

CMBI Credit Commentary

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

- *Asia IG space was firm this morning. New DAHSIN 10NC5 T2 tightened 2bps to T+290. The new KHFC 26s tightened 5bps. The sentiment in LGFVs remained firm supported by cash deployment buying from RMs. Both UBS PerpNC5 and PerpNC10 stayed stable, while the former were around 0.25pt lower from yesterday high by noon.*
- **HRINTH:** *The repurchase focuses changed? HRINTHs were unchanged to +0.3pt this morning. See below.*
- *Opportunities from tender offers and repurchases: CQNANA/STCITY announced tender offer; the next are NWDEVL/NWSZF? CQNANAs moved -0.1 to +0.1pt, STCITYs were unchanged to +0.3pt, NWDEVLs moved -0.3 to +0.5pt, NWSZFs were unchanged to -0.3pt. this morning. See below.*

❖ Trading desk comments 交易台市场观点

Yesterday, Asia ex JP IG spreads closed unchanged to 3bps wider. On the primary front, UBS AT1 priced both USD1.75bn PerpNC5 and USD1.75bn PerpNC10 at par to yield 9.25%. The two new UBS AT1s perform well under buying from PB top-up demands despite some profit taking flows. The UBS PerpNC5 and PerpNC10 were 1.3pts and 2.3pts higher from the RO levels to close at 101.25 and 102.25, respectively. The new DAHSIN 10NC5 T2 opened 10bps tighter from its RO (CT5+295) in grey market and closed at T+293/+288. The new KHFC 26s closed 3bps wider from the RO (CT3+79/CT2+53.5). On the secondary front, Chinese SOE/TMT benchmarks were mixed. HAOHUA/SINOCH 25-30s widened 1-3bps, whilst TENCNTs remained well-bid and closed 1-2bps tighter. The high beta TMTs MEITUA/WB 30s widened 5bps from the Wednesday tight. In financials, the front end of Chinese bank T2/leasing/AMC papers continued to be better-sold by RMs. CCB/ICBCAS 29-30s widened 2-4bps. CDBFLC/CCAMCL 30s were 1-2bps wider. In AT1s, Chinese AT1s ICBCAS/CINDBK Perps were up 0.1pt. The new SOCGEN 10 PerpNC5.5 also closed 0.75pt higher above par. HK Corp perps were firm. BNKEA 5.875 Perp gained 1.3pts. NWDEVL Perps were 0.7-0.9pt higher. HYSAN/LEEMAN Perps were up 0.4-0.6pt. HK/Chinese properties performed mixed. SHUION 23/24 were up 0.5-1.5pts. DALWAN '24 gained 1.8pts. GRNCH 25s closed another 1pt higher at high-70s. COGARD 26-30s were up 0.6-1pt. However, VNKRL 24s were 0.3-0.5pt lower and VNKRL 25/27/29 retraced 2.1-4.4pts on profit taking after rallying 15-20pts from the last Friday closes. LNGFOR 27-32s dropped 2.8-3.8pts. GEMDAL '24/YLLGSP '26 were 1.1-1.6pts lower. PINGRE 24-26s were down 0.9-1.3pts. In industrials, WESCHI '26 were down 1pt. In Macau gaming names, MPEL/SANLTD 28-30s were 0.5-1.1pts lower. In Indian space, VEDLNs were down 0.5pt across the curve. Indonesian names were mixed. BUMAIJ '26 closed 0.8pt higher, whilst APLNIJ/LMRTSP 24s were 0.7-1.4pts lower.

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The Perp/LGFV spaces were firm. On the new issue side, FUKOKU 6.8 Perp was traded sticky around par, closed 0.2pt higher at 100/100.2. The flows were better buying in SOE perps, highlighted by CTIH 6.4 Perp being traded around 5.8%, and the bond was 0.1pt higher. HUADIA 3.375 Perp/HUANEN 3.08 Perp were up 0.1-0.2pt. Elsewhere, the higher-yielding papers GSHIAV/GSELEC/GZUIHG 24s continued to be sought-after by AMs and closed unchanged to 0.1pt higher. KMRLGP '24 was up 0.5pt. SHUGRP/ZYAMCL 24s were also 0.2-0.3pt higher. Meanwhile the quality LGFVs yielding 6%-handle were better bid by deployment demands from Chinese RMs. HZCONI/YWSOAO 25-26s were up 0.1pt. For property related names, CPDEV 25/26/Perp were down 0.3-0.7pt. The high-beta IG names FRESHK '25/ZHONAN '26 were down 0.2-0.3pt.

❖ Last Trading Day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
DALWAN 7 1/4 01/29/24	57.8	1.8	VNKRLE 3.975 11/09/27	61.0	-4.4
SHUION 5 3/4 11/12/23	99.5	1.5	LNGFOR 3 3/8 04/13/27	52.9	-3.8
BNKEA 5 7/8 PERP	89.8	1.3	VNKRLE 3 1/2 11/12/29	55.6	-3.7
GRNCH 5.65 07/13/25	78.5	1.1	LNGFOR 4 1/2 01/16/28	50.2	-3.6
COGARD 4.8 08/06/30	5.1	1.0	LNGFOR 3.95 09/16/29	45.2	-3.0

❖ Marco News Recap 宏观新闻回顾

Macro – S&P (-0.81%), Dow (-0.65%) and Nasdaq (-0.94%) were weak on Thursday after the Fed chairman expressed hawkish stance that the Fed is still not sure the interest rates are high enough to finish the battle with inflation. The latest US initial jobless claim was +217k, down from +220k in last week and higher than the expectation of +215k. The UST yields rebounded yesterday, 2/5/10/30 yield reached 5.03%/4.65%/4.62%/4.77%, respectively.

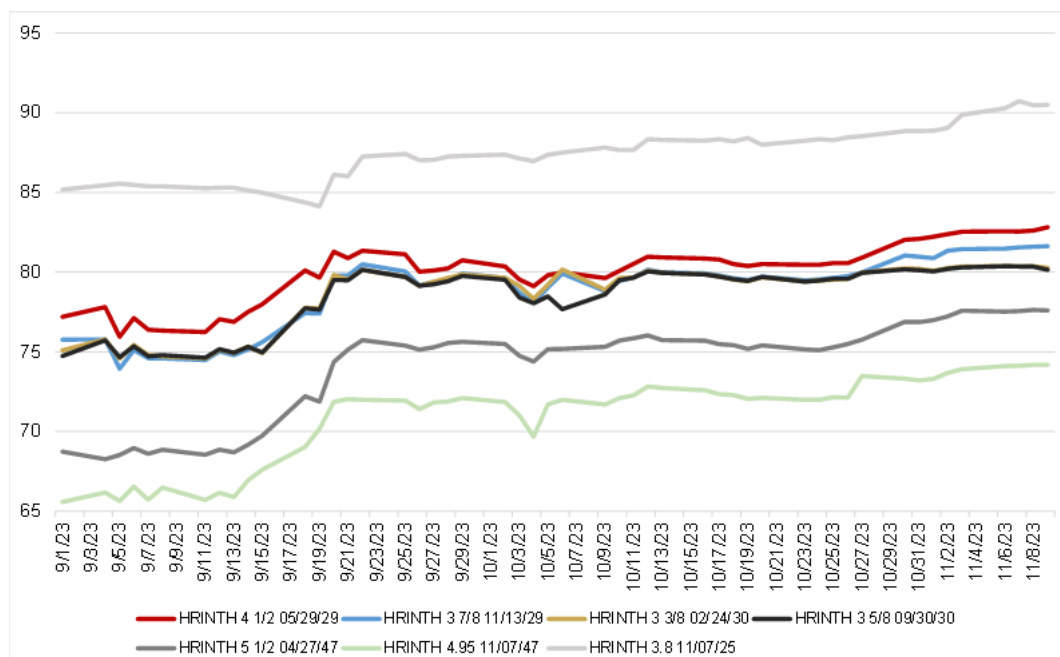
❖ Desk analyst comments 分析员市场观点

➤ HRINTH: The repurchase focuses changed?

HRINTHs remain our top picks in Chinese AMC space

For HRINTHs, 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 **HRINTH 4.5 05/29/29**, **HRINTH 3.375 02/24/30** and **HRINTH 4.95 11/07/47** and consider they will be the most likely candidates for further repurchases given the lower cash prices and better trading liquidity. For Chinese AMCs, we also like GRWALL 3.95 Perp (callable 07/31/24) and CCAMCL 4.4 Perp (callable 03/11/26) as a low beta play.

