

CMBI Credit Commentary

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

- *Flows skewed to better selling this morning. CN/KR/JP IG space widened 2-5bps and we saw profit takings on low-beta names, TMTs. BNKEAs and front-end ORIEAS were firm. LGFV sector was also well-bid.*
- *PWRLNG: RSA for cUSD2.8bn offshore debts . See below.*
- *China Policy – Tentative signs of policy shift to demand side. CMBI maintains the forecast on the policy side (additional RRR cuts by 50bps in total, LPR cut by 10bps in remainder of the year and broad fiscal deficit at 7.1% of GDP in 2024), yet see possible upside surprise on the policy side. See below for comments from CMBI economic research.*

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❖ Trading desk comments 交易台市场观点

Last Friday, the sentiment in Asia IG space was constructive. In KR space, HYUELE/LGENSO/DFHOLD 26s were 2-5bps tighter. DAEECs were traded in mixed two-way flows, with buying flows on 29s vs selling flows on 26s. TH name BBLTB 28s/33s were 2-3bps tighter. In Chinese IGs, HAOHUAs tightened 2bps and TMT benchmarks BIDU/TENCNT 30s were unchanged to 1bp tighter. The BBB TMTs LENOVO/WB/XIAOMI/MEITUA were 3-5bps wider. In financials, AMCs such as ORIEASs/CCAMCLs tightened 5-10bps, and the leasing name BOCAVIs were also 2-3bps tighter. In AT1s, the high-beta callable 25s such as CHOHIN 5.5 Perp/BNKEA 5.825 Perp remained sought-after and closed 0.1pt higher. EU AT1s such as INTNED 8 Perp/HSBC 8 Perp/STANLN 4.3 Perp were better bid by PBs and closed 0.2-0.3pt higher. Chinese bank T2s were traded in mixed two-way flows. ICBCAS 26s tightened 2bps whilst BCHINA 26s widened 2bps. BNKEA 30-32s tightened another 20-40bps to close 60-100bps tighter WoW. HK names were mixed. LASUDE '26 increased 1.7pts and closed 7pts higher WoW. LIHHK/PCPDC 26s and CPREIT '30 were better bid by demands from RMs/AMs and closed 0.7-1pt higher. However, NWDEVL/HYSAN Perps were 0.5-1.3pts lower and we saw HFs/AMs took the chance to trim exposure on these names. Chinese properties moved higher. FUTLAN/FTLNHD 24-6s were up 0.5-1.9pts and closed 4-5pts higher WoW. ROADKG '25/YLLGSP '26 were 1.7-1.8pts higher. GEMDAL '24/SHUION 24-26s were up 0.5-1.1pts. On the other hand, AGILE/GRNLGR 25-28s were down 0.8-1.1pts. Outside properties, HILOHO '24 was up another 1.5pts to close 4pts higher WoW. SFHOLD '30/EHICAR '26 were 1.2-1.3pts lower. Macau gaming names SANLTD/STCITY/WYNNMAC 28-31s were 0.5-1.1pts lower. Indian space was quiet. Indonesian names LMRTSP 24/26 were up 0.2-0.3pt. Elsewhere, GLPSP Perps were down 0.3-0.8pt.

The LGFVs/perps/high beta names were stable. The flows were better buying, despite thin liquidity into weekend. The insurance names ZHONAN '25/GRPCIN '26 were 0.1-0.2pt higher and closed 1-1.5pts higher WoW. The 5-6% LGFVs HZCONI '25/ZHANLO '26 were 0.1pt higher. Shandong names HKIQCL '25/SHUGRP '24 were up 0.1pt. SOE perps were mixed. RLCONS Perp was up 0.1pt, whilst CHPWCN/CHSCOI Perps were down 0.1pt.

