

CMBI Credit Commentary

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

- *Asian IG space were two-way balanced this morning. New issue MISTAK 5/10yr tightened 5/10ps, respectively. KR names and some short-end bonds were better selling. LGFV/SOE Perp were heavy with selling flows, Chinese AT1 also down c0.25pt.*
- **VEDLN:** *Loan from JP Morgan/Oaktree and dividend from Vedanta Ltd will provide liquidity to Vedanta Resources to meet bonds and loans dues in May and Jun. See below.*
- **China Macro Monitor** – *Growth momentum remained weak. CMBI expects the 2Y CAGR of GDP to slow from 4.6% in 1Q23 to 4% in 2Q23 before rebounding to 4.3%. See below for comments from our economic research.*

❖ Trading desk comments 交易台市场观点

Asia ex JP IG was weaker yesterday. The recent new issues CKHH/BOCAVI widened 2-5bps. Chinese SOEs/TMTs were better offered. HAOHUA curve closed around 2-5bps wider. TMT benchmarks BABA/TENCNT were 1-3bps wider as well. The high beta TMTs such as LENOVO/MEITUA widened 5-10bps. In financials, bank T2s BCHINA/ICBCAS were under small selling. Chinese AT1s such as ICBCAS/BCHINA/BOCOHK were indicated 0.125-0.3pt lower. Asian/European AT1s were also subject to better selling from RMs/PBs. In non-China space, there were better buying flows on SMBCAC/SBIIN/BBLTB curves. Chinese properties performed mixed. DALWAN 23s and 24s bounced 7.75pts and 4pts, respectively. DALWAN 25s/26s were quoted 2.5pts higher, post media reported the company may consider to buy back its USD400mn bond due-July 23s. COGARDs/SINOCEs were 0.5-1pt higher. On the other hand, ROADKG Perps were down 1-2.5pts. FUTLAN 25s/YLLGSP 26s lowered around 2.75pts. Macau gaming names STCITYs/MPELs were down 0.5-1.5pts. In Indian space, VEDLN 24s/25s were traded up 0.25-0.5pt after Vedanta Resources announced to secure 5yr loans of USD850mn. Indonesian names LMRTSPs were 1-2pts lower.

In LGFVs, market sentiment affected by Kunming LGFV rumors, KMRLGP 24 was under heavy selling from AM and prop desks and bids were quickly retreated to mid-80s and then low-70s. In fact, buyers of this bond at a cash price of 80 or above had been depleted a few months ago. The move spilt over to YNPOWE of which AM trimming was met with thin bid liquidity. CQNANAs were under more two-way flows and closed 0.25-0.5pt lower. Overall, sentiment in the LGFV space weakened. There were also selling flows in rich-yielding (<6%) quality names from Chinese RMs, as their yield offered little upside against funding costs. As rates are still quite volatile amid growing concerns of further increase in policy rates, SOE Perps remained

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heavy with Chinese AMs trimming those papers with yield below 5.7%. NWDEVL 4.8 Perp/CKINF 4.85 Perp were traded 0.25-1.25pts lower.

❖ Last Trading Day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
DALWAN 6 7/8 07/23/23	77.5	7.7	FUTLAN 4.45 07/13/25	50.2	-2.7
DALWAN 7 1/4 01/29/24	45.3	4.0	YLLGSP 5 1/8 05/20/26	75.9	-2.7
DALWAN 11 02/13/26	36.0	2.5	ROADKG 7 3/4 PERP	33.3	-2.4
CNOOC 4 7/8 04/30/44	94.0	2.3	KNMIDI 5 1/2 10/09/23	92.0	-2.0
LASUDE 5 07/28/26	65.0	2.2	LMRTSP 7 1/4 06/19/24	67.2	-1.9

❖ Marco News Recap 宏观新闻回顾

Macro – S&P (-0.73%), Dow (-0.77%) and Nasdaq (-0.61%) down amid weak sentiment as debt ceiling talks stuck. According to the minutes of 2-3 May Fed meeting, officials generally agreed that the need for further interest rate hike had become less certain with several said that the 25bps hike might be the last. The US treasury slightly retreated on Tuesday, the 2/5/10/30 yield reached 4.31%/3.75%/3.73%/3.97%, respectively.

❖ Desk analyst comments 分析员市场观点

➤ VEDLN: Loan from JP Morgan/Oaktree and dividend from Vedanta Ltd will provide liquidity to Vedanta Resources to meet bonds and loans dues in May and Jun

Media reported that Vedanta Resources (VRL) has secured 5-year USD850mn loan from JP Morgan and Oaktree Capital. We expect this will be used to repay the USD500mn VEDLN 7.125 05/31/23 due end of this month. Meanwhile, Vedanta Ltd (VEDL) has approved the first interim dividend of USD830mn for FY23-24. The dividend to be upstreamed to its parent company VRL should be USD578.5mn, based on VRL's 69.7% stakes in VEDL. Considering the record date for dividend payment is 30 May, VRL is more likely to direct the dividend to meet the debts due next month: USD100mn banking facility and USD300mn intercompany loan will be due in Jun, according to Debtwire.

