

CMBI Credit Commentary

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

- *Markets remained weak this morning with better selling in LGFVs and short coverings on AT1s. Li & Fung plans to repurchase LIFUNG 4.375 10/04/2024 at 94 (before 10 Nov) /89 (before 28 Nov). LIFUNG'24 up 6pts to 94 level while others were -0.5pt to unchanged. See below.*
- *More issuers go tender offers their bonds/perps after sharp correction of the market. We believe that issuers benefit from higher commodity prices and those have perps with coupon reset and large step-up, have more incentives to tender offer or buy back their bonds and perps. See comments below.*
- **MEDCIJ:** Accepted to repurchase USD255.1mn of MEDCIJ 6.75 01/30/25 and will not accept MEDCIJ 7.375 05/14/26, MEDCIJ 6.375 01/30/27 in capped tender offer due to oversubscription at early deadline.

❖ Trading desk comments 交易台市场观点

Yesterday, IG space firmed up a bit with UST yields retreated and RMB stabilized, and IG spreads broadly tightened 5-15bps amid short-squeezing theme on the day. Financials space was mixed, where AMCs had a strong rebound on FM short covering. HRINTHs cash prices rebounded 3-5pts, CCAMCL/ORIEAS tightened for 20-30bps amid thin liquidity and gappy pricing. T2s drifted 3bps wider at the tight levels, while leasing names leaked 2-7bps further wider amid client selling. Elsewhere, TMTs had street lifting in benchmarks and turned 15-20bps tighter, on the back of Asian equities recovery. TENCNT 10-year papers tightened by 25bps to around T+275 the mid-day tight, BABA 31 was also about 15bps tighter to T+225 level. MEITUA'31 was traded 1.5pt higher, 3pts higher from the Tuesday's low. On the other hand, IG properties sank further amid RM selling, as the last survivor space lowered 2-4pts despite no headlines, LNGFOR 27-32s marked 4-5pts lower to reach 30-ish handle now. YUEXIU '31 notably slumped 12pts. VNKRLS/CHJMAOs were also down 2.5-4.5pts under selling pressure. SINOCE 26-30s dipped 1-2pts to test the new low, marked at low-teens. China HY was relatively stable, though. GEMDAL'24 stabilized around 38/40. COGARDs further lowered 1-2pts with two-ways in front end. The shares trading halt of CIFI sparked speculation. Elsewhere, GRNLGR 23-25s gained 4-8pts post the news on curing missed amortization payment. HK Corp Perps were still under selling pressure on higher call risks. HYSAN/CKINF/REGH Perps were down 6.5-11.5pts again. Industrials space kept outperforming, FOSUNIs gained another 2-3pts on the front-end. CHIOIL/HONGQI 23s were stable. Macau gaming space was up 0.5-2.5pts higher on the expectation of package tours to be resumed soon. WYNMACs recovered 2.5pts while MPELs/SANLTDs were largely up 1.5pts. Ex-China HY had better sentiment across renewables overall, but flows were very thin overall. BUMIJ '24 was down 5pts.

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The LGFV/SOE Perp/AT1 space had some short covering in the morning and early afternoon. Consensual short proxies (e.g. ICBCAS 3.2 Perp, CNSHAN 4.3 Perp) were squeezed 1-1.5pts higher. Nonetheless, the bounce was unsurprisingly short-lived and as soon as sellers re-emerged to seize the liquidity window, these bonds reversed and gave up around 2/3 of the gains to close ~0.5pt higher. Aside from prop desks covering shorts, client flows were inclined to better selling from foreign and offshore Chinese RM, albeit not as rush as earlier this week in primarily LGFVs and followed by SOE Perps. Although short dated to call papers among the latter would find onshore support not far away at ~7% or more, whilst real buying interests in LGFVs remained selective and defensive. Among LGFV benchmarks, CNSHAN Perp was printed slightly higher at 92 level. LZINVE 22s were better buying post the REDD article on its refinancing plan. Meanwhile, Chinese AT1s were still all about rates/technical driven, with the street flows skewed to overall better offered, as the amount of loose bonds remained abundant in several papers. AT1 benchmarks opened up 0.25-0.5pt in AM session, but quickly faded to unchanged from yesterday after London session. ICBCAS 3.2 Perp was traded back to 90.25 level after closing at 89.75 earlier in the week. Overall, tone in the spaces remained soft and demand beyond short covering was fairly limited still, whilst on the other hand we also saw selling interests seizing the liquidity window to trim risk and/or take profit off positions built at low-ball levels previously. Market was bracing up for ECB and US GDP on Thursday night so potentially more noise from the macro front on Friday morning.