❖ Last Trading Day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
FTLNHD 4.8 12/15/24	49.0	1.9	HYSAN 4.1 PERP	85.8	-1.3
HILOHO 9 3/4 11/18/24	66.6	1.5	SFHOLD 2 7/8 02/20/30	86.2	-1.3
FTLNHD 4 1/2 05/02/26	27.2	1.8	EHICAR 7 09/21/26	82.0	-1.2
ROADKG 5.9 03/05/25	67.1	1.8	AGILE 5 3/4 01/02/25	16.9	-1.1
YLLGSP 5 1/8 05/20/26	73.5	1.7	WYNMAC 5 1/8 12/15/29	90.5	-1.1

❖ Marco News Recap 宏观新闻回顾

Macro – S&P (+0.03%), Dow (+0.16%) and Nasdaq (-0.28%) were mixed on last Friday. China Jan'24 FDI was down 11.7% yoy, decreased from -8.0% yoy in Dec'23. UST yields retreated on last Friday, the yield curve bull flattened and 2/5/10/30 yield reached 4.67%/4.28%/4.26%/4.37%.

❖ Desk analyst comments 分析员市场观点

➤ PWRLNG: RSA for cUSD2.8bn offshore debts

On 23 Feb'24, Powerlong Real Estate announced the RSA for its cUSD2.8bn offshore debts (In-Scope Debt), including USD2,245mn existing notes and USD540mn existing loans. The company offered four options as restructuring consideration and creditors can choose one or a combination of the four options. See Table 1 for the summary of key terms. The consent fee of the RSA is 0.3%/0.15% of the aggregate principal amount of creditor's existing debts provided that they accede to the RSA before 24 Mar'24/26 Apr'24. The approval threshold of the scheme will be majority in number who represent at least 75% by value of existing notes in the scheme meeting. The restructuring effective date (RED) should be no later date 30 Sep'24. As of 23 Feb'24, AHG representing c30.3% of the aggregate outstanding principal amount of the In-Scope Debt has acceded the RSA.

For Option 1, a fixed combination of cash and securities with a cap of cUSD715.7mn. Creditors will receive 4.5% (cUSD32.2mn) cash and 95.5% (cUSD683.5mn) equities. For the 95.5% equities, 11/60 of equities (cUSD125.3mn) is ordinary shares of Powerlong Commercial Management (9909.HK) and the rest 49/60 (cUSD558.2mn) is MCBs issued by Powerlong Real Estate (1238.HK). The exchange price of 9909.HK is HKD12 per share and there is a 4-year sales restriction which will be removed on 25% of such shares every year.

For Option 2, New Medium Term Notes with 5-year tenor and 50% hair-cut by the way of discounted mandatory redemption.

For Option 3, New Long Term Notes with 7.5-year tenor and a cap of USD238.6mn.

For Option 4, New Loans with 7.5-year tenor and a cap of USD588.0mn.

There will be no cap on Option 2 and principal amount exceeds the cap of Option 1/3/4 will be added to Option 2. Creditors fails to make selection shall be deemed to select Option 2.

Table 1: Key terms of the RSA

Existing notes						
Name	ISIN	Amt issued (USD mn)	o/s amount (USD mn)	Ask Price		
PWRLNG 4 07/25/22	XS2368100033	200.0	4.1	9.6		
PWRLNG 7 ½ 11/08/22	XS2078556342	300.0	20.7	9.4		
PWRLNG 6.95 07/23/23	XS2030333384	420.0	18.5	9.5		
PWRLNG 4 07/12/24	XS2500700633	187.0	183.2	9.5		
PWRLNG 7 ½ 01/15/26	XS2500700716	279.4	266.2	9.6		
PWRLNG 6.95 12/06/25	XS2647488878	401.5	389.4	9.7		
PWRLNG 6 ¼ 08/10/24	XS2213954766	500.0	500.0	9.5		
PWRLNG 5.95 04/30/25	XS2250030090	535.0	535.0	9.5		
PWRLNG 4.9 05/13/26	XS2341882913	200.0	200.0	9.5		
NEGMNI 6.5 08/28/24	XS2648871510	128.3	128.3	-		
		3151.1	2245.4			

Existing Loans			
Loan	Loan date	Agent	o/s amount (USD mn)
2019 Syndicated Loan	8 Jul'19	CMB Wing Lung	99.6
2020 Macau Syndicated Loan	13 May'20	ICBC (Macau)	86.5
2020 HK Syndicated Loan	30 Jun'20	HSBC	139.9
2021 Syndicated Loan A	9 Aug'21	HSBC	108.8
2021 Syndicated Loan B	13 Jul'21	Luso International Bank	105.6
			540.3

Consent Fee: Early/Base Consent Fee - 0.3%/0.15% of the aggregate principal amount

Consent Fee Deadline: Early - 24 Mar'24, Base - 26 Apr'24

Required Approvals for Scheme: majority in number of Scheme Creditors representing 75% by value of the Existing Debt Instruments

RED: no later than 30 Sep'24

Source: Company fillings.

