

CMBI Credit Commentary

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

- *Active profit taking in Asian IG space this morning. Front-end SOE, HK/SG names were under better selling. New issues CINDBK'33 tightened c10bps. Bank T2 space widened 2-5bps. Meanwhile, there are deployments on high-yielding SOE developers and LGFVs.*
- *HAOHUA/CNBG/SYNNVX: Leverage plays on central SOEs. HAOHUAs widened 1-3bps this morning. See below.*
- *CAPG: Obtained sufficient support from creditors to approve Aoyuan and Add Hero Schemes. CAPGs were unchanged this morning. See below.*

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❖ Trading desk comments 交易台市场观点

Yesterday, overnight UST 10yr yield tightened 8bps. The client flows in Asia IG space were skewed to better selling. Chinese SOE/TMT benchmarks HAOHUA/TENCNT 28-30s were under better selling and widened 1-4bps. The high-beta XIAOMI/MEITUA 30s widened 2-6bps. In Chinese financials, leasing names BOCAVI/CMINLE 24-30s were under better buying and tightened 1-3bps, whilst Chinese bank T2s CCB/BCHINA/ICBCAS 26-30s were under better selling and widened 2-5bps. Chinese AT1 BOCO HK 3.725 Perp/BCHINA 3.6 Perp were unchanged to 0.1pt higher. EU AT1s were sought after by PBs. In HK Corp space, CKINF 4 Perp was up 0.9pt. NWDEVL/LIFUNG Perps were down 0.5-0.7pt. HK/Chinese properties were mixed. HPDLF 23-24s gained another 0.3-0.5pt. COGARD/SINOCE 25-30s were up 0.5-1.4pts. GEMDAL '24 closed 0.6pt higher at high-40s. Media reported that GEMDAL was in talks of selling stakes in its Shenzhen Great City Bay project to its 2nd largest shareholder Futian Investment, to help repay its maturing debts. However, LNGFOR 27-32s fell another 2.9-3.7pts to close 4-5pts lower WTD. VNKRL 25-29s dropped 3.2-3.4pts while VNKRL 24s were stable. CSCHCNs lowered 1.9-3.2pts. Media reported that CSCHCN had missed the 20 Nov coupon on CSCHCN 9 07/20/24. We expect CSCHCN to cure the missed coupon before the end of 30-day grace period. FUTLAN/FTLNHD declined 0.6-1.7pts. CHJMAO 26/29s and PINGRE 25/26 were down 1.5-1.7pts. In industrials, ANTOIL/CHIOIL 25-26s were up 0.3pt. Macau gaming names MPEL/SANLTD 26-30s were 0.3-0.5pt higher. In Indian space, ADSEZ 29-31s were up 0.6-0.8pt. Indonesian name APLNIJ '24 was 1.7pts lower. LPRKIJ/LMRTSP 24-26s were down 0.3-0.7pt.

The LGFV/Perp bonds were stable. After a strong rally, CPDEV 5.75 Perp met some resistance at 93-handle (mid-13%), as AM sellers emerged to take profit. CPDEV 25/26 closed 0.3-1.3pts lower. Moody's put the ratings of Beijing Capital Group ratings on review for downgrade. Elsewhere in LGFVs,

26s papers continued to be under better buying while the shorter-dated 23s and 24s papers at 6%-handle were being switched out by banks and RMs. Guangzhou LGFVs GZINFU/GZDZCD 26s were 0.2-0.3pt higher. Shandong names QDHTCO/SHDOIS 24s were down 0.1-0.4pt. The higher yielding GSHIAV 24-25s lowered 0.4-0.8pt. SOE perps were traded in balanced two-way flows. CHSCOI 4 Perp/CHPWCN 3.08 Perp/HUADIA 3.375 Perp/RLCONS 3.97 Perp were 0.1-0.2pt higher.

