

CMBI Credit Commentary

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

- **CSCHCN:** Working on new syndicated loans of at least RMB3bn. At high 80-low 90, we continue to see upside (7-10pts assuming fair yield of 10-12%) as its funding access is gradually normalized. We also consider CSCHCN24s good yield pick-up trades over LGFVs of higher tier cities (YTM of 5-6%). See below.
- **COGARD:** Media reported that Cogard expects to issue another up to RMB2bn CBICL-guaranteed notes in Mar'23. COGARDs rose 0.75-1.75pts this morning.
- **NWSZF:** NWS acquires 90% of Suzhou logistics property valued at RMB570m from Greenland Holding Group. NWSZFs up c0.25pt by mid-day.

❖ Trading desk comments 交易平台市场观点

Yesterday, Asia credit space had a very busy day. The market opened in a cautious tone (5-10bps wider) after weakening overnight macro sentiment but we saw short covering across spaces into afternoon. New issues (BOCOM/SHCMBK) outperformed, tightened 8-20bps. BOCOM 3y papers were chased by bank accounts given the higher all-in yield, and closed 8bps tighter at T+20 level. SHCMBK 10NC5 priced at T+240 and were squeezed to T+230 level under PB accounts chasing before lunch. In the afternoon, this was first squeezed to T+217 level, then closed at T+220 area by EOD. On secondary flow, spreads were 5-15bps wider to start as RM sold high beta TMT names also some Korea low beta papers like KHFC/KDB/EIBKOR. TMT space opened 5-8bps wider, but largely recovered from the intraday wide under a wave of squeezing in the PM session. Benchmark papers like BABA 31s/TENCNT 30s closed at T+135/T+160 level respectively, only 1-3bps wider than Tuesday close. While high-beta TMTs like LENOVO 30s remained to be better offered and widened 5bps to at T+255 level. Overall flows remained balanced. China SOEs like HOAHUA were under better buying. In financials, sentiment turned stronger as street tried to push AMC space. CCAMCL 29s/ORIEAS 29s were under better buying and remained largely firm at current T+180 and T+240 levels, respectively. We saw small selling on front-end CCAMCLs but were well absorbed. Bank T2 space performed well amid onshore buying and CCBs/BCHINA T2s were 3-5bps tighter. Leasing name BOCAVI 30s tightened 3bps to T+125 level. HK/Korea low-beta papers were better bid and edged 1-3bps tighter. In IG properties, LNGFORs got hit and were marked down ~0.5pt. Chinese HY property bonds still performed mixed. COGARDs were unchanged to 0.5pt higher as media reported it planned to issue another up to RMB2bn CBICL-guaranteed notes next month, with Foshan LGFV to provide support. CSCHCNs jumped 6-9pts to high-80s on the back of the arrangement at least RMB3bn 3Y domestic loan. CHINSC 23s were marked ~1pt higher at 84 level with PB buying.

Glenn Ko, CFA 高志和
 (852) 3657 6235
 glennko@cmbi.com.hk

Cyrena Ng, CPA 吳倩瑩
 (852) 3900 0801
 cyrenang@cmbi.com.hk

Jerry Wang 王世超
 (852) 3761 8919
 jerrywang@cmbi.com.hk

AGILEs were up 0.5-1pt. On the other hand, SINOCEs/CHINSCs/CIFIHG lowered 0.5-1.5pts. Industrial names HONGQIs/FOSUNIs drifted ~0.25pt lower under active two-way flows from RMs. Macau gaming names MPELs/STCITYs/WYNMACs were marked 1-2pts higher. In Indian space, Adani complex bonds were traded 0.5-1.5pts lower across the curve. VEDLNs and renewables were quoted down 0.25-0.5pt. Indonesian names were quiet, except LMRTSPs were up 3-4pts, following media reported LMIRT was in talks with relationship banks to refinance upcoming loan maturities of SGD217.5mn (USD162.4mn) and the trust is focusing on refinancing its ST loans first. Elsewhere, GLPCHIs/GLPSPs moved 0.5-1.5pts lower.

In the Perps/Asia AT1/LGFV spaces, tone remained fairly weak despite some short covering into and after noon. In SOE Perps and LGFVs we saw >=6% papers switched out and being unwound from structured products in light of rising funding costs, as potential buyers re-calibrated value and stayed cautious. SOE perps were 0.125-0.25pt lower, with active two-way flows on 23/24 call papers. HUADIA/HAOHUA perps drifted 0.125pt lower. Non-SOE Perps were another ~1pt lower on average as FFL papers remained heavy. NANFUNs dropped 2-3pts. NWDEVL perps were down ~0.5pt. In AT1s, quality names stabilized on the back of some short covering. AT1s opened 0.125-0.375pt lower in the AM session and rebounded ~0.25pt in the PM session. ICBCAS 3.2 Perp lowered 0.25pt. On the new issue front, GZUIHG 7.7% '26 lowered by ~0.5pts where buying interests emerged and it found support at 99.25/99.75 level. Whilst KNMIDI 9.8% '25 was firm and quiet, thanks to seemingly strong holding power from primary investors.

