30s were 0.2-0.5pt higher, whereas WYNMAC 27-28s were down 0.3pt. In Indian space, ADSEZs/ADTINs/ADGREGs were 0.2-0.3pt higher. UPLLIN Perp was another 0.7pt lower. Indonesian name LMRTSP Perp was down 1.2pts.

In LGFVs, we saw decent two-way flows. The high-yielding LGFVs gained more tractions. CPDEV 25/26/Perp closed 0.3-0.4pt higher. Shandong names QDJZWD '24/HKIQCL '25 were 0.1-0.2pt higher. In SOE perps, COFCHK 3.1 Perp was up 0.1pt whilst HUADIA 3.375 Perp/RLCONS 3.97 Perp were down 0.1pt. In the high beta names, GRPCIN/ZHONAN 26s were 0.1pt higher.

❖ Last Trading Day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
VNKRLE 3 1/2 11/12/29	45.4	1.9	HILHO 9 3/4 11/18/24	64.9	-11.2
CSCHCN 4 1/2 08/19/27	26.8	1.9	LMRTSP 8.096 PERP	38.3	-1.2
YLLGSP 5 1/8 05/20/26	79.7	1.5	CSCHCN 9 10/09/24	25.0	-0.8
VNKRLE 3.975 11/09/27	49.1	1.1	UPLIN 5 1/4 PERP	71.1	-0.7
PLNIJ 6.15 05/21/48	99.9	0.9	CSCHCN 9 12/11/24	25.0	-0.6

❖ Marco News Recap 宏观新闻回顾

Macro – S&P (+0.89%), Dow (+1.03%) and Nasdaq (+1.25%) were strong on Wednesday and S&P continued to recorded historical high level. Fed held policy rate unchanged at 5.25%-5.50% as market expected. UST yield retreated yesterday, 2/5/10/30 yield reached 4.59%/4.25%/4.27%/4.45%.

❖ Desk analyst comments 分析员市场观点

➤ European AT1 - Netherland's exploratory report will unlikely have material impact in the near-term

Yesterday, INTNED AT1s were unchanged to 1pt higher, partly in response to Dutch Finance Ministry's report titled: [Policies for a resilient banking sector](#). The report touched on various topics such as stricter capital and liquidity requirements, and even the abolition of AT1. We quickly went through the report which is exploratory by nature. Instead of any concrete proposals, the report is more on the future regulatory direction. More importantly, as we discussed in our report titled: [European AT1 Top Picks](#), the Netherlands are in Eurozone and Dutch banks are under the regulatory regimes of ECB. Any proposed changes by the Netherlands have to be communicated and collaborated with other countries in the Eurozone. Hence, any concrete changes on AT1 and other capital and liquidity requirements will unlikely be materialized in the short-term. We consider that the exploratory report to have limited impact to European banks' AT1 in the near-term. In the meantime, we stick with our top picks, i.e. BACR 6 1/8 PERP, BACR 4 3/8 PERP and INTNED 3 7/8 PERP, in European AT1 space.

➤ ROADKG: Weak results as expected

HKD mn	2022	2023	yoy change
Revenue	17,156	13,075	-23.8%
-Property sales	16,172	11,895	-26.4%
-Property management and service income	828	963	16.3%
-Others	156	218	39.5%
Gross profit	2,944	-648	-122.0%
SG&A	-1,627	-1,226	-24.6%
EBITDA	1,353	-1,837	-235.8%
Profit before tax	1,098	-3,589	-426.8%
Net profit	459	-3,761	-920.0%

Gross margin	17.2%	-5.0%	-
EBITDA margin	7.9%	-14.1%	-
Net profit margin	2.7%	-28.8%	-
	Dec'22	Dec'23	
Cash and bank balances	8,262	5,480	-33.7%
ST debts	10,258	9,865	-3.8%
LT debts	21,919	12,768	-41.7%
Total debt (including perp)	39,138	29,596	-24.4%
Net debt (debt - all cash) (including perp)	30,876	24,116	-21.9%
Cash/ST debts	0.81x	0.56x	-

Source: Company filings.