❖ Last Trading Day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
TYANLI 5 1/4 PERP	89.8	1.4	LNGFOR 4 1/2 01/16/28	58.6	-3.7
SINOCE 4 3/4 01/14/30	7.7	1.4	LNGFOR 3 3/8 04/13/27	62.2	-3.6
COGARD 5.4 05/27/25	9.0	1.1	VNKRLE 3 1/2 11/12/29	56.7	-3.4
YUEXIU 3.8 01/20/31	77.5	1.0	CSCHCN 9 07/20/24	35.9	-3.2
CKINF 4 PERP	60.5	0.9	VNKRLE 3.975 11/09/27	64.7	-3.2

❖ Marco News Recap 宏观新闻回顾

Macro – S&P (+0.10%), Dow (+0.24%) and Nasdaq (+0.29%) were higher on Tuesday post Fed officials' dovish comments on future interest rate hike. The Conference Board United States Consumer Confidence Index in Nov was 102.0, rose from 99.1 in Oct and was higher than the expectation of 101.0. The UST yield retreated yesterday, 2/5/10/30 yield reached 4.73%/4.29%/4.34%/4.52%, respectively.

❖ Desk analyst comments 分析员市场观点

➤ HAOHUA/CNBG/SYNNVX: Leverage plays on central SOEs

Executive summary

Initiate buy on HAOHUAs, prefer 3 ¾'24 and 4 ⅞'25

We consider the ChemChina complex leverage plays on Chinese SOEs. As an indirectly wholly owned SOE, ChemChina is an integral part of Sinochem Group and is strategic important to the food security of China. We initiate buy on HAOHUAs to take advantage of 21-84bps yield pick-up over bonds of other Chinese central SOEs in the oil and petrochemical sector. We prefer shorter-dated HAOHUA 3 ¾'24 and 4 ⅞'25 within the HAOHUA curve instead of the belly part of the curve, given our expectation of gradual normalization of the inverted yield curve.

...and CNBG'24, Perp and SYNNVX'25 as leverage plays on ChemChina

We also initiate buy on CNBG'24, CNBG Perp as leverage plays on ChemChina. At 98.3, CNBG'24 and the CNBG 3.1 Perp (callable 07/12/24) are trading at YTM of 6% and YTC of 5.9%, respectively. The coupon of CNBG 3.1 Perp will be reset to 10.3% (i.e. 3yUST+263.4bps and step-up by 300bps). China National Bluestar (CNBG) has track records of calling its perps on the first call date in Jun'23, in Nov'21, and Dec'18. We expect the perp to be called on the first call date at Jul'24 in view of its smooth access to low-cost onshore funding. At the same time, we initiate buy on SYNNVX 4.892 04/25/25 as another leverage play on ChemChina. At 97.8, SYNNVX 4.892 04/25/25 is trading at a YTM of 6.5%, and offering 60bps pick-up over HAOHUA 4 ⅞ 03/14/25 and 90bps over SYNGEN 5 04/19/26.