Chart 1: Price movement of repurchased HRINTHs since 1 Sep'23



Source: Bloomberg.

The weekly ritual is still on....

Huarong continues the weekly ritual with an announcement of another repurchases of USD98mn in principal amount. In the 8th round of repurchases, Huarong bought back USD50mn of HRINTH 4.5 05/29/29 and USD48mn of HRINTH 3.875 11/13/29. All of these were bought back between 3-9 Nov'23. Notably, the outstanding amount of HRINTH 3.875 11/13/29 fell further to below USD200mn and trading liquidity could be even thinner. Cumulatively, Huarong has repurchased offshore bonds of USD1.54bn in principal amount. We estimate that the net debt reduction and exceptional gain from repurchases to be cUSD350mn (cRMN2.5bn). The remaining war-chest for further repurchases should be cUSD950mn.

Table 1: HRINTHs repurchase details

Ticker	Currency	Issue size (mn)	O/s (mn)	Offer price	YTM	Repurchas	Incremental	Incremental	Incremental	Incremental	Incremental	Incremental	Incremental	Total repurchases disclosed
						ed amt (mn) as at 19 Sep	repurchase d amt (mn) as at 21 Sep	repurchase d amt (mn) as at 27 Sep	repurchased amt (mn) as at 11 Oct	repurchased amt (mn) as at 19 Oct	repurchase d amt (mn) as at 27 Oct	repurchase d amt (mn) as at 2 Nov	repurchased amt (mn) as at 9 Nov	
HRINTH 4 1/2 05/29/29	USD	700	544.348	82.62	8.5%	98.65	7.00						50.00	155.65
HRINTH 3 7/8 11/13/29	USD	500	199.525	81.59	7.8%	52.48	23.00				107.00	70.00	48.00	300.48
HRINTH 3 3/8 02/24/30	USD	700	270.500	80.38	7.3%		141.00	108.50	101.21	78.79				429.50
HRINTH 3 5/8 09/30/30	USD	350	139.000	80.34	7.3%	41.00	32.00	15.00	52.50	60.50	10.00			211.00
HRINTH 5 1/2 04/27/47	USD	200	78.500	77.63	7.5%			21.554	32.95		57.00			121.50
HRINTH 4.95 11/07/47	USD	700	403.000	74.18	7.2%	72.27	87.91	18.00		51.83		67.00		297.00
HRINTH 3.8 11/07/25	SGD	400	368.000	90.76	9.0%	32.00								32.00
						287.87	290.91	163.05	186.65	201.12	174.00	137.00	98.00	1538.61

Source: Bloomberg, Company fillings.

.... but repurchase focuses changed?

To us, the significance of this round of repurchases is whether Huarong has changed the focus on repurchases, voluntarily or involuntarily, from lower **cash** price bonds to more liquid bonds. [As we wrote last week](#), Huarong appeared to be reluctant to buy back bonds with cash prices of 80 or above and the choice of repurchases is

getting less given bond prices are creeping up across the HRINTH curve, and trading liquidity of bonds, which had been the repurchase focuses, is lower as outstanding amount has notably reduced.

As per our estimates, the latest repurchases of 2 due 2029 bonds should be done at cash prices above 80. There are signs that Huarong has relaxed the repurchase criteria to higher cash price bonds. These, indeed, are in line with what we discussed last week, i.e. If the repurchase focuses can be flexible, Huarong would prefer to repurchase bonds with **cash** price higher than 80, instead of the nearest maturities to maximize the impact of lowering net debts, improving cash flow and boosting P&L through repurchases.

- **Opportunities from tender offers and repurchases: CQNANA/STCITY announced tender offer; the next are NWDEVL/NWSZF?**

The CQNANA offer

Chongqing Nan'an Urban Construction & Development (CQNANA) announced a tender offer for CQNANA 4.66 06/04/24 and CQNANA 4.2 07/07/24. The purchase price is at par for the two bonds. The tender offer 4.66 06/04/24 will be subject to a cap of USD255mn, while the cap for CQNANA 4.2 07/07/24 is USD25mn. The offer will end on 24 Nov. CQNANA moved -0.1 to +0.1pt this morning.

