

**CMBI Credit Commentary****Fixed Income Daily Market Update 固定收益部市场日报**

- *Lighter market flows this morning compared to previous days. CN IG space was stable. Bank T2s were well-bid while AMC/Leasing were quiet. CN TMT widened 1-2bps. China insurer GRPCIN/SUNSHG remains firm.*
- *Yuzhou: More thoughts on the restructuring plan. See below.*
- *Media reported that Chinese banks have granted RMB29.4bn (cUSD4.1bn) loans to developers included in property whitelist as of 20 Feb'24.*

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**❖ Trading desk comments 交易平台市场观点**

Yesterday, the new MIZUHO 30/35 tightened 8-10bps and WSTPNZ 27/29 tightened 5bps from their RO levels. KHFC '27 tightened 5bps from RO (CT2+36/CT3+58). The recent new issue DAESEC 27-29s/DFHOLD '26 were also 5-10bps tighter. Chinese IGs TENCNT/HAOHUA 28-30s were 2-4bps tighter. The high beta TMTs such as XIAOMI/LENOVO 30s were also under better buying and closed unchanged to 3bps tighter. In financials, Chinese big-4 AT1s ICBCAS/BCHINA Perps were up 0.1-0.2pt. Meanwhile Thai AT1s BBLTB/KTBTB Perps were 0.1pt higher under RM buying. In EU AT1s, HSBC Perp was down 0.1pt post its weaker-than-expected 4Q23 earnings, whilst BACR/BNP/STANLN Perps remained sought after. Chinese leasing names/AMCs such as BOCAVI/ORIEAS/CCAMCL 26-30s were better bid and closed 2-4bps tighter. BNKEA 27-32s tightened 20-30bps post the announcement of its FY23 results. BNKEA 5.875 Perp/BNKEA 5.825 Perp were up 2-3.5pts to close at mid-to-high-90s, and we saw some profit taking flows emerged at the highs. HK properties were firm. LASUDE '26/SHUION 24-26s were up 0.7-0.9pt. NWDEVL/NANFUN 27-30s and perps were 0.5-2.3pts higher on PB buying. Meanwhile we also saw some buying interests in LIFUNG/REGH FFL Perps which were up 1-1.5pts. Chinese properties moved higher. RDHGCL '24 was up another 3.9pts to close at low-70s. GEMDAL '24 was up another 2.9pts to close 5.5pts higher WTD. LNGFOR 27-32s were 1.4-2.6pts higher. FUTLAN/FTLNHD/DALWAN 24-26s and VNKRL 27-29s were up 0.8-1.4pts. PINGREs were up 0.2-0.7pt. On the other hand, AGILE 25s/CSCHCN 24s were 0.5pt lower. In industrials, HILOHO '24 was 0.5pt higher. WESCHI '26 was up 0.6pt to close 5pts higher WTD. Macau gaming names SANLTD/STCITY 28-30s were up 0.2-0.6pt. Indian and Indonesian names were quiet. MEDCIJs were up 0.2-0.3pt. Elsewhere, GLPSP Perps were 0.4pt lower.

The LGFVs/perps/high beta spaces were firm. The high-yielding insurance papers ZHONAN/SUNSHG 26s were 0.1-0.4pt higher thanks to AM buying. CPDEV 25-26s were up 0.4-0.9pt. CWAHK '26 was up 0.6pt. In LGFVs, flows were better buying from onshore RMs across names yielding as low as inside-6%. GZDZCD '26/NJYZSO '27 were unchanged to 0.1pt higher. Shandong names SHUGRP/SHDOIS 24s were up 0.1pt. JMUDIV '25/SHGUOH '26 were 0.1-0.2pt higher. In SOE perps, HUANEN 3.08 Perp was up 0.2pt whilst CHPWCN 3.45 Perp/RLCONS 3.97 Perp were down 0.1pt.

#### ❖ Last Trading Day's Top Movers

| Top Performers        | Price | Change | Top Underperformers   | Price | Change |
|-----------------------|-------|--------|-----------------------|-------|--------|
| VNKRLE 3.15 05/12/25  | 72.8  | 4.5    | JMHLDS 2 7/8 04/09/36 | 76.4  | -0.7   |
| HILHOH 9 3/4 11/18/24 | 74.7  | 4.0    | CSSSHI 3 02/13/30     | 83.4  | -0.6   |
| GEMDAL 4.95 08/12/24  | 80.6  | 3.1    | AGILE 6.05 10/13/25   | 13.1  | -0.5   |
| VNKRLE 4.2 06/07/24   | 94.6  | 2.8    | CSCHCN 9 04/12/24     | 31.5  | -0.5   |
| VNKRLE 3.975 11/09/27 | 48.2  | 2.4    | CATIC 3.3 09/23/30    | 81.6  | -0.5   |

#### ❖ Marco News Recap 宏观新闻回顾

**Macro** – S&P (+0.13%), Dow (+0.13%) and Nasdaq (-0.32%) were mixed on Wednesday. The minutes of Fed's Jan'24 meeting shows that the Fed officials are cautious about lowering rates too quickly. UST yields were stable yesterday, 2/5/10/30 yield stayed at 4.64%/4.30%/4.32%/4.49%.

#### ❖ Desk analyst comments 分析员市场观点

##### ➤ Yuzhou: Summary of client discussion on the RSA

#### Terms and RSA so far, scheme not yet launched

Further to our write-up on Yuzhou's proposed restructuring and RSA [in the daily on 20 Feb'24](#), we had numerous client discussions on our thoughts of the proposed restructuring and RSA. We would like to point out that Yuzhou has so far sent out the proposed terms and RSA to gather the creditors' support for the proposed restructuring. Yuzhou is yet to formally launch the scheme. As written before, the approval threshold of the eventual scheme will be a simple majority in headcount, representing at least 75% in principal amount in the scheme meeting. The ad hoc group, representing c30% of aggregate principal amount of public USD bonds, would accede to the RSA. The longstop date of the restructuring plan is on 31st Dec'24. In our opinion, Yuzhou's restructuring plan is less complicated compared with that of Sunac and Aoyuan. We assume the restructuring effect date (RED) to be 30 Sep'24 in our recovery analysis.