❖ Last Trading Day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
CSCHCN 9 06/26/24	90.6	9.1	NANFUN 5 PERP	78.0	-3.3
CSCHCN 9 07/20/24	89.3	8.3	PEAKRN 5.35 PERP	87.8	-2.1
CSCHCN 9 12/11/24	87.0	7.3	NWDEVL 4 1/8 07/18/29	82.5	-2.0
CSCHCN 9 10/09/24	86.7	6.5	NANFUN 5 09/05/28	93.5	-2.0
CSCHCN 9 04/12/24	90.4	6.2	NANFUN 3 7/8 10/03/27	90.0	-2.0

❖ Marco News Recap 宏观新闻回顾

Macro – U.S. stock markets remained weak yesterday. S&P (-0.16%), Dow (-0.26%) and Nasdaq (+0.13%) were affected by hawkish FOMC minute in which all meeting attendees said to further rise interest rate until inflation substantially decrease. The U.S. treasury yields slightly down yesterday, 2/5/10/30 yields reached 4.66%/4.13%/3.93%/3.94%, respectively.

❖ Desk analyst comments 分析员市场观点

➤ CSCHCN: Working on new syndicated loans of at least RMB3bn. Maintain Buy on CSCHCN'24s

As per our discussions with China South City, it is working on syndicated loans of at least RMB3bn to be closed in 2Q23. The loans will be on a secured basis and will have a tenor of 3 years. The new loans will mainly be used to refinance more expensive loans such as those from AMCs. The expected funding cost of the syndicated loans will be 5.5-6%. On 17 Feb'23, China South City disclosed that Local Financial Regulatory Bureau of Shenzhen Municipality was coordinating with 15 banks including ABC, BOC, BOCOM, CCB, CMB and ICBC to provide syndicated loans to the company. The syndicated loans will help cut its interest expenses by RMB300-400mn. The gross interest expenses of China South City in FY22 was cRMB3bn.

Separately, the equity injection of RMB5bn by SZCDG into Xi'an China South City is on track. The timing for instalment payments will be RMB2bn in Mar'23 and RMB3bn in May/Jun'23. Despite the equity injection will be at Xi'an China South City level, the uses of proceeds include RMB2.86bn for the repayment of related party

loans. This means that China South City will be able to upstream cash of RMB2.86bn to holdco level upon the completion of equity injection.

CSCHCN'24s were 6-9pts higher yesterday, and were largely stable this morning. As discussed, we consider China South City one of the survivors of the sector in view of the state-ownership and SZCDG's demonstrated willingness and ability to provide financial and other supports. Even after trading 18-25 pts higher YTD, CSCHCN'24s are still trading at an appealing YTM of 16-19% at cash prices of high 80-low 90 (See table above). We continue to see room for upside (7-10pts assuming fair yield of 10-12%) as its funding access is gradually normalized. We also consider CSCHCN'24s good yield pick-up trades over the LGFVs of higher tier cities (YTM of 5-6%). For more detailed discussions, please read [our comments on 19 Dec'22](#) and [Asia Credit Outlook](#).

➤ Offshore Asia New Issues (Priced)

Issuer/Guarantor	Size (USD mn)	Tenor	Coupon	Yield	Issue Rating (M/S/F)
CICC	1250	3yr	5.493%	T+110	Baa1/-/-

➤ 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 101 credit bonds issued yesterday with an amount of RMB98bn. As for month-to-date, 964 credit bonds were issued with a total amount of RMB919bn raised, representing a 19.8% yoy increase
- Media reported that China urges SOEs to stop working with big four accounting firms
- **[BEIPRO]** Beijing Properties plans to sell 50% of Tianjin Beijing Inland Port through public tender on CBEX with initial minimum price of RMB146mn (cUSD21.2mn)
- **[CHFOTN]** China Fortune Land schedules bond put option exercise of RMB1bn 19Huaxia01 from 27 Feb to 1 Mar
- **[COGARD]** Media reported that Cogard expects to issue another up to RMB2bn CBICL-guaranteed notes in Mar'23
- **[EDU]** New Oriental Education & Technology repurchased USD285.147m of EDU 2.125 07/02/25 since Nov'21
- **[JIAYUA]** Jiayuan International misses payment on JIAYUA 13.75 02/18/23 on maturity date
- **[LMRTSP]** LMIRT in talks with relationship banks to refinance upcoming loan maturities of SGD217.5mn (cUSD162.4mn)
- **[MONMIN]** Fitch affirmed Mongolian Mining rating at B and placed negative outlook

- **[NWSZF]** NWS acquires 90% of Suzhou logistics property valued at RMB570m from Greenland Holding Group
- **[POLYRE]** Poly Property Group proposes to offer up to RMB2bn corporate bonds to repay debts, boost working capital
- **[SINOCE]** Sino-Ocean Group completes Sino-Ocean Taikoo Li Chengdu stake disposal

CMB International Global Markets Limited

Fixed Income Department

Tel: 852 3761 8867/ 852 3657 6291

fis@cmbi.com.hk

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