

CMBI Credit Commentary

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

- *Market sentiment continued to improve this morning. Asian IG benchmarks were 1-2bps tighter and we saw active buying flows on front-end TMT/SOE bonds. EHICARs were unchanged to +0.25pt and LEEMAN perp stayed unchanged post announcement of repurchase.*
- **HRINTH:** *The 4th round of sizeable buy-back announced. HRINTHs up 0.25 to 0.6pt this morning. See below.*
- **MEDCIJ:** *Announced up to cUSD425mn tender offer and concurrent new issues. MEDCIJs rose 0.4 to 1.5pts this morning. See below.*

❖ Trading desk comments 交易台市场观点

Yesterday, overnight UST yields tightened 3-7bps ahead of Thursday CPI. In Chinese SOE/TMT benchmarks, HAOHUA 30s tightened 2bps to close T+170/168. TENCNTs were traded in active two-way flows and closed 1-2bps tighter. In the BBB TMTs, MEITUA/WB 30s tightened 5bps. In financials, AMCs were mixed. HRINTH 24s/25s tightened 10-20bps, while rest of the HRINTH curve was stable in spreads. Last night, Huarong announced further bond repurchases totaled USD186.65mn in principal amount. See below for comments. The front end of CCAMCLs were better-offered. In Chinese bank T2s, BOCOHK 31s/CCB 29s were under better selling. In Chinese AT1s, ICBCAS 3.2 Perp/CINDBK 4.8 Perp grinded 0.1pt higher on lower rates. Thai bank AT1s KBANK/BBLTB papers gained another 0.5-0.8pt after gaining 0.2-0.7pt on Tuesday. The recent new BBLTB 28s/33s were mixed, with 28s under better buying whilst 33s were better offered. In Korea space, LGSENSO/DAESEC 26s were subdued. HK IGs AIA/HKLSP 33s were under better selling. In HK Corp perps, NWDEVL Perps declined 0.3pt. CKINF 4.85 Perp/CKINF 4.2 Perp lowered 0.5-1.9pts. Chinese properties were weak. CSCHCNs were down 1.8-3.1pts. GEMDAL '24 were 2.6pts lower. LNGFORs declined 0.3-0.7pt. PINGRE 24s, on the other, traded 2.2pts higher. In industrials, EHICAR 24s/26s were up 0.2-0.6pt. EHICAR announced that it has repurchased USD46.425mn of its due-2024s. We estimate that only USD3.2mn were repurchased after Dec'22. See "News and market color" below. AACTEC '31 was up 1.8pts. In Macau gaming names, MPEL/SANLTD/WYNMAC 27-29s were 0.5-0.8pt higher. In Indian space, VEDLN 24s/25s gained 1.2-1.4pts. Indonesian names MEDCIJs were up 0.3pt. Medco Energi announced tender offer and concurrent new issue this morning. See below.

In the LGFV/Perp space, there were more buying flows from cash deployment needs. The higher-yielding names continued to be sought-after. Shandong/Chongqing names SHGUOH/CQNANA 26s were better bid. We also saw a pickup in demand for 6%-handle papers as the rates outlook

Glenn Ko, CFA 高志和
(852) 3657 6235
glennko@cmbi.com.hk

Cyrena Ng, CPA 吳倩瑩
(852) 3900 0801
cyrenang@cmbi.com.hk

Jerry Wang 王世超
(852) 3761 8919
jerrywang@cmbi.com.hk

turned more bullish again amid rising geopolitical tensions in the Middle East. These bonds remained well digested, despite some sporadic selling flows. CPDEV 5.75 Perp was 0.5pt higher. FRESHK 25s/26s gained 0.4-0.6pt. In SOE Perps, CTIH 6.4 Perp was traded around 6.0% with a decent amount of two-way flows. CHPWCN/CNBG Perps were better bid at low-6% to 6% again by Chinese RMs.