The short-term maturities are manageable, in our view. After VEDLN 7.125'23, it is facing USD bonds of cUSD2bn due in 2024 and USD1.8bn in 2025-26. While we remain cautious over the longer term, we prefer short-dated and secured VEDLNs such as secured VEDLN'24 and 25.

Bond	Amount o/s (USDmn)	Ask px	YTM (ask, %)
VEDLN 7.125 05/31/23	500	98.78	92.65
VEDLN 13.875 01/21/24	1,000	88.53	34.69
VEDLN 6.125 08/09/24	950.9	65.65	46.34
VEDLN 8.95 03/11/25	1,200	71.18	31.02
VEDLN 9.25 04/23/26	600	66.74	26.28
Total	4,250.9		

Source: Bloomberg.

➤ China Macro Monitor – Growth momentum remained weak

Growth momentum: China's growth momentum remained weak in May as the high-frequency economic activity index further declined. Exports, most durables and business capex seemed to weaken in May, while auto sales

improved and recreational service consumption maintained good recovery trend. Commodity prices, long-term bond rates and RMB exchange rates all decreased as market expectations about China's economic prospect deteriorated. We expect the 2Y CAGR of GDP to slow from 4.6% in 1Q23 to 4% in 2Q23 before rebounding to 4.3% in 2H23. Service sector has over 60% of China's SMEs and accounts for over 60% of China's urban employment. Its continuous recovery should help boost private business confidence and employment condition, which may probably facilitate an improvement of consumption performance in 2H23.

Economic activity: number of flights, subway passenger flow and movie audience flow maintained strong growth in May, indicating continuous recovery in service consumption. We expect NBS service output index to increase 12.8% YoY in May after rising 13.5% YoY in April. Service activity may further improve as the summer holiday comes in July-August. Auto sales also improved in May. Housing market continued to recover in tier-one cities while it was relatively weak in lower-tier cities. Construction activity softened as prices of related products dropped noticeably. The YoY growth of fixed asset investment (FAI) is expected to slow from 4.7% in 4M23 to 4.5% in 5M23. Overseas demand and prices continued to decline as South Korea's foreign trade activity further deteriorated. We expect China's exports of goods to drop 4% YoY in May after rising 8.5% YoY in April, and the value added industrial output to rise 3.7% YoY in May after growing 5.6% in April, with its 2Y CAGR slightly up from 1.3% in April to 2.2% in May.

Inflation trend: the deflation pressure further increased in May. Food prices remained weak, while commodity prices noticeably declined. The weakening of China's economic activity especially in manufacturing and property hurt the sentiment in commodity market. The YoY growth of CPI may remain low at 0.1% in May, the same as in April. The PPI may further decline 4.1% YoY in May after dropping 3.6% YoY in April. Looking forward, there may be some mild reflation in 2H23-2024.

Monetary policy: liquidity condition further eased as money market rates declined. Liquidity supply remained stable, while liquidity demand declined as economic activity, risk appetite and credit demand weakened. Credit policy should remain accommodative as China's GDP was below its potential growth with negative output gap and deflation pressure. As economic activity is likely to remain weak in 2Q23, the PBOC may mildly cut LPR in 2Q23 to boost the growth momentum.

RMB Exchange Rates: renminbi seemed weaker than our expectations as both China's economic recovery and US's economic slowdown were slower than expected. As China's economy continues to recover and the US economy further slows in 2H23, renminbi may see some mild rebound in 2H23. We expect US\$/RMB spot rates to reach 6.8 at end-2023, compared to 6.95 at end-2022.

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➤ Offshore Asia New Issues (Priced)

Issuer/Guarantor	Size (USD mn)	Tenor	Coupon	Yield	Issue Rating (M/S/F)
Khazanah Nasional Bhd	750/750	5/10yr	4.687%/4.876%	T+93/118	A3/A-/-

➤ 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 97 credit bonds issued yesterday with an amount of RMB99bn. As for Month-to-date, 733 credit bonds were issued with a total amount of RMB838bn raised, representing a 38.7% yoy increase
- **[ADEIN]** Adani Enterprises to be put under short-term ASM framework by Indian bourses starting 25 May
- **[DALWAN]** Dalian Wanda denied the news of selling 20 Wanda Plazas for RMB16bn; Media reported that Wanda seeks to defer by two years put option date held by Zhuhai Wanda pre-IPO investors
- **[DBMMN]** Development Bank of Mongolia repurchased USD48.17mn DBMMN 7.25 10/23/2023 from open market and USD400.2mn remains outstanding
- **[JD]** JD.com cloud business cuts prices of key services amid price war with rivals
- **[LENOVO]** Lenovo 4Q23 revenue drops 24% yoy to USD12.6bn and operating profit down 51% to USD291mn
- **[SUELIN]** Media reported that Suzlon is in talks with Deutsche Bank to raise USD350mn offshore

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