

CMBI Credit Commentary

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

- *Markets remained weak this morning. In Asian IG space, new issue SHCMBK/BOCOM tightened 8-10bp. KR and HK names slightly widened. TMTs overall widened 5-10bps. We saw short coverings on AT1 while SOE Perps were more on selling.*
- **SHNSUN/SHXREG:** *The skeleton of debt restructuring for USD notes was out. See below.*
- **FOSUNI:** *Media reported that Fosun's sale of Nanjing Iron & Steel 60% stake to Shagang for RMB16bn may not proceed as planned as competitive bidders emerge. FOSUNIs down c0.25pt this morning.*

❖ Trading desk comments 交易台市场观点

Yesterday, Asia IG space had another weak day with market still focused on financial names. In Korea space, low beta papers such as EIBKOR/KDB/KHFC traded heavy as spread widened 2-3bps. Primary market came alive, as we saw SHCMBK 10NC5, BOCOM HK (USD/HKD/CNH) and Mizuho three tranches. SHCMBK priced the USD350mn 10NC5 T2 at CT2+240 level (IPT at CT2 +275 area). Whilst on secondary front, flows were one-way selling. IG spreads widened 5-15bps across China TMT/T2/POE/high beta SOE sector. TMT benchmarks TENCNT papers were 3-5bps wider, and high-beta names like LENOVO grinded 5-10bps wider. SOE benchmarks HAOHUA/SINOCH were 2-5bps wider under better selling. In financials space, AMCs space stabilized but T2s remained fragile. HRINTH curve ended unchanged to 0.5pt lower after yesterday sold off. Leasing front end were traded two way and we saw street picked up BOCAVI curve in block size. BOCAVI 25s/26s tightened 5-10bps. Bank T2 space notably widened another 7-15bps on the day after yesterday's widening of 10-20bps. CCB 29-32s were traded 10-15bps wider to around T+90 area under dealer hitting, though we did not see material selling from bank/RM accounts. ICBC 25s/29s also encountered FM selling in the morning but found support after ~5bps wider. Chinese property space went sideways. VNKRLs/LNGFORs were indicated 0.25-0.5pt lower in cash prices. SINOCE lowered 1-2 pts. COGARDs first dropped 2-4pts and then recovered 1pt into lunch to close 1.5-3pts lower. AGILEs/KWGPROs drifted 1-2pts lower. On the other hand, CSCHCNs were marked 1.5-3.5pts higher at low-80s level. ROADKGs bounced back 0.5-1.5pts from yesterday's losses across the curve. CHINSC 23s were initially traded down to 79/81 but closed at 82.5/85.5 level. Rest of the CHINSCs were unchanged. Industrial names were quiet. Macau gaming names all underperformed. MPELs/SANLTDs/STCITYs/WYNNMACs were marked down 1-3pts, under street/ETF selling. In India space, ADANEMs/ADTINs/ADSEZs were 0.5-1pt lower. VEDLNs were

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holding well between the high-80s to low-90s area. Indonesian names were muted except LMRTSPs were bid up 1-2pts.

In the Asia AT1/Perps/LGFV spaces, perpetual instruments remained very weak. AT1s were 0.25-0.75pt lower amid HF selling as dealers offered aggressively to any buying interests from AM/ PB. BOCOM 3.8 Perp was quoted down 0.25pt to 95.75 level, and ICBCAS perps also slid to 0.25-0.5pt lower. Non-SOE Perps were down 1-2pts led by FFL Perps. AIA/NWDEVL perps were marked 1-2pts lower, with little bid support beyond short covering. Whilst SOE Perps were largely stable as we saw Chinese AM picking up selected short-dated-to-call papers on the dip, but overall remained heavy as well. LGFVs continued to correct from previous squeeze rich levels of mid-to-high-5%, as bank demand came into the scene again with bonds traded back at 6%-handle. Away from this, we saw decent amount of traction going through in TLINVT 23s/GXFING 23s as the pair reached 96-handle sort of cash price. TLINVT performed rather stable at 97 level, and it seemed a key psychological resistant level here (ref to LZINVE last year), whilst GXFING seemed to have accumulated quite some shorts and may potentially be further squeezed should recent RM/ AM buying go on. We reckon short interests will re-emerge at perhaps close to 97 level, as the bond will only mature in Nov meaning still a long period of time during which volatility may spike. Elsewhere, Shandong names SHDOIS/SHUGRP were down 0.25-0.5pt. On the primary front, KNMIDI priced a new USD220mn 2Y bond at 9.8% ahead of its USD300mn 6.1% '23 maturity on 25 Feb. GZUIHG priced the USD160mn 3Y bond at 7.7%.

❖ Last Trading Day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
CHINSC 7 1/4 04/19/23	83.6	3.3	SANLTD 4 3/8 06/18/30	85.7	-3.7
CSCHCN 9 07/20/24	81.0	3.2	AGILE 5 1/2 05/17/26	48.7	-3.2
CSCHCN 9 12/11/24	79.7	2.7	COGARD 6.15 09/17/25	66.7	-3.2
YUEXIU 3.8 01/20/31	80.6	2.6	MPEL 5 3/8 12/04/29	79.7	-3.1
CSCHCN 9 10/09/24	80.2	2.2	COGARD 2.7 07/12/26	56.2	-3.1

❖ Marco News Recap 宏观新闻回顾

Macro – U.S. stock markets were weak yesterday. S&P (-2.00%), Dow (-2.06%) and Nasdaq (-2.50%) recorded largest daily drop since Dec'22. U.S. Feb'23 Markit manufacturing/service PMI released as 47.8 and 50.5, both higher than expected, the strong economic data may prolong the period with high level interest rate. The U.S. treasury yields were edged higher yesterday; yield curves bear steepened and 2/5/10/30 yields reached 4.67%/4.16%/3.95%/3.98%, respectively.