➤ **Last trading day's Top Movers**

Top Performers	Price	Change	Top Underperformers	Price	Change
GRNLGR 5.6 11/13/22	88.5	12.7	HYSAN 4.1 PERP	72.0	-11.8
GRNLGR 5.9 02/12/23	49.8	9.2	YUEXIU 3.8 01/20/31	65.8	-11.4
HZMGSG 3.4 01/24/25	99.8	7.1	CKINF 4 PERP	68.5	-7.9
HRINTH 3 3/8 02/24/30	62.9	5.5	LIHHK 4.8 06/18/26	60.7	-7.8
HRINTH 4 1/2 05/29/29	69.0	5.1	REGH 6 1/2 PERP	55.5	-6.5

➤ **Macro News Recap 宏观新闻回顾**

Macro – U.S. stock markets were divergent yesterday, the S&P (-0.60%), Dow (+0.62%) and Nasdaq (-1.63%) were affected by less than expectation Q3 results of Meta. U.S. GDP data was published as +2.6% QoQ, higher than the expectation of +2.3%. consumer spending decelerated and increased 1.4%, lower than the +2% of 2Q22. ECB The yield curves bull flattened that the 2/5/10/30 yields reached 4.39%/4.20%/4.04%/4.19%, respectively.

➤ **Desk analyst comments 分析员市场观点**

➤ **Li & Fung plans to repurchase LIFUNG 4.375 10/04/2024**

Li & Fung announced a tender offer for LIFUNG 4.375 10/04/2024 and consent solicitation on the same notes. The company also asked for consent to allow them to early redeem all the outstanding due 2024 notes at 89pts. Li & Fung currently intends to exercise the repurchase by no later than 31 Dec'22.

The company was taken private in 2020 therefore not much clarity on its latest cash and debt levels. Per Bloomberg, on top of the notes put on tender offer, the company also has USD600mn 4.5% 08/18/2025 and USD650mn 5.25% Perp outstanding as of today.

Details of the tender		
Notes	LIFUNG 4.375 10/04/2024	
Outstanding	USD500mn	
Consideration before early deadline	USD94 (USD89+USD5)	
Consideration before subsequent deadline	USD89	
Consent only before early deadline	USD5	
Early deadline	10 Nov'22	
Subsequent deadline	28 Nov'22	
Outstanding notes	Price	
USD500mn 4.375 10/04/2024		93.8
USD600mn 4.5 08/18/2025		85.2
USD650mn 5.25 perp (callable 05/03/2023)		50.1

➤ Tender offers are gaining momentum

Over the past few months, we see quite a few issuers launched the tender offers or repurchase their bonds in size. The trend is even more notably starting from Oct'22 after the sharp correction of bond/perp prices. Over the past 4 months, there were 17 tender offers announced and over USD4.86bn in principal amount were redeemed by issuers. In Oct'22 alone, there were 9 tender offers announced so far. The proposed tender offer amount is over USD2bn. On a bright side, the tender offers reflect that some issuers consider their bond/perp prices too low and they have sufficient liquidity even with the early redemptions.

So far, we notice that the tender offers are mainly from issuers which benefited from higher commodity prices or of which operations not significantly affected by the weakened economic backdrop. Indonesian commodity companies such as ABM Investama, Inalum, Indika and Medco Energi ae amongst the examples. Their operating performance and operating cash flow are boosted by higher commodity prices. The tender offers to early redeem nearest maturities at a discount, in our view, make a lot of economic sense. Interestingly, SMC Global Power of the Philippines launched the tender offers for its perps. The company should be concerned of the coupon reset and step-up after the first call dates of its perps in a rising rate environment.