Roadking announced weak FY23 results as expected given the sluggish real estate market in both mainland China and HK in 2023. In FY23, Roadking's revenue down 23.8% to HKD13.1bn from HKD17.2bn in FY22, mainly dragged by property sales segment from which the revenue dropped 26.4% to HKD11.9bn. The revenue from property management and service increased 16.3% to HKD963mn in FY23 while its proportion of total revenue was only 7.4%. In FY23, Roadking recorded net loss for HKD3.8bn in 2023 from HKD459mn net profit in FY22, in line with its profit warning in early Mar'24.

As of Dec'23, Roadking had cash on hand of HKD5.5bn, down from HKD8.3bn in Dec'22. Its cash/ST debts ratio lowered to 0.56x in Dec'23 from 0.81x in Dec'22. In 2023, Roadking repaid HKD11.1bn equivalent debts and lowered its total debts to HKD29.6bn. Recalled that [Roadking sold four expressways](#) in China to China Merchants Expressway Network & Technology Holdings for RMB4.4bn (cUSD609.8mn) in Nov'23. The long stop date of expressways sales is 31 Mar'24. Roadking would receive net proceeds of cUSD338mn in 1Q24 and use up to cUSD306.7mn for debts repayment as per announcement. We believe that majority of these proceeds would be used to repay cUSD280mn syndicated loans. In Jan'24, Roadking also repurchased USD281.7mn of three of its USD bonds with internal resources. Roadking has so far demonstrated a strong willingness to honor repayments. That said, we are concerned about the high refinancing pressure under the backdrop of weak property sales in HK and China. Recalled that we changed our recommendation on ROADKG 7.75 Perp in Jan'24 to neutral from buy. Please refer to our [2024 Asia Credit Outlook](#).

Security Name	ISIN	o/s amount (USD mn)	Ask Price	YTM/YTC (Ask)	Coupon reset	Rating (M/S/F)
ROADKG 6.7 09/30/24	XS2057076387	358.8	71.9	82.6	-	Caa1/-/-
ROADKG 5.9 03/05/25	XS2127855711	215.1	54.1	85.1	-	Caa1/-/-
ROADKG 6 09/04/25	XS2223762209	297.9	43.9	76.0	-	Caa1/-/-
ROADKG 5.2 01/12/26	XS2281039771	500.0	27.8	97.1	-	Caa1/-/-
ROADKG 5 ½ 07/26/26	XS2356173406	500.0	26.4	78.0	-	Caa1/-/-
ROADKG 7.95 PERP	XS1567389728	300.0	17.9	1123.9	-	Caa1/-/-
ROADKG 7 PERP	XS1635996603	300.0	16.8	1779.2	-	Caa1/-/-
ROADKG 7 ¾ PERP	XS2079096884	300.0	20.4	484.9	5yrUST+6.003%	Caa1/-/-

Source: Bloomberg.

➤ Offshore Asia New Issues (Priced)

Issuer/Guarantor	Size (USD mn)	Tenor	Coupon	Priced	Issue Rating (M/S/F)
Deqing Construction Development	150	3yr	5.48%	5.48%	-/-/-
SPDB Hong Long Branch	300	3yr	5.935%	SOFR+59	Baa2/BBB/BBB

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

Issuer/Guarantor	Currency	Size (USD mn)	Tenor	Pricing	Issue Rating (M/S/F)
Jinan Energy Group	USD	-	14m	6.4%	Baa1/-/-

➤ **News and market color**

- Regarding onshore primary issuances, there were 155 credit bonds issued yesterday with an amount of RMB111bn. As for month-to-date, 1,528 credit bonds were issued with a total amount of RMB1,457bn raised, representing a 6.9% yoy increase
- **[BTSDf]** H&H International issued RMB500mn bonds at coupon of 7.5% to repay existing offshore debt
- **[CHINSC]** China SCE Group expects to turn to loss for cRMB8bn in FY23 from RMB24.5mn profit in FY22
- **[CTFE]** Chow Tai Fook Enterprises launched up to HKD4.2bn-equivalent five-year HKD/USD SLL in syndication
- **[GEMDAL]** Media reported that Gemdale prepared funds to repay all public debts due first quarter
- **[GZRFPR]** Media reported that Guangzhou R&F's bondholders instructed Sullivan & Cromwell to send letter seeking asset-sale termination, restructuring talks
- **[MGMCHI]** MGM China terminated USD750mn undrawn subordinated revolving loan facility agreement with controlling shareholder MRI
- **[VEDLN]** Vedanta resources plans to reduce cUSD3bn of its debts in 2024-2026

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