

## CMBI Credit Commentary

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

#### The Asset Asian G3 Bond Benchmark Review 2023

We hope you found our commentaries and ideas helpful. We seek to elevate our efforts and value-add further in the coming year. We highly appreciate your support to us in Sell-Side Analysts of the polls of "[The Asset Asian G3 Bond Benchmark Review 2024](#)". Thank you for your support!

- *New issue BNKEA'34 tightened c4bps and BCLMHK'27 widened c3bps this morning. CN/KR IGs were unchanged to 2bps wider. High-quality AT1/SOE Perps were well-bid. S&P upgraded COLI to A- from BBB+ with stable rating outlook. We prefer CHJMAOs among Chinese SOE developers. See below.*
- *HAOHUA/SYNNVX: ChemChina's Baa2 and Syngenta's Baa1 ratings affirmed. HAOHUA/SYNNVX'25 tightened 2-7bps yesterday and widened 1-2bps this morning. See below.*
- *ROADKG: Clarification on available offshore liquidity resources; in active discussion with lenders of loans due in Sep'24. See below.*

#### ❖ Trading desk comments 交易台市场观点

Yesterday, the new fixed-coupon HYNMTR 26s/29s/31s were unchanged to 3bps wider. The new HYNMTR Float 06/24/27 tightened 3bps. ANZ/MQGAU 34s tightened 1-2bps. Chinese IGs were traded in mixed two-way flows. SINOCH '31 widened 4bps while HAOHUA 28-30s closed 3-5bps tighter. See comments below on Moody's downgrade on Sinochem. BABA '31/TENCNT '30 were unchanged to 2bps tighter. In the high beta TMTs, MEITUA 25/30 tightened 3-5bps. WB '30 widened 2bps. In financials, BCLMHK priced a USD650mn 3-yr floating-rated bond at SOFR+68, and a USD300mn 3-yr bond at T+62. BOCAVI 28-29s widened 2-3bps. In Chinese AMCs, the recent issued CCAMCL/ORIEAS 29s tightened 2-3bps. HRINTH 27-30s tightened 3-6bps. In EU AT1s, INTNED 3.375 Perp/BNP 8 Perp were 0.2-0.3pt higher. AIA/CKHH/PINGIN 34s tightened 1-3bps, while BNKEAs/CHILOVs/DAHSINs were unchanged to 4bps wider. FWDGHD priced a USD600mn 7-yr bond at T+335. FWDGHD 6.375 Perp was up 0.5pt. PCGIHD/PCPDC 26s were 0.7-0.9pt higher. NWDEVL 27-30s/Perps were 0.5-1.2pts higher. Chinese properties were mixed. SHUION 25/26 were up 0.5-0.8pt. S&P upgraded COLI to A- from BBB+. CHIOLIs closed unchanged to 0.1pt higher. See comments below. VNKRL 27/29, on the other hand, were 0.5-1.3pts lower. LNGFOR 27-32s were down 0.3-0.5pt. In Macau gaming, the new MGMCHI '31 was down 0.2pt. In Indonesia, MDLNIJ/KIJAIJ 27s were up 0.5pt. India space was quiet. Elsewhere, GLPSP Perps were 1.0-1.2pts lower.

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In LGFVs, GZGETH/CDCOMM/NYJZSO 27s were down 0.1pt. On the other hand, the sentiment remained upbeat on quality SOE Perps. CHSCOI 3.4 Perp/CHPWCN 3.45 Perp were up 0.1-0.3pt. In the high beta names, HUANEN '29 was up 1.0pt. FRESHK 25/26 were up 0.1pt. The insurance names such as GRPCIN/SUNSHG/ZHONAN 26s were 0.1-0.2pt lower.

