

CMBI Credit Commentary

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

- *Markets were overall quiet this morning. In LGFV sector, GZINFU were sold by RM and remained weak, other names were two way flows balanced. Besides, we saw some deployment demands in 23/24 callable SOE Perps.*
- **DEXICN:** *Exchange offer to extend maturity for c2 years and upfront principal repayment of 2.5pts. See below.*
- **GZINFU:** *Media reported that Guangzhou Industrial Investment disputed its obligations over defaulted HKD234.8mn outstanding Luso Bank loan. GZINFU'24/26 down 1-2pts this morning after last Friday's drop.*

❖ Trading desk comments 交易台市场观点

Last Friday, China IG space started to trade a bit wider after a meaningful rally of ~25bps tightening over the week, amid hawkish messages from the Fed brought down the overall market excitement. Financials space was mixed while AMCs were generally another 15bps tighter. China bank AT1s were broadly down 0.125pt on profit taking. Low yielding AT1s like ICBCAS 3.2/3.58 Perp retraced by 0.25-0.5pts as short covering slowed down, whilst c23 papers remained resilient, thanks to cash parking demand from Chinese AM/Prop desks. T2 benchmark like BNKEA 5.875 Perp widened 15bps whilst CCB unchanged. TMTs consolidated a bit from the massive gap about 70-100bps tighter WoW. TMT benchmarks BIDU/TENCNT 30s widened 5bps down closed 10-20bps wider off the tightness of Wednesday. TENCNT 30s were traded 10bps wider at T+199 despite the news that Tencent won approval for its first new major game title since Chinese regulators resumed licensing this year. IG properties kept to drift 1-2pts lower with absence of market bids support on liquid names but not seeing many motivated seller either. SINOCEs dipped 1-2pts. China HY space continued the weak tone amid thin trading, with market having stopped chasing the bonds after taking profits off the recent rally. CIFIHGs were up 0.5-1pt and were still quoted stable at low-teens. FUTLANs/FTLNHDs were down 0.5-1pt and AGILEs were down 0.5-2pts and AGILE 25-26s were marked at low-to-high 30s. Beaten down names like CENCHIs/CHINSCs were further down 0.5-1.5pts. ROADKGs lowered another 1-2pts. Industrial space was a touch weaker with sellers emerging in FOSUNI/LIHHK, FOSUNIs were unchanged to 0.5pt lower on the day. Ex-China HY was mixed. In Indian HYs, AUZPOEs/VEDLNs closed up 0.5pt. GRNKRN had two-way flows skewed to better buying on 23s/25s. In Indonesian HYs, KIJAIJ '23 was marked down 2pts to low-50s despite Jababeka gave in to noteholder group demand by agreeing to pledge collateral for new bonds to be issued in exchange for due-2023s. INDYIJ '25 was bid up 0.5pt and found support at 98.5 level. LMRTSP/LPKRIJ 26s were quoted at high-50s to close the week post the Moody's downgrade news.

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In the LGFV/SOE Perp space, prices were all over the places as market spotlight was all about GZINFU. Media reported that SFUND International Investment Fund Management Ltd., the immediate parent of GZINFU's issuing entity, Vertex Capital Investment Ltd. facing a USD242mn recovery suit from Luso Bank over top-up payment obligations of an allegedly defaulted loan, and soon turned into panic selling as GZINFU 4.75 '24 plunged all the way to ~75. However, the bond bounced back as dip buying interests emerged from Prop desks/HFs, and quickly stabilized around low-mid-80s, amid chatters that the 'loan default' would not result in a cross default and that the amount reported might be erroneous (that it should be in HKD not USD). As such, sentiment stabilized also over lunch and in early afternoon, as more dip buying/short covering gradually emerged in GZINFU 4.75 '24, and the bond rebounded ~5pt from the low, to 87/89 level (where a bit of profit taking emerged too). GZINFU 2.85 '26 on the other hand was a lot less active- indeed the bond had struggled to find demand anywhere above 80 even before Friday's event. GZINFU '24 closed at 88.5/91.5 while GZINFU '26 ended at 73/76 level, and we reckon the key ahead will be how banks react to this shock. In SOEs, low-beta names were unchanged, and high-beta names like HAOHUA/CHSCOI remained under better buying to close for a weekly gains of 0.5-0.75pt. Elsewhere, new issues continued to outperform as CICCHK 5.42 25 had decent buying, with the last close up at T+105 level and even had buyers around T+100 level.