Table 2: Key terms of New notes and Loans

Notes	MTN	LTN	MCB	New Loans
Issuer		Powerlong Real Estate Holdings Limited (1238.HK)		
Issue date		Restructuring Effective Date		
Amount	Scheme Creditor's claims minus Option 1/3/4 amount	<=USD238.6mn	<=588.2mn	<=USD588.0mn
Tenor	5yr	7.5yr	4yr	7.5yr
Interest	-2.75% in first 1.5yr -3% in 1.5 to 3yr -3.25% in 3 to 4yr -3.5% in 4 to 5yr -In first 3 year, only 1% interest paid in cash and rest will be PIK. -All interest paid in cash in 3 to 5yr. -The company has right to defer the interest in first 3yr and 3.5yr to the date 4yr after issue	-2% in first 4yr -2.5% in 4 to 6yr -2.75% in 6 to 7.5yr -PIK in first 4yr and paid in cash in 4 to 7.5yr	-	-2% in first 3yr -2.25% in 3 to 4.5yr -2.5% in 4.5 to 6yr -2.75% in 6 to 7.5yr -In first 3 year, 0.5% interest paid in cash and rest will be PIK. -All interest paid in cash in 3 to 7.5yr
Mandatory Redemption (Conversion)	-6 to 24 months: 11% of principal amount issued at price of 1/11 of 100%	-6 to 36 months: 0.25% of principal amount issued at price of 100% principal	-25% of the principle amount at price of HKD3.35	-6 to 24 months: 0.75% of the principal amount issued every 6 month

principal amount redeemed every 6 month	amount redeemed every 6 month	per share every year after issue date	
-30 month: 12% of principal amount issued at price of 1/6 of 100% principal amount redeemed	-42 to 60 months: 1% of principal amount issued at price of 100% principal amount redeemed every 6 month	- The Company may at its option redeem the MCBs at price of 100% principal amount of the MCB at any time, in whole or in part.	-30 to 36 month: 1.0% of the principal amount issued every 6 month
-36 to 42 month: 5% of principal amount issued at price of 100% principal amount redeemed every 6 month	-66 to 72 month: 10% of principal amount issued at price of 100% principal amount redeemed every 6 month		-42 to 48 month: 5.0% of the principal amount issued every 6 month
-48 to 54 month: 7.5% of principal amount issued at price of 100% principal amount redeemed every 6 month	-78 to 84 month: 15% of principal amount issued at price of 100% principal amount redeemed every 6 month		-54 to 60 month: 7.5% of the principal amount issued every 6 month
			-66 to 72 month: 10% of the principal amount issued every 6 month
			-78 to 84 month: 15% of the principal amount issued every 6 month
			-90 month: the remainder 20% of the principal amount issued

Collateral	
	- First ranking security over all 9909.HK (Powerlong CM) shares held by or attributable to the Company as of the RED;
	- First ranking security over the Designated Account
	- First ranking security over 100% of the shares in Starlong (HK) 2 Limited
	- First ranking security over 100% of the shares in Starlong (HK) 5 Limited

Source: Company fillings.

► China Policy – Tentative signs of policy shift to demand side

China has shown tentative signs of policy shift towards demand-side stimulus from supply-side upgrading, which is positive for the market. After the PBOC cut 5Y LPR more than expected to boost housing market, President Xi announced to launch large-scale renewal in producer equipment and consumer durables on a meeting last Friday (23 Feb). We see positive changes on the policy side as the policymakers may have realised the major challenge for China's economy is not in the supply side but in the demand side, in terms of slumping property sales, weak consumer demand and continuous deflation. We maintain our forecast on the policy side (additional RRR cuts by 50bps in total, LPR cut by 10bps in remainder of the year and broad fiscal deficit at 7.1% of GDP in 2024), yet see possible upside surprise on the policy side.