Sanction risk priced in

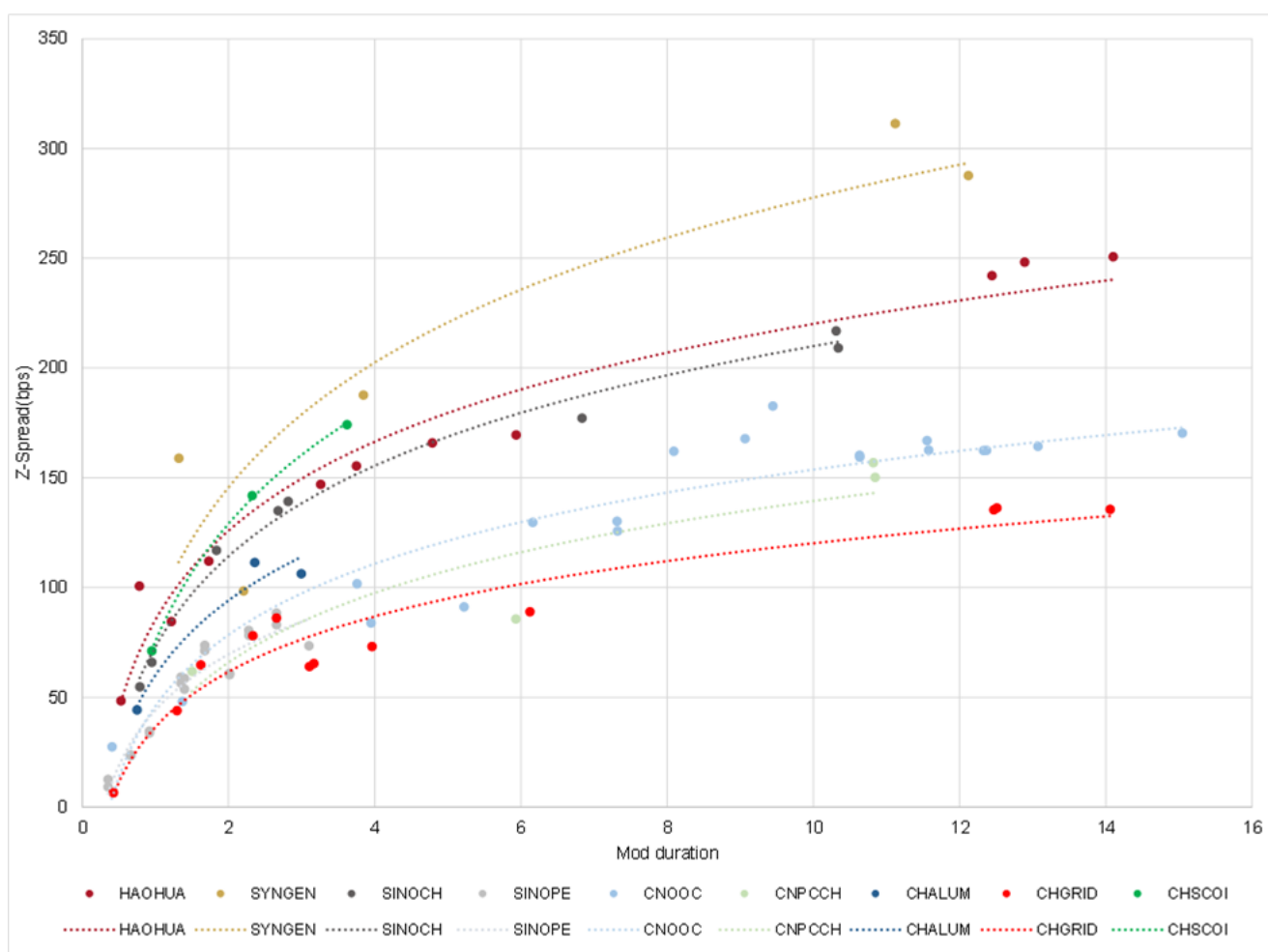
We believe that the current valuation of the ChemChina complex has already priced in sanction risk. We take comfort that ChemChina and its subsidiaries had tapped the markets and raised a total of cUSD3.2bn since the US government added ChemChina to a list of 31 Chinese companies as “Communist Chinese military companies” in Aug’20. Recalled that HAOHUA issued 4-year, 5-year, 10-year and 30-year bonds totaled cUSD2.3bn in Sep’20, CNBG issued perp of USD400mn in Jul’21 and Syngenta Group issued USD bond of USD500mn in Oct’22.

Table 1: Summary of our picks

Bond	Ask px	YTM/YTC (Ask, %)	o/s amt (USDmn)	Rating (M/S/F)
CNBG 3.1 PERP	98.3	5.9	400	Baa3/-/BBB
CNBG 3 ¾ 07/16/24	98.4	6.0	700	-/BBB/A-
HAOHUA 3 ¾ 06/19/24	98.7	5.9	1,100	Baa2/-/A
HAOHUA 4 ¾ 03/14/25	98.7	5.9	800	-/A-/A
SYNNVX 4.892 04/25/25	97.8	6.5	676.74	Baa3/BBB/BBB+

Source: Bloomberg.