#### ❖ Last Trading Day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
NWDEVL 4 3/4 01/23/27	88.0	1.2	VNKRLE 3.975 11/09/27	65.1	-1.3
HUANEN 3 12/10/29	91.2	1.0	GLPSP 4 1/2 PERP	64.0	-1.2
NWDEVL 5 7/8 06/16/27	89.0	1.0	GLPSP 4.6 PERP	63.0	-1.0
NWDEVL 5 1/4 PERP	76.8	1.0	VNKRLE 3 1/2 11/12/29	57.9	-0.9
PCGIHD 4 1/2 08/23/26	92.6	0.9	ROADKG 6.7 09/30/24	52.5	-0.8

#### ❖ Marco News Recap 宏观新闻回顾

**Macro** – S&P (-0.25%), Dow (+0.77%) and Nasdaq (-0.79%) were mixed on Thursday. The latest US initial jobless claim was +238k, higher than the expectation of +235k. US May'24 new housing starts dropped 5.5% mom, compared to the expectation of +0.7% mom. UST yield retreated yesterday, 2/5/10/30 yield was 4.70%/4.26%/4.25%/4.39%.

#### ❖ Desk analyst comments 分析员市场观点

##### ➤ CHIOLI/CHJMAO: S&P upgraded COLI to A- from BBB+ with stable rating outlook

On 20 Jun'24, S&P upgraded China Overseas Land & Investment (COLI)'s long-term issuer credit rating to A- from BBB+ with stable rating outlook. The rationale of rating upgrade are that COLI would receive extraordinary government supports from its parent China State Construction Engineering Corp and maintain smooth funding channels. This is the first rating upgrade in Chinese property sector by rating agencies this year. In 5M24, the nationwide newly constructed commercial residential housing sales dropped 30.9% yoy to RMB3,116bn and COLI's contracted sales decreased 30.8% yoy to RMB101.7bn.

Separately, S&P affirmed China Jinmao's BBB- rating with stable outlook on 18 Jun'24. CHJMAOs are our top picks among Chinese SOE developers for CHJMAOs' better risk-return profiles and solid supports received by China Jinmao from its controlling shareholder SinoChem. For example, Sinochem continuously provides cRMB20bn shareholder loans to China Jinmao per annual. Besides, China Jinmao issued two perpetual debts totaled RMB8bn to Sinochem Holdings at a cost of 4.5% in Dec'23, compared to its average funding cost of 4.3% in FY23. On 26 Apr'24, China Jinmao announced that its wholly owned subsidiary, Zhantuo, entered into the loan agreement with Sinochem Finance which would provide 12-year loans of RMB15bn to Zhantuo with funding cost less than 5-year LPR of 3.95% at present. We maintain buy on CHJMAOs.

Security Name	Amt o/s (USD mn)	Ask Price	YTM (Ask)	YTC (Ask)	Next Call Date	Coupon Reset	Rating (M/S/F)
CHJMAO 4 06/21/24	250	100.0	3.9	-	-	-	-/BBB-/-
CHJMAO 4.4 03/04/25	350	97.3	8.5	-	-	-	Ba2/-/-
CHJMAO 3.2 04/09/26	600	90.6	9.0	-	-	-	-/BBB-
CHJMAO 4 ¼ 07/23/29	500	76.9	10.2	-	-	-	Ba2/-/-
CHJMAO 7 ½ PERP	400	96.7	10.0	16.0	12/6/2024	5yrUST+5.539	-/-/-
CHJMAO 6 PERP	500	88.9	10.4	14.4	2/8/2026	5yrUST+5.584	B1/-/-

Source: Bloomberg.

➤ **HAOHUA/SYNNVX: ChemChina's Baa2 and Syngenta's Baa1 ratings affirmed**

Moody's took multiple rating actions on the subsidiaries of Sinochem Holdings yesterday: (1) downgraded Sinochem International issuer rating to Baa2 from Baa1 on elevated leverage, outlook changed to negative; (2) affirmed the Baa2 rating of China National Chemical Corporation (ChemChina), outlook changed to negative on higher-than-expected leverage mainly from channel destocking; and (3) affirmed the Baa1 rating of Syngenta Group with stable outlook.