In view of the weak capital market sentiment and the resulting challenges for new issuance, we believe that only selected group of issuers will tender offer their bonds/perps despite there are lots of bonds/perps trading at a deep discount. Most likely candidates to launch tender offer, in our view, will remain commodity plays. We would not be surprised if the Indonesian commodity names such as **Inalum** and **Indika** will come back for another tender offer. Other commodity plays such as Vedanta could also be a candidate in view of the progress in funding access, discounted bond prices and lumpy maturities in 2023. We also believe that issuers of perps with coupon reset and large step-up will be more incentivized to tender offer or buy back their perps. In our view, **NWDEVL 6.15 Perp**, **NWSZF 5.75 Perp** and **PCORPM 4.6 Perp** are amongst the perps to be tender-offered

Date	Company name	Issuer rating (M/S/F)	Region	Industry	Deadline	Nearest maturity	Bond	Bond O/S	Proposed price (USD)	Original proposed amount	Accepted amount
27-Oct-22	Li & Fung Ltd	Ba1/BB+/-	HK	INDUSTRIAL	28-Nov-22	LIFUNG 4.375 10/04/24	LIFUNG 4.375 10/04/24	500	94/89	-	-
							SMCGL 6.5 PERP	800	68		
							SMCGL 5.95 PERP	500	66		
26-Oct-22	SMC Global Power Holdings	-/-/-	PH	INDUSTRIAL	4-Nov-22	PERP	SMCGL 5.7 PERP	600	65	400	-
							SMCGL 7 PERP	750	67		
							SMCGL 5.45 PERP	750	63.5		
20-Oct-22	ABM Investama Tbk PT	B1/-/B+	ID	INDUSTRIAL	17-Nov-22	ABMMIJ 9.5 08/05/26	ABMMIJ 9.5 08/05/26	200	95	40	-
19-Oct-22	Avation Capital SA	-/-/WD	SG	FINANCIAL	1-Nov-22(early) 17-Nov-22(expiration)	AVTCAP 8.25 10/31/26	AVTCAP 8.25 10/31/26	355.6	71-81	60	-
17-Oct-22	Shriram Transport Finance	-/BB-/BB	IN	FINANCIAL	28-Oct-22(early) 14-Nov-22(expiration)	SHTFIN 5.1 07/16/23	SHTFIN 5.1 07/16/23	500	98.5/95.5	250	-
17-Oct-22	GCL New Energy Holdings	-/NR/-	CN	INDUSTRIAL	25-Oct-22	GCLNE 10 01/30/24	GCLNE 10 01/30/24	429.47	83	78.4	145
11-Oct-22	Medco Platinum Road Pte	B1/-/B+	ID	INDUSTRIAL	24-Oct-22 (early) 7/11/2022(expiration)	MEDCIJ 6.75 01/30/25	MEDCIJ 6.75 01/30/25	500	98/95		255.1
							MEDCIJ 7.375 05/14/26	539.31	93/90	250	0
							MEDCIJ 6.375 01/30/27	601.7	85/82		0
10-Oct-22	Haidilao International	-/BBB/-	CN	INDUSTRIAL	18-Oct-22	HAIDIL 2.15 01/14/26	HAIDIL 2.15 01/14/26	539.3	84.8	240	240.3
10-Oct-22	Alam Sutera Realty Tbk PT	-/NR/-	ID	FINANCIAL	19-Oct-22	ASRIIJ 8 05/02/24	ASRIIJ 8 05/02/24	171.4	82	All valid tender	138.6
28-Sep-22	SoftBank Group Corp	WR/BB+/-	JP	INDUSTRIAL	7-Oct-22	SOFTBK 5.5 04/20/2023	9 USD bonds	-	-	1750	1514
						SOFTBK 4 04/20/2023	8 EUR bonds	-	-		
14-Sep-22	AAC Technologies Holdings	Baa2/-/-	CN	INDUSTRIAL	27-Sep-22(early) 12-Oct-22(expiration)	AACTEC 3 11/27/24	AACTEC 3 11/27/24	388	88/85	100	111.18
							AACTEC 2.625 06/02/26	300	75.8/72.8	50	47.4
31-Jul-22	Shriram Transport Finance	-/BB-/BB	IN	FINANCIAL	17-Aug-22	SHTFIN 5.1 07/16/2023	SHTFIN 5.95 10/24/22	750	100	750	176.5
							SHTFIN 4.15 07/18/25	475	92	75	80
18-Jul-22	Lenovo Group Ltd	Baa2/BBB-/BBB	CN	INDUSTRIAL	22-Jul-22	LENOVO 4.75 03/29/23	LENOVO 4.75 03/29/23	686.8	-	200	200
15-Jul-22	Indonesia Asahan Aluminium	Baa2/-/BBB-	ID	INDUSTRIAL	21-Jul-22	IDASAL 5.71 11/15/23	IDASAL 5.71 11/15/23	1250	102.3		363.3
							IDASAL 6.53 11/15/28	1000	103.2	1000	401.5
							IDASAL 6.757 11/15/48	750	94.1		394
28-Jun-22	SSMS Plantation Holdings	Caa2/-/WD	ID	FOOD AND BEVERAGE	7-Jul-22	SAWSST 7.75 01/23/23	SAWSST 7.75 01/23/23	300	90	270	259.7
20-Jun-22	Fosun International	B2/-/-	CN	INDUSTRIAL	4-Jul-22	FOSUNI 5.95 01/29/23	FOSUNI 5.5 08/17/23	379.8	100	200	291.4
							FOSUNI 3.3 10/09/22	EUR384.2	EUR100		4.2
8-Jun-22	Indika Energy	Ba3/-/BB-	ID	METALS AND MINING	22-Jun-22(early) 7-Jul-22(expiration)	INDYIJ 5.875 11/09/24	INDYIJ 8.25 10/22/25	675	100.25-102.5	50	56.6
							INDYIJ 5.875 11/09/24	546.4	97.75-100.75	200	184