❖ Desk analyst comments 分析员市场观点

➤ SHNSUN/SHXREG : The skeleton of debt restructuring for USD notes were out

In brief, the restructuring plan for its 5 USD bonds with total outstanding amount of USD640mn is to extend maturity 3-5 years. The upfront repayment is 1pt and cash coupon for new bonds will be cut to 5.5% (cash) or 6.5% (PIK). The coupon payment in cash or PIK will be at sole discretion of Shinsun.

Shinsun will decide after the early consent fee deadline and base consent fee deadline on 27 Feb'23 and 20 Mar'23, respectively, whether the restructuring plan will go through the routes of exchange offer, consent and scheme. The company did not indicate the minimum acceptance level for an exchange offer. The consent threshold will be different for different bonds given the differences in governing laws. The approval threshold for the scheme meeting will 50% in headcount and 75% in principal. We shall provide more updates after the consent fee deadlines.

Details of debt restructuring:

Bond	O/S Amt (USD mn)	Upfront cash	Consent fee	New Bond	New Maturity	Key terms
SHXREG 12.5 01/23/22	19	1pt	0.6pt(early) 0.15pt(base)	SHXREG 5.5'28	5yr since issuance	-Interest rate: 5.5% or 6.5% PIK for three new notes
SHXREG 13 01/17/23	134			(New notes A)		-Onshore Collateral for Note A : equity interests in four onshore companies with totaled RMB81.5mn registered capital
SHNSUN 13 01/17/23	86	1pt	0.6pt(early) 0.15pt(base)	SHNSUN 5.5'26	3/5yr since issuance	-Repurchase/mandatory redemption for Note A : The company will repurchase/redeem at least of 10%/25%/40%/55%/70%/100% of new notes before 24/36/42/48/54/60 months from issue date
SHNSUN 12 08/18/23	200			(New notes B I, USD200mn at most)		-Repurchase/mandatory redemption for Note B II : repurchase/redeem at least 40% of note since 4 years from issue date
				SHNSUN 5.5'28		-Repurchase/redemption for three new notes with proceeds from Specified Asset: up to USD30mn on pro-rata basis, amount=net proceeds of 20% from Shanghai Shinsun Hongkou Project + 25% from six projects outside Shanghai
SHNSUN 10 06/07/22	200			(New notes B II, rest of three bonds)		-Optional Redemption for Note B I,II : After 24/36 months of Note B I issuance, issuer may at its discretion to redeem 45%/55% of principal amount of Note B I; At any time before maturity of New Note B II , issuer may at its option to redeem 100% note B II, in whole or in part.

➤ Offshore Asia New Issues (Priced)

Issuer/Guarantor	Size (USD mn)	Tenor	Coupon	Yield	Issue Rating (M/S/F)
BOCOM HK Branch	600	3yr	4.875%	T+57	A2/-/-
Ganzhou Urban Investment (SBLC by PSBC Jiangxi Branch)	62	35mth	5.898%	5.9%	-/-/BBB-
Ganzhou Urban Investment	160	3yr	7.7%	7.7%	-/-/BBB-
Kunming Industrial	220	2yr	9.8%	9.8%	-/-/-
Shanghai Commercial Bank	350	10NC5	6.375%	T+240	A3/-/BBB

➤ Offshore Asia New Issues (Pipeline)

Issuer/Guarantor	Currency	Size (USD mn)	Tenor	Pricing	Issue Rating (M/S/F)
CICC	USD	-	3yr	T+160	Baa1/-/-

➤ News and market color

- Regarding onshore primary issuances, there were 107 credit bonds issued yesterday with an amount of RMB88bn. As for month-to-date, 855 credit bonds were issued with a total amount of RMB819bn raised, representing a 23.2% yoy increase
- China's CSRC launches pilot scheme on real estate private equity funds to support real estate sector
- [AGILE]** Agile unit schedules RMB1.45bn (cUSD211mn) 21Panya01 bond put option exercise on 24-28 Feb'23
- [FOSUNI]** Media reported that Fosun's sale of Nanjing Iron & Steel stake to Shagang for RMB16bn may not proceed as planned as competitive bidders emerge
- [GMRLIN]** GMR Hyderabad International Airport offers to purchase up to USD 100m of its 5.375% notes due 2024 and 4.75% notes due 2026
- [SHIMAO]** Media reported that Shanghai Shimao sounds out holistic restructuring of all eight exchange-listed domestic bonds totaled RMB13.7bn, proposed to extend 4-5 years
- [TPHL]** Times China speeds up payment terms for six months to four years for its domestic-notes restructuring, provides collateral for restructuring
- [VNRLE]** Vanke postpones EGM to consider up to RMB15bn non-public issuance of A shares to 8 Mar
- [XINHUZ]** Xinhua Zhongbao 10% stake to be acquired by Xinan Caitong for RMB2.27bn
- [YUEXIU]** Yuexiu Property issues bonds with RMB700mn 3.15% five-year tranche and RMB1.2bn 3.5% seven-year tranche

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