Sinochem International is a 54.6%-owned subsidiary of Sinochem Group. Sinochem Group and ChemChina are 100% owned by Sinochem Holdings and ultimately owned by central SASAC. Syngenta Group is a 100% owned subsidiary of ChemChina. Both ChemChina and Sinochem Group are integral to Sinochem Holdings with different strategic focuses. ChemChina focuses on agricultural inputs from crop protection to distribution and chemical businesses. Sinochem Group, on the other hand, more on the oil refining, real estate (China Jinmao) as well as financial sectors.

We like ChemChina's strategic important to the food security of China, and view ChemChina complex as a leverage plays on Chinese SOEs. We have buy recommendations on HAOHUA 3.875 06/19/29, HAOHUA 3 09/22/30 and SYNNVX 4.892 04/24/25. See our [2024 Asia Credit Outlook](#).

➤ **ROADKG: Clarification on available offshore liquidity resources; in active discussion with lenders of loans due in Sep'24**

Road King issued clarification last night on the tender offers and consent announced on 11 Jun. Key points are: (1) onshore funds are only available for repatriation upon substantial completion of projects and repayment of debts at project level, only limited amount would be available for offshore tender offers and consent; (2) the proceeds from the sale of four toll roads in China approx. to USD330mn, and it is the major liquidity recourses for offshore debts; and (3) Road King has offshore debt obligations and two loan facilities totaled USD700mn due in Sep'24, and it continues to be in active discussion with the lenders for the maturity extension. Terms have not yet been finalized.

The clarification on the proceeds from the sales of Chinese toll roads of USD330mn is in line with our estimation as we pointed out in [our previous comment](#). The sale proceeds will not be able to cover to maturities in Sep'24 including ROADKG 6.7 09/30/24 of USD301.2mn, syndicated loans of USD240mn and project loan of cUSD160mn. We believe that Road King will default on its repayment obligations if the liability management is not approved. That said, we consider Road King's liability management exercise more friendly in view of the size (especially for the 24) and relatively high early repayments in Jul'24, compared with those of other Chinese property developers. The caveat is that bondholders are reported to fight for a more even distribution of tender cap and early repayments across different tranches.

We turned neutral on ROADKG 7.75 Perp since Jan'24 in view of the weak property market sediment in China and Hong Kong, the loss of recurring cash flow from toll road operations and lumpy debt maturities. Please refer to our 2024 Credit Outlook. In our opinion, the current valuations of ROADKGs have fairly priced in "long-awaited" liability management exercise of Road King.

For the terms of the tender offers and consent, see [our daily on 12 Jun](#).

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

Issuer/Guarantor	Size (USD mn)	Tenor	Coupon	Priced	Issue Rating (M/S/F)
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Bank of East Asia	650	10NC5	6.75%	T+255	Baa2/BBB-/-
Bocom Leasing Management HK	300/650	3yr	5.0%/6.046%	T+62/SOFR+68	A3/-/A
FWD Group Holdings	600	7yr	7.635%	T+335	Baa3/-/BBB-
Shangrao Innovation Development	50	34.5mth	5.6%	5.6%	-/-/-

➤ **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 129 credit bonds issued yesterday with an amount of RMB99bn. As for month-to-date, 1,247 credit bonds were issued with a total amount of RMB1,236bn raised, representing a 5.1% yoy decrease
- **[CHPWCN]** Power Construction Corporation of China completed full redemption of USD500mn CHPWCN 4.3 PERP
- **[LIHHK]** Media reported that Lifestyle got HKD7.85bn loan to refi HKD6.95bn facility due this year
- **[SKINNV]** Media reported that SK Innovation intends to merge with energy SK E&S and create a company with combined assets of KRW106trn (USD77bn)
- **[VEDLN]** Vedanta Ltd board approved NCD issuance of up to INR10bn (cUSD120mn)
- **[XINAOG]** ENN Energy further repurchased USD45mn of XINAOG 2.625 09/17/30

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