➤ Offshore Asia New Issues (Priced)

Issuer/Guarantor	Size (USD mn)	Tenor	Coupon	Yield	Issue Rating (M/S/F)
Yichun Development Investment Group Co., Ltd.	USD210	3yr	7.0%	7.0%	-/-/BBB-
Korea Development Bank	USD200	3yr	3.125%	T+100	Aa2/AA/AA-

➤ 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 92 credit bonds issued yesterday with an amount of RMB116bn. As for Month-to-date, 1152 credit bonds were issued with a total amount of RMB1376bn raised, representing a 18.4% yoy increase
- [AGILE]** Agile Group has deposited sufficient funds into designated bank account to repurchase RMB950mn senior ABS on 28 Oct
- [ASRIIJ]** Alam Sutera completed a tender offer and consent solicitation of senior notes due 2024
- [COGARD]** Country Garden expects to roll over most of the existing USD440mn unsecured bank facility due 28 Dec into a new facility; The company plans to pay interest of 20Bidi04 from 3 Nov'22
- [DALWAN]** Media reported Dalian Wanda plans to fully redeem on time its nearest offshore bond maturity, USD400mn 6.95% due Dec'22

- **[JIAZHO]** Jiangsu Zhongnan Construction will invest cRMB605mn to form a JV with China Cinda with 48.7% interests
- **[JINGRU]** Jingrui Holdings to sell 25% stake in a commercial building in Shanghai to LaSalle Asia for cRMB122mn
- **[JNHUIG]** S&P withdrawn Radiance Group B+ rating withdrawn at company's request
- **[MEDCIJ]** Accepted to repurchase USD255.1mn of MEDCIJ 6.75 01/30/25 and won't accept MEDCIJ 7.375 05/14/26, MEDCIJ 6.375 01/30/27 in capped tender offer due to oversubscription at early deadline.

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