Reducing debt level by way of tender offer is commonly seen for offshore issuers especially in 2023 amid high interest rate environment and “depressed” bond prices. It is the first “active” liability management exercise carried out by a LGFV this year, compared with most of the liability management exercises are announced by Chinese distressed issuers to extend maturities of outstanding bonds. Assuming the maximum tender caps of totaled USD280mn are reached, it will reduce CQNANA’s outstanding bonds to USD1.22bn from USD1.5bn, representing a drop of 18.7%. It will lessen the liquidity pressure and maturity concentration that CQNANA will be facing in Jun-Jul’24. We expect bondholders to take the chance to cash out from the tender offer at the price of USD100, so as to rebalance their exposures from the higher risk LGFV sector. Besides, CQNANA is also the LGFV with the highest USD bond balances of USD1.5bn in Chongqing compared with CQLGST of USD852.5mn and CHOHEC of USD259mn.

Table 1: Bond profile of CQNANA

	o/s amt (USDmn)	Tender cap (USDmn)	Tender px (USD)	Ask px	YTM (ask, %)
CQNANA 4.66 06/04/24	500	255	100	98.79	6.90
CQNANA 4.2 07/07/24	150	25	100	98.63	6.37
Bonds under tender offer	650	280			
CQNANA 4.98 05/06/25	300	-	-	97.81	6.55
CQNANA 4.56 06/10/26	350	-	-	92.95	7.61
CQNANA 4.5 08/17/26	200	-	-	92.19	7.68
Total outstanding bonds	1,500				

Source: Bloomberg, Company filing.

The Studio City offer

Studio City, on the other hand, also announced a tender offer for STCITY 6 07/15/25 up to USD75mn. The early tender price is USD97.5, and USD94.5 after the early deadline on 22 Nov. The expiration date is 8 Dec. The tender cap of USD75mn is small, 15% of the total outstanding amount of USD500mn. Riding on the growth

momentum of GGR, we will not be surprised to see Studio City to perform another round of tender offer to further reduce its debts due in around 2 years' time gradually. STCITYs were unchanged to +0.3pt this morning.

Table 2: Bond profile of STCITY

	o/s amt (USDmn)	Tender cap (USDmn)	Early tender px (USD)	Tender px (USD)	Ask px	YTM (ask, %)
STCITY 6 07/15/25	500	75	97.5	94.5	95.58	8.89
STCITY 6.5 01/15/28	500	-	-	-	84.94	11.10
STCITY 5 01/15/29	1,100	-	-	-	74.45	11.72
Total outstanding bonds	2,100					

Source: Bloomberg, Company filing.

Are NWDEVL/NWSZF the next?

The sale of NWS to Chow Tai Fook Enterprises has been declared unconditional in all aspects on 9 Nov. Settlement of the consideration will be made no later than 7 business days after the joint announcement on 9 Nov or the date of receipt of complete and valid acceptance, whichever is the later. Separately, NWS completed the issuance of 3-yr Panda bonds of RMB2bn (cUSD275mn) on 7 Nov, to repay offshore debts including bank loans and perps. We expect NWD and NWSZF to use part of the proceeds from the sales of NWS stakes and Panda bond issue to early redeems its offshore bonds/perps, and we maintain Buy on **NWDEVL 6.15 Perp**, **NWDEVL 5.25 PERP** and **NWDEVL 4.125 Perp**. We also see higher likelihood of buyback of NWDEVL 4 ½ 07/18/29 and NWDEVL 4 ½ 05/19/30 in view of lower cash prices among NWDEVLs, as well as more concentrated outstanding amount during '29-30. However, we turned neutral on NWSZF perp as the current price of perp has priced in the high certainty of the perp to be call on Jan'24.