❖ Last Trading Day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
PINGRE 2 3/4 07/29/24	82.8	2.2	CSCHCN 9 12/11/24	41.1	-3.1
AACTEC 3 3/4 06/02/31	72.5	1.8	GEMDAL 4.95 08/12/24	36.6	-2.6
TAISEM 4 1/2 04/22/52	86.0	1.7	CKINF 4.2 PERP	67.0	-1.9
SINOPE 4.6 09/12/48	84.0	1.6	CSCHCN 9 06/26/24	47.7	-1.8
SINOPE 5 3/8 10/17/43	94.6	1.6	ROADKG 5.2 01/12/26	36.1	-1.2

❖ Marco News Recap 宏观新闻回顾

Macro – S&P (+0.43%), Dow (+0.19%) and Nasdaq (+0.71%) continued to rise in fourth consecutive day on Wednesday. The meeting minutes of Sep FOMC shows that most Fed officials were cautious about future interest rate hike while more than half officials expected another rate hike within 2023. US Sep PPI increased 0.9% mom, was higher than the expectation of +0.3% mom. The long-term UST yields moved lower yesterday, 2/5/10/30 yield reached 4.99%/4.59%/4.58%/4.73%, respectively.

❖ Desk analyst comments 分析员市场观点

➤ HRINTH: The 4th round of sizeable buy-back announced

Between 28 Sep'23 -11 Oct'23, Huarong bought back USD bonds totaled USD186.65mn in principal amount. The focuses remain to be on longer-dated and lower cash price bonds. In aggregate, Huarong announced bond repurchases totaled cUSD930mn equivalent in principal amount since 19 Sep'23. Out of these, we estimate that at least cUSD480mn were repurchased after 19 Sep'23. Taking cues from the "modest" pricing movement after the sizeable repurchases, we suspect that a significant part of the repurchases were conducted through direct repurchases from major holders instead of on-market repurchases.

We estimate that net debt reduction and gain from the repurchases to be cUSD215mn (equivalent to cRMB1.6bn). Huarong's net debts were RMB736.3bn as at Jun'23 and it reported net losses of RMB6.0bn in 1H23. To us, the significance of the successive repurchases, focusing on longer-dated and lower cash price bonds, lie on the signal of Huarong's strong confidence on its near-term liquidity. Huarong repaid USD600mn of HRINTH 2 1/8 09/30/23 on 30 Sep'23 and is yet to announce repurchase of shorter-dated USD bonds. As discussed in our comments on 6 Oct'23, Huarong raised 3-year onshore financial bonds of RMB20bn (cUSD2.7bn) at a coupon rate of 3.1% on 16 Aug'23. The good access to low-cost onshore funding offers Huarong the financial flexibility to continue the repurchases of its offshore bonds. We expect Huarong, as well as other Chinese AMCs, to repurchase their offshore bonds to deleverage and lower funding costs.

HRINTHs are our top picks of the Chinese AMC sector. Within the HRINTH curve, our preferences are HRINTH 3.75 05/29/24, HRINTH 5.5 01/16/25 and HRINTH 4.25 Perp (callable 09/30/25). We also like GRWALL 3.95 Perp (callable 07/31/24) after the recent price correction and CCAMCL 4.4 Perp (callable 03/11/26) as a low beta play.

Ticker	Currency	Issue size (mn)	O/S (mn)	Repurchased amt (mn) as at 19 Sep	Incremental repurchased amt (mn) as at 21 Sep	Incremental repurchased amt (mn) as at 27 Sep	Incremental repurchased amt (mn) as at 11 Oct	Total repurchases disclosed	% of issue size	Offer price	YTM
HRINTH 4 1/2 05/29/ USD		700	594.348	98.65	7.00			105.65	15.09%	79.98	9.1%
HRINTH 3 7/8 11/13/ USD		500	424.525	52.48	23.00			75.48	15.10%	79.00	8.3%
HRINTH 3 3/8 02/24/ USD		700	349.292		141.00	108.50	101.21	350.71	50.10%	78.98	7.6%
HRINTH 3 5/8 09/30/ USD		350	209.500	41.00	32.00	15.00	52.50	140.50	40.14%	78.81	7.6%
HRINTH 5 1/2 04/27/ USD		200	145.500			21.554	32.95	54.50	27.25%	75.26	7.8%
HRINTH 4.95 11/07/ USD		700	521.830	72.27	87.91	18.00		178.17	25.45%	71.79	7.5%
HRINTH 3.8 11/07/2/ SGD		400	368.000	32.00				32.00	8.00%	87.54	10.6%
				287.87	290.91	163.05	186.65		928.49		

Source: Company fillings, Bloomberg.