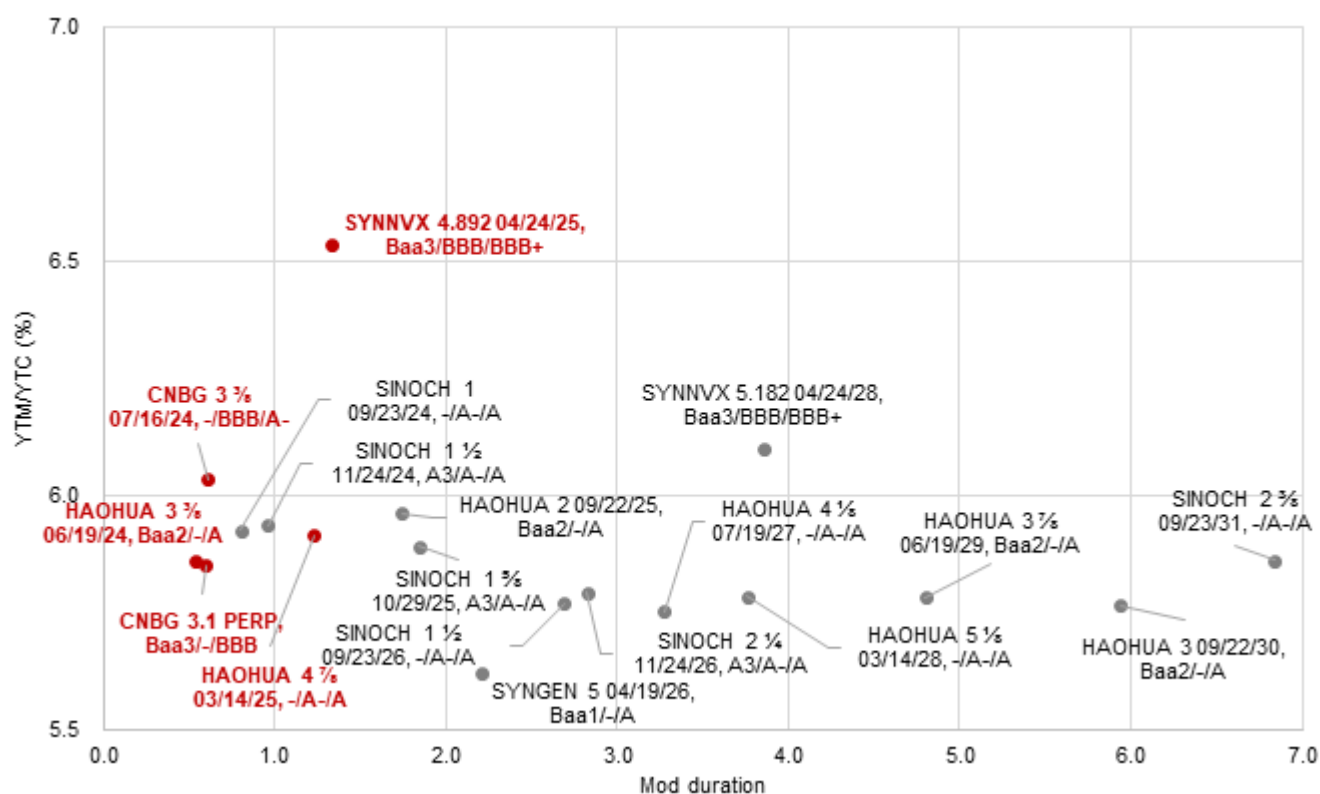
Chart 1: Z-spread of more frequently traded SOE bonds (excl. financial and real estate)



Note: SYNGEN includes SYNGEN and SYNNVXs.

Source: Bloomberg.

Chart 2: YTM/YTC of Sinochem Holdings outstanding bonds



Source: Bloomberg.