Producer equipment upgrading plan. During the meeting last Friday, it was indicated that China would start a new round of producer equipment upgrading. Possible policies include tax credit, fiscal subsidy and low-cost special loans to manufacturers and businesses to replace or upgrade their plant and equipment. Capital goods like ordinary equipment, special equipment, NC machine tools and industrial robots may benefit from the policies.

Consumer durable replace program. China would launch large scale of consumer goods replacement program. Policies may include fiscal subsidy to consumers to replace their used autos and home appliances. The top leader required at the meeting that the MoF and local governments should coordinate efforts to ensure the replacement can benefit consumers in a more extensive way. Although the detail is still unknown, major progress has been made as the central government will join in funding the program. As local fiscal condition remains challenging, the MoF's participation will improve the stimulus effect of the program. Autos and home appliances should benefit from the replacement program.

Three approaches to reduce logistics costs. Firstly, to adjust transportation structure by improving the utilization of railways and waterways beside roadways. Secondly, to accelerate the development of new logistics models involving the platform economy, low-altitude economy and unmanned driving. Thirdly, to support the development of airport and port economies. Sectors related to new logistics models should benefit from the policies. The policy risk for logistics prices should be low as the top leader emphasized the market-oriented principle in related policies.

Major challenge for China's economy. The recent policy moves may mark a possible change in the policymakers' focus as they may have realised that the major challenge for the economy is in the demand side. Property market continued to slump, household consumption remained weak while deflation pressure increased. If these trends persist, the concern of possible Japanesization would continue to erode business and consumer confidence. Meanwhile, China faces increasing diplomatic pressure from western countries to boost its domestic demand as those countries continue to make progress in disinflation. China's excess capacity and continuous deflation is a strong stimulus for its exports to global market, which is a hot topic in the US and EU. According to Financial Times, a US delegation addressed its concerns on China's excess manufacturing capacity in a recent visit to China. Last Friday, the Appliance for American Manufacturing said in a report that the US government should block the import of low-cost Chinese autos and parts from Mexico.

Policy outlook. Reasonable policy options for China should be aggressive mortgage rate cuts to stabilize housing market, substantial fiscal transfers to households to boost consumption, strong market-oriented structural reforms to revive animal spirits and continuous market opening & diplomatic efforts to lower geological tensions. Capital market dynamics and economic prospect will highly depend on the progress in the above policies. For interest rate policy, the policymakers must overcome the fear of floating exchange rates and reduce deposit rates more aggressively. For fiscal policy, the policymakers should change the conservative mind or significantly restructure fiscal expenditure. We maintain our forecast (additional RRR cuts by 50bps in total and LPR cut by 10bps in the remaining of the year and broad fiscal deficit at 7.1% of GDP), yet see possible upside surprise on the policy side.

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➤ 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)
HSBC	USD	-	3yr/3yr FRN	T+105/SOFR	A2/A-/A+
HSBC	USD	-	6NC5/11NC10	T+150/170	A3/A-/A+
Sumitomo Mitsui Financial Group	USD	-	PerpNC10.25	-	Baa3/BB+/-

➤ News and market color

- Regarding onshore primary issuances, there were 68 credit bonds issued on last Friday with an amount of RMB48bn. As for month-to-date, 601 credit bonds were issued with a total amount of RMB603bn raised, representing a 39.4% yoy decrease

- Moody's withdrew ratings of China SCE, CCRE, Logan, Ronshine, Zhenro, Redsun, CIFI, Times China and Powerlong for business reasons
- **[CSCHCN]** Media reported that China South City's offshore creditors plan to sue state-owned shareholder SZCDG for dues
- **[FTHDGR]** Media reported that Fantasia ad hoc bondholder group is ready to file winding up petition if it fails to conclude soon negotiations regarding a revised restructuring proposal
- **[GEMDAL]** Media reported that Gemdale is in talks over RMB7bn syndicated loans with support from Shenzhen Futian government
- **[GRWALL]** Moody's withdