

CMBI Credit Commentary

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

- *Markets were relatively quiet this morning after a week rally. In Asian IG space, TMT and SOE tightened c2bps and AMCs also rose a bit. LGFV were overall light two-way balanced and we saw short squeeze on names like CQNANA.*
- **CSCHCN:** *China South City obtained shareholders' approval on the disposal of 69.35% equity interest in Xi'an China South City Ltd. CSCHCN changed -0.25 to 0.25pt this morning.*
- *Mainland China government resumes group travel to Hong Kong and Macau. Macau government plans to levy a 5% junket commission tax. Macau gaming names were stable this morning.*

❖ Trading desk comments 交易台市场观点

Yesterday, Asia IG space was firm post the FOMC consolidated to a relatively more dovish tone. Korea IGs went firmer again, HYUELEs were traded 10-20bps tighter and POHANGs were also 5bps tighter. In Chinese financials, AMCs outperformed as CCAMCL/ORIEAS marched around 10-20bps tighter across the curve. CCAMCL 28s/29s tightened 5-10bps to T+165 level. Bank T2s edged 2-4bps tighter on average with BNKEA notably tightened 10-15bps. Leasing sector was mixed, with buyers on long duration (27s-31s) versus profit taking on front end (23s-24s). TMTs tightened 2-5bps as street lifting TENCNT curve at open, but beta names spreads got pushed back a bit amid profit taking flows in the AM session. Post lunch, buyers came back amid another round of risk-on sentiment, BABA/TENCNT/BIDU 10y benchmarks were squeezed 5-8bps tighter. Beta TMT names MEITUA/XIAOMI closed 5-10bps tighter. SOEs was basically one way buying, anything looking for bids can be easily absorbed. HAOHUA were 5-10bps tighter across the curve. CSSSHI notably tightened 10-20bps. In IG properties, LNGFOR 27-28s tightened 10-20bps. In Chinese HYs, property bonds were stable except COGARDs met some profit-taking flows. COGARDs were down 1-2pts across the curve with its 24s marked back to high-80s level. CENCHI 23s/AGILE 25s were notably traded up 2-4.5pts to stay range-bound from mid-50s to low-60s. Elsewhere, ROADKG perps were marked 1-4.5pts higher to high-60s. NWDEVL/HYSAN perps were further up 0.5-1pt. In industrials, FOSUNs were down 0.5pt. Macau gaming space continued to be firm, MPELs/WYNMACs were traded 1-2pts higher and STCITYs popped up 2.5-3.5pts. Macau government planned to levy 5% tax on junket commission. Indian credit sentiment remained fragile, Adani curve broadly opened ~10pts lower on the back of the FPO cancellation and Adani Enterprise plunged ~30% in Indian stock market. But then some short covering/bottom fishing demand emerged from FM, and Adani complex bonds slightly recovered some losses intra-day to close merely 4-6pts lower than Wednesday EOD. ADSEZs/ ADANEMs/ ADTINs dropped 3-5pts on the

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day, to be quoted between mid-60s to low-70s. VEDLNs were further down 1.5-3pts across the curve.

In the LGFV/Perp/AT1 space, we saw the upbeat theme continued and sentiment remained super risk on. In LGFVs, we were seeing better selling flows in house from not only non-Chinese but also some Chinese RM, but that mattered little when everything was bidding up all over the place. The bid-ask margin for traders to move risks was getting further thinner, as valuation of some of the bonds was really getting to indigestible levels. Overall in LGFV sector, sellers continued to offload unwanted names into the window, and in fact we did see some lose of steam in weaker names inside 9%-10% yield e.g. CQNANA turned to be better-offered. It remained to be seen whether better selling session of CQNANA yesterday will be the turning point or just another small bump for this name. Elsewhere, Chinese AT1s and SOE Perps remained very strong and broadly grinded ~0.25pt higher amid the drop in rates post FOMC. AT1 benchmarks ICBCAS 3.2 Perp/CINDBK 3.25 Perp were lifted 0.25-0.5pt in cash prices. Flows were however mostly Chinese AM selling into street bids at rich levels relative to funding/hurdle.

❖ Last Trading Day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
ROADKG 7.95 PERP	70.9	4.7	ADANIG 4 3/8 09/08/24	63.6	-11.3
CENCHI 7 1/4 04/24/23	53.8	4.5	ADANEM 3.949 02/12/30	67.0	-5.1
STCITY 6 1/2 01/15/28	93.0	3.6	ADSEZ 4 07/30/27	73.5	-5.1
AGILE 5 3/4 01/02/25	66.8	3.5	ADTIN 4 08/03/26	75.1	-5.1
AGILE 5 1/2 04/21/25	64.7	3.0	ADSEZ 5 08/02/41	63.1	-4.7

❖ Market News Recap 市场新闻回顾

Macro – U.S. stock markets were overall strong yesterday, S&P (+1.47%), Dow (-0.11%) and Nasdaq (+3.25%) were divergent as Nasdaq was led by Meta's big rally. U.S. weekly jobless claims drop 3k to 183k, a nine-month low while lower than expectation of 200k. ECB lifted interest rate by 50bps. China Jan'23 Caixin service PMI was 52.9, higher than expectation of 51.6. The U.S. treasury yields were stable yesterday, yield curves were almost unchanged and 2/5/10/30 yields reached 4.09%/3.49%/3.40%/3.55%, respectively.

➤ 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)
No Offshore Asia New Issues Pipeline Today					

➤ **News and market color**

- Regarding onshore primary issuances, there were 27 credit bonds issued yesterday with an amount of RMB30.6bn. There is no yoy comparison as there was no onshore bonds issuance in same period of 2022 due to Chinese New Year vacation.
- Mainland China government resumes group travel to Hong Kong and Macau
- Hong Kong to give away 500k airline tickets between Mar to Sep to boost tourism
- Macau government plans to levy a 5% junket commission tax. The gaming industry hopes the government will grant partial exemptions on the tax according to the law
- **[ADANIG]** Adani Group made bond coupon payment on 2 Feb. Separately, Adani Ports and Special Economic Zone have been put under Short-Term ASM framework by National Stock Exchange of India. S&P Dow Jones Indices will remove Adani Enterprises from the Dow Jones Sustainability Indices effective prior to the open on 7 Feb
- **[AGILE]** Agile's fully owned subsidiary, Guangzhou Panyu Agile Realty Development, has appointed Zhongxingcai Guanghua CPAs to replace PwC China as its new auditor
- **[CAPG]** China Aoyuan got approval from the bondholders to extend the coupon payment on its RMB1.1bn (cUSD163mn) 5.65% bond due in 2025 by 6 months
- **[CHFOTN]** CFLD's restructuring effective date occurred on 31 Jan and each of the new bonds have been listed on SGX
- **[CSCHCN]** China South City obtained shareholders' approval on the disposal of 69.35% equity interest in Xi'an China South City Ltd. The subscriber Shenzhen Shenji No.1 Industrial Park Investment and Operation agreed to pay RMB5bn (cUSD716.8mn) as reported on 18 Dec'22. Upon completion, China South City will continue to own 30.65% in the target company
- **[DEXIN]** Dexin's Caa2 rating withdrawn by Moody's for business reason, the rating outlook was negative prior to the withdrawal
- **[HUIJHK]** Huijing Holdings has received requisite consent to implement the amendments and waivers pursuant to the consent solicitation for the HUIJHK 12.5 07/20/23
- **[LSEAGN]** Landsea's Caa2 rating withdrawn by Moody's for business reason, the rating outlook was negative prior to the withdrawal
- **[LPKRIJ]** Lippo Karawaci accepted to purchase USD116.26mn of LPKRIJ 8.125 01/22/25 and USD108.47mn of LPKRIJ 6.75 10/31/26, representing 28.7% and 26% of the aggregate outstanding principal respectively
- **[LVGEM]** LVGEM (China) has selected Nomura as financial advisor to work out a solution for USD470mn bonds due in Mar'23. It expects to decide whether to conduct an exchange offer within 1-2 weeks
- **[NWDEVL]** New World Development said they have no plan to dispose a stake in K11 Atelier King's Road tower in Hong Kong. The office tower is valued at HKD11bn (cUSD1.4bn)
- **[SHUION]** Shui On is in the process of finalizing commitments to refinance the USD365mn offshore term loan due on 23 Feb. According to the company's result briefing, it has RMB8.45bn bank borrowings due in 1H23

- **[VEDLN]** Indian government is likely to sell a part of its residual 29.54% stake in Hindustan Zinc, a subsidiary of Vedanta, to achieve the sell-off target set in the 2023-24 fiscal budget
- **[VNKRLE]** Vanke get approval from NAFMII to issue RMB33.7bn (cUSD5bn) MTNs. It also plans to exercise the call option on its RMB1.5bn 3.02% notes due 2025

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