❖ Last Trading Day's Top Movers

| Top Performers | Price | Change | Top Underperformers | Price | Change |
|-----------------------|-------|--------|-----------------------|-------|--------|
| DALWAN 8 7/8 03/21/23 | 91.4 | 2.5 | GZINFU 2.85 07/28/26 | 75.6 | -10.4 |
| FOSUNI 5 05/18/26 | 46.4 | 2.2 | GZINFU 4 3/4 04/03/24 | 87.9 | -6.6 |
| MPEL 5 5/8 07/17/27 | 74.6 | 2.1 | SINOCE 2.7 01/13/25 | 31.1 | -2.7 |
| GRNLGR 5.9 02/12/23 | 24.5 | 1.9 | ROADKG 5.2 01/12/26 | 36.3 | -2.6 |
| NANFUN 5 PERP | 60.1 | 1.7 | SINOCE 4 3/4 08/05/29 | 24.1 | -2.4 |

Macro News Recap 宏观新闻回顾

Macro – U.S. stock markets slightly rose last Friday, the S&P (+0.48%), Dow (+0.59%) and Nasdaq (+0.01%) closed down in last week as more Fed officials expressed hawkish comments about interest hikes such as 75bps increase in Dec or final interest rate may increase to 7%. U.S. existing home sales dropped 5.9% in Oct while house price up 6.6% yoy. The U.S. treasury yields edged higher last Friday, the yield curves bear flattened and 2/5/10/30 yields reached 4.51%/3.99%/3.82%/3.92%, respectively.

❖ Desk analyst comments 分析员市场观点

➤ Dexin China announces an exchange offer for 2 years maturity extension

The company proposes to extend the maturity of its only outstanding USD notes which will be due on 3 Dec'22 by 2 years. The new coupon dropped by 2%, from 9.95% to 7.95%. The upfront principal repayment will be 2.5pts, and an early consent fee of 0.5pt will be given for holder tendered before 25 Nov'22. Compared to other Chinese properties' recently completed exchange offer like HLBCNH and GNGLNG, DEXICN offers relatively better terms that it is the only one to have upfront cash repayment and higher consent fee of 0.5pt, compared with 0-0.25pt of others.

If the exchange offer is not successfully completed, it seeks to complete a scheme to effect a restructuring on terms similar to the exchange offer. If a scheme is launched, the eligible scheme creditor will receive 2.5pts cash prepayment fee and 0.5pt instruction fee, if the creditor enters into RSA on or before 1 Dec'22. For the holder participate in the exchange offer, is also required to accede to the RSA. The new notes, no matter issued through exchange offer or RSA, have mandatory redemption clauses that 10%/25% principal will be redeemed after 12/18 months after issuance.

In 10M22, Dexin China's contracted sales were RMB30.55bn, slumped 51% yoy from RMB62.7bn. As of 30 Jun'22 it had RMB10.6bn cash in hand while the current borrowing is RMB10.5bn.

DEXICN 9.95 12/03/22

| | |
|------------------------------------------------------|------------------------------------------------------------------------------------|
| Outstanding amount | USD348.3mn |
| Exchange offer | |
| Original coupon | 9.95% |
| New coupon | 7.95% |
| Maturity extension | 2yr |
| Accrued and unpaid interest | 50% payable on the settlement date, 50% payable 6 months after the settlement date |
| Mandatory redemption for new notes | 10%-12month after issuance 25%-18month after issuance |
| Principal repayment | 2.5pts |
| Early consent fee | 0.5pt |
| Early consent deadline | 25 Nov'22 |
| Expiration deadline | 30 Nov'22 |
| Settlement date | On or about 2 Dec'22 |
| Minimum acceptance amount | 90% |
| Scheme (if exchange offer is not consummated) | |
| Cash prepayment fee | 2.5pts |
| Instruction fee | 0.5pt |
| Approval level | 75% |
| Cash prepayment fee deadline | 1 Dec'22 |

➤ Offshore Asia New Issues (Priced)

| Issuer/Guarantor | Size (USD mn) | Tenor | Coupon | Yield | 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) |
|------------------------------|----------|---------------|-------|---------|----------------------|
| Jinan Rail Transit Group Co. | USD | - | 364d | 7.2% | -/-/A- |

➤ News and market color

- Regarding onshore primary issuances, there were 35 credit bonds issued last Friday with an amount of RMB35bn. As for Month-to-date, 849 credit bonds were issued with a total amount of RMB976bn raised, representing a 31.5% yoy decrease

- **[CCAMCL]** China Cinda Asset Management got CBIRC approval for issue of up to RMB10bn (cUSD1.4bn) financial bonds
- **[GZINFU]** Guangzhou Industrial Investment disputed its vehicle currently has obligations over defaulted HKD 234.8mn-outstanding Luso Bank loan despite top-up agreement
- **[HRINTH]** CBIRC agrees to CITIC Group accepting around 3% of company's shares held by China's MOF, CITIC Group will become the largest shareholder with 26.46% stake; Huarong commenced process for proposed disposal of certain non-performing assets via listing-for-sales
- **[KAISAG]** Media reported Kaisa Group postponed debt restructuring discussions with offshore creditors as it waits for uncertainty around property sector to subside
- **[LMRTSP]** LMIRT chose not to redeem SGD120mn 6.60% perps on 19 Dec, distribution rate to be reset as SDSW5+4.755%
- **[MOLAND]** Majority consenting creditors consent to further extension of longstop date of RSA to 25 Nov
- **[SUNAC]** Media reported that Sunac proposed to extend all RMB-denominated bonds to as far as 2027. The company's outstanding onshore bonds including ABS were RMB15.4bn (cUSD2.15bn)
- **[VEDLN]** Vedanta Resources delays announcement FY23 interim results in view of non-availability of directors

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