#### Option 1 recovery rate is highest but the allocation is capped

Amongst the 3 options, the recovery rate is highest for Option 1 (50ish-70ish) and lowest for Option 3 (high single digit to 20ish), depending on discount rates (and assuming the restructured bonds will be paid as scheduled!). However, the claims eligible to choose Option 1 are capped at c23% of the total claims for holders of public and senior unsecured USD bonds. The unallocated portion will be automatically converted into MTNs and equity as per in option 2. Hence, senior unsecured public USD bondholders will end up with 23% of their claims converted into STNs as per Option 1, 55% of its claims into MTNs and 22% of its claims in equity as per in Option 2. See Table 1.

#### Table 1: Recovery rate of senior unsecured public USD bondholders

| Discount rate | 15%   | 20%   | 25%   | 30%   |
|---------------|-------|-------|-------|-------|
| Option 1      | 75.4% | 66.3% | 58.8% | 52.4% |
| Option 2      |       |       |       |       |
| Tranche A     | 61.6% | 50.6% | 42.0% | 35.0% |
| Tranche B     | 57.3% | 45.2% | 36.1% | 29.1% |
| Tranche C     | 54.3% | 41.4% | 31.9% | 24.8% |
| Tranche D     | 52.2% | 38.5% | 28.8% | 21.8% |
| Option 3      | 25.1% | 16.0% | 10.3% | 6.8%  |

### Recovery rates of 30-51% for bonds and 25-38% for perps

For the sake of discussions, we estimate the weighted average recovery rates for the public USD bonds to be 30-51%, assuming a slippage of 85% in equity value, taking cues from the restructuring of **Aoyuan**. In the cases of the public and senior unsecured USD bonds, equity value contributes 3-4 pct pts of recovery rate in our analysis. Additionally, we estimate the weighted average recovery rates for the USD perps to be 25-38%. In the cases of perps, equity value contributes 7-8pct pts of recovery rate, reflecting the higher proportion of debt-to-equity swap for the perps. See Table 2.

**Table 2: Weighted average recovery rate of bondholders**

| Discount rate  | 15%   | 20%   | 25%   | 30%   |
|--|-------|-------|-------|-------|
| <b>Public and senior unsecured USD bonds</b>                                       |       |       |       |       |
| Recovery for senior unsecured USD bondholders (incl early RSA fee)                 | 51.3% | 42.1% | 35.1% | 29.7% |
| Recovery for senior unsecured USD bondholders (excl equity value and incl RSA fee) | 48.0% | 38.8% | 31.9% | 26.5% |
| <b>USD perps</b>   |       |       |       |       |
| Recovery for perps holders (incl early RSA fee)                                    | 37.9% | 32.3% | 28.1% | 24.8% |
| Recovery for perps holders (excl equity value incl early RSA fee)                  | 30.1% | 24.5% | 20.3% | 17.0% |

### Meaningful debt reduction for Yuzhou

We estimate that the total debts of Yuzhou, including perps and privately placed USD notes to be cUSD8.9bn. The proposed restructuring, if completed, will reduce Yuzhou's total debts by cUSD2.8bn or c32%. The creditors will own an aggregate shareholding of 36.6%-40.1% of Yuzhou post restructuring while the founding family's ownership will be diluted to no more than 40-41%. The lower debt level will help notably relieve the funding and refinancing pressure of Yuzhou in the coming 2-3 years. That said, significant sale recovery remains to be the key for the longer-term development of Yuzhou. We are also concerned of Yuzhou's ability to replenish quality land bank over the medium term.

Click [here](#) for full report

| Issuer/Guarantor                         | Size (USD mn) | Tenor | Coupon | Priced | Issue Rating (M/S/F) |
|--|---------------|-------|--------|--------|----------------------|
| No Offshore Asia New Issues Priced Today |               |       |        |        |                      |

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

| Issuer/Guarantor    | Currency | Size (USD mn) | Tenor | Pricing | Issue Rating (M/S/F) |
|---------------------|----------|---------------|-------|---------|----------------------|
| Dubai Islamic Bank  | USD      | -             | 5yr   | -       | A3/-/A               |
| Shinhan Card Co Ltd | USD      | -             | 5yr   | T+160   | A2/-/-               |

➤ **News and market color**

- Regarding onshore primary issuances, there were 55 credit bonds issued yesterday with an amount of RMB55bn. As for month-to-date, 468 credit bonds were issued with a total amount of RMB494bn raised, representing a 39.1% yoy decrease
- Media reported that Chinese banks have granted RMB29.4bn (cUSD4.1bn) loans to developers included in property whitelist as of 20 Feb'24
- **[KMCMIN]** Kunming Traffic Investment unit's overdue commercial papers totaled RMB92.8mn as of Jan'24 end
- **[MONMIN]** Mongolian Mining to sell 20% stake in exploration unit for USD88.8mn
- **[RPVIN]** Renew Power 3Q24 revenue rose 19% yoy to cUSD198.7mn and adjusted EBITDA rose 7.6% yoy to cUSD150.8mn
- **[SKONKR]** SK On plans to raise at least USD1.5bn of new capital to fund its global expansion and research plan
- **[XINHUZ]** Xinhua Zhongbao proposes up to USD450m offshore bond offering, schedules EGM on 8 Mar'24 to review the proposal

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