Click [here](#) for full report

➤ CAPG: Obtained sufficient support from creditors to approve Aoyuan and Add Hero Schemes

China Aoyuan has obtained sufficient support from creditors to approve the Aoyuan and Add Hero Schemes at the respective scheme meetings. For Aoyuan Scheme, 79.1% voted in favor of the scheme. We estimate that 90.9% (vs quorum of at least 75%) of the total value of the scheme claims attended the meeting. While for Add Hero Scheme, 88.3% voted in favor of the scheme. We estimate that 87.5% (vs quorum of at least 75%) of the total value of scheme claims attended the meeting. Both schemes require at least 50% by headcounts who were present and voted at the meeting.

The next step for Aoyuan is to seek sanction of the two schemes. For Aoyuan Scheme, hearings are listed to take place at the Cayman Court on 7 Dec'23 and HK Court on 8 Jan'24. And for Add Hero Scheme, hearings will be on 8 Dec'23 at the BVI Court and 8 Jan'24 at the HK Court. Recalled that trading of Aoyuan's shares was resumed on 25 Sep'23 and it successfully avoided being delisted on 30 Sep'23, 18 months after its shares being suspended from trading.

Scheme meeting on 28 Nov'23

Results		Attendants (principal amt in USDmn)	% of principal amt (quorum >= 75%)	# of attendants	# of attendants vote for	% of headcount vote for (>=50%)	Principal amount (in USDmn) vote for	% of approval in scheme meeting
Add	Hero	4,179.6	87.5%	1,277	1,216.0	95%	3,690.8	88.3%
Scheme								
Aoyuan Scheme		6,569.6	90.9%	1,241	1,196.0	96%	5,197.0	79.1%

Source: Company filing, CMBI Research.

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

Issuer/Guarantor	Size (USD mn)	Tenor	Coupon	Priced	Issue Rating (M/S/F)
China Citic Bank International Limited	500	10NC5	6.0%	T+165	Baa2/-/-
Government of Mongolia	350	5.5yr	7.875%	8.1%	-/B/B

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

Issuer/Guarantor	Currency	Size (USD mn)	Tenor	Pricing	Issue Rating (M/S/F)
Avic International Leasing	USD	-	PerpNC3	6.65%	Baa1/-/-

➤ **News and market color**

- Regarding onshore primary issuances, there were 73 credit bonds issued yesterday with an amount of RMB46bn. As for Month-to-date, 1,617 credit bonds were issued with a total amount of RMB1,646bn raised, representing a 17.2% yoy increase
- [AZUPOE]** Media reported that Azure Power launches consent solicitation for due 2024, 2026 bonds to amend certain covenants; the company plans to conduct a tender offer to purchase USD40mn on 2024 bonds and USD20mn on 2026 bonds
- [CPDEV]** Moody's placed Beijing Capital Group's Baa3 issuer rating on review for downgrade
- [CSCHCN]** Media reported that China South City has missed the 20 Nov coupon on its termed-out USD276.5mn 9% due July 2024 bonds while there is a 30-day grace period to cure the miss. Some holders of the bonds have received the 5% amortisation on the tranche due 20 Nov
- [EHOUSE]** E-House expects offshore debt revamp to become effective by 31 Mar'24
- [GEMDAL]** Media reported that Gemdale plans to sell stake in Shenzhen Great City Bay project to shareholder Futian Investment. The sale consideration is likely to be cRMB4-5bn. Meanwhile, the developer closed an cRMB2.5bn financing backed by Beijing Gemdale Plaza in mid-November
- [MEITUA]** Meituan 3Q23 revenue rose 22.1% yoy to USD10.7bn and adjusted EBITDA up 28.9% yoy to USD868mn; the company plans to buy back shares for up to USD1bn starting from 1 Dec'23
- [PDD]** PDD 3Q23 revenue rose 94% yoy to USD9.4bn and net income rose 47% yoy to USD2.1bn

- **[VNRKLE]** China Vanke proposes up to RMB1.435bn CMBS offering to repay debts, boost working capital

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