➤ MEDCIJ: Announced up to cUSD425mn tender offer and concurrent new issues

Medco Energi announced up to cUSD425mn tender offer for its USD bonds on Oct'12 and concurrent new issue of benchmark size 5.5NC2 USD bonds. The tender offer will be funded with cUSD340mn loans from Bank Mandiri in Sep'23, cUSD67mn IDR bonds issued in Jul'23 and cUSD18mn internal sources. The tender offer is not conditional upon on the concurrent new issue. This is the second tender offer from Medco Energi within one year. Recalled that in Nov'22, the company repurchased USD255.102mn of MEDCIJ 6.75 01/30/25 at 98 and cancelled USD264.602mn of MEDCIJ 6.75 01/30/25 after repurchases of another USD9.5mn from open market.

The concurrent 5.5NC2 USD bonds (expected rating: B1/B+/B+ by M/S/F) will be issued via subsidiary with guarantee from parent to refinance existing debts, or replace committed but currently undrawn facilities which may include the financing relating to potential acquisition of 20% interests in a producing assets in middle east. The potential acquisition can be funded with company's existing resources and the completion of acquisition is not conditional upon the new issue.

Notes	o/s amount (USD mn)	Maximum amount	Early tender offer consideration	Late tender offer consideration	Early tender deadline	Expiration deadline
MEDCIJ 6.75 01/30/25	235.098	Any and all	101.2	98.2		
MEDCIJ 7.375 05/14/26	533.606	60	100	97	5PM EST 25 Oct'23	5PM EST 9 Nov'23
MEDCIJ 6.375 01/30/27	570.734	60	96.25	93.25		
MEDCIJ 6.95 11/12/28	372.6	70	95.5	92.5		

Source: Company fillings

➤ Offshore Asia New Issues (Priced)

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)
Shinhan Bank Co Ltd	USD	-	5yr	SOFR+110	Aa3/A+/A

➤ News and market color

- Regarding onshore primary issuances, there were 28 credit bonds issued yesterday with an amount of RMB25bn. As for Month-to-date, 129 credit bonds were issued with a total amount of RMB122bn raised, representing a 21.7% yoy decrease
- Media reported that China central government has allowed local governments to apply for credit backed by a central bank lending program to repay local debts
- **[ADEIN]** Media reported that Adani Group ties up USD3.7bn refinancing deal from consortium including at least 20 banks
- **[AGILE]** Media reported that Agile is mulling to sell a commercial complex in Shanghai for RMB6bn (cUSD825mn); Agile Group remitted funds to repay RMB1.2bn 16Yaju03 bond due on 11 Oct
- **[APSEZ]** APSEZ announced results of up to USD195mn tender offer for 3.375% senior notes due 2024, USD212.972mn bonds were validly tendered
- **[CAPG]** China Aoyuan announced 72% of ICA debt, 22% of non-ICA debt accede to RSA; scheme hearings set on 31 Oct in HK and Cayman courts
- **[CHADEC]** Changde Urban Construction and Investment Group to issue USD100mn 5.9% credit enhanced bonds due 2026
- **[EHICAR]** eHi Car Services announced the repurchases USD46.425mn of EHICAR 7.75 11/14/24. The company bought back USD7mn in Sep'21 and USD36.2mn between Mar and Dec'22. Hence, the repurchases conducted Since Dec'22 were USD3.2mn. Total outstanding amount of EHICAR 7.75 11/14/24 reduced to USD403.575mn
- **[GLPSP]** GLP expects asset monetizations to exceed USD 10bn in coming months
- **[HONGQI]** Moody's affirmed China Hongqiao's Ba2 CFR and changed outlook to negative on weakened liquidity profile
- **[LEEMAN]** Lee & Man Paper Manufacturing announced the further repurchases of USD23.83mn of LEEMAN 5.5 PERP since tender offer in Dec'22.
- **[SHARAO]** Shangrao City Construction Investment Development to issue USD 67mn 8.5% bonds due 2026
- **[SINOCE]** Sino-Ocean Service shareholders approve cUSD87mn property assets acquisition from Sino-Ocean Group
- **[SUNSHI]** Yango Group denied detention of ultimate controller Lin Tengjiao
- **[VEDLN]** Vedanta incorporated wholly-owned subsidiary Vedanta Base Metals towards implementation of demerger scheme

Fixed Income Department

Tel: 852 3657 6235/ 852 3900 0801

fis@cmbi.com.hk

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