Table 3: Bond profile of NWDEVL/NWSZF

	O/s (USD mn)	Maturity	First call date	Coupon	Coupon reset	Coupon Step-up	Offer price	YTM/YTC (%)
NWSZF 4 ¼ 06/27/29	243.65	6/27/2029	-	4.25	-	-	82.99	8.07
NWSZF 5 ¾ PERP	1020	-	01/31/2024	5.75	5yrUST+8.205%	300bps	99.70	8.76
NWDEVL 4 ¾ 12/05/23	310	12/5/2023	-	4.75	-	-	99.43	13.90
NWDEVL 4 ¾ 01/23/27	600	1/23/2027	-	4.75	-	-	82.70	11.35
NWDEVL 5 ⅞ 06/16/27	200	6/16/2027	-	5.875	-	-	84.36	11.29
NWDEVL 4 ⅞ 07/18/29	950	7/18/2029	-	4.125	-	-	73.21	10.50
NWDEVL 4 ½ 05/19/30	562.82	5/19/2030	-	4.5	-	-	70.71	10.89
NWDEVL 3 ¾ 01/14/31	127.84	1/14/2031	-	3.75	-	-	69.20	9.84
NWDEVL 4.8 PERP	700	-	9/9/2023	4.8	-	-	44.57	36,294.20
NWDEVL 6 ¼ PERP	1300	-	3/7/2024	6.25	-	-	52.03	305.47
NWDEVL 6.15 PERP	500	-	3/16/2025	6.15	3yrUST+6.201%	300bps	80.04	25.30
NWDEVL 5 ¼ PERP	1000	-	3/22/2026	5.25	5yrUST+7.889%	300bps	66.50	24.87
NWDEVL 4 ⅞ PERP	1200	-	3/10/2028	4.125	5yrUST+5.858%	300bps	55.20	20.12
Total	7,450.66							

Source: Bloomberg.

More tender offer and repurchase to come

YTD, Asia ex Australia, New Zealand and JP issuers had tender-offered USD bonds totaled USD4.37bn in principal amount (excl. convertible bonds). In addition, we also expect tender offers and repurchases continue to come, especially from issuers with access to cheaper alternative liquidity sources and their bonds/perps are trading at discount. We are particularly interested in perps with coupon reset and/or large step-up, as well as those with the call dates effectively to be the first “maturities” of the respective issuers. See [Opportunities from tender offers and repurchases](#) we published on 17 Oct for more detailed discussion. Our picks are **AACTECs**, **CPDEV 5.75 Perp**, **HRNITHs**, **GRWALL 3.95 Perp**, **NWDEVL Perps**, **LEEMAN Perp**, **UPLLIN Perp**.

➤ Offshore Asia New Issues (Priced)

Issuer/Guarantor	Size (USD mn)	Tenor	Coupon	Priced	Issue Rating (M/S/F)
Bank of China Sydney	300	3yr	5.956%	SOFR+60	A1/A/A

➤ 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 85 credit bonds issued yesterday with an amount of RMB84bn. As for Month-to-date, 456 credit bonds were issued with a total amount of RMB454bn raised, representing a 16.6% yoy decrease
- [GLPSP]** Media reported that GLP sold nine logistic parks in Brazil to Canada's Brookfield for cUSD153mn
- [LIANYU]** Lianyungang Port Group proposes to offer RMB300mn three-year MTNs to repay debts
- [LMRTSP]** LMIRT 3Q23 gross revenue down 3.8% yoy to USD36.7mn and net income down 46.8% to USD5.9mn
- [NWSZF]** NWS Holdings announced that HKD9.15/share conditional voluntary general cash offer from Chow Tai Fook Enterprises declared unconditional in all respects
- [SHARAO]** Fitch affirmed Shangrao City Construction at BB+ and stable outlook; ratings withdrawn for commercial reasons
- [SOFTBK]** SoftBank 1H24 revenue rose 4.5% yoy to USD19.5bn and adjusted EBITDA up 3.8% yoy to USD5.9bn

- **[SYNGEN]** Media reported that Syngenta Group is likely to delay its USD10bn listing on Shanghai Stock Exchange to late 2024 due to weak market conditions
- **[VEDLN]** Media reported that Vedanta Group is in negotiations to rope in JPMorgan Chase as advisor for proposed demerger
- **[WB]** Weibo 3Q23 net revenue down 2.5% yoy to USD442.2mn while adjusted EBITDA rose 20.8% yoy to USD174.8mn
- **[ZZCITY]** Zhuzhou City Construction Development proposes to offer RMB4bn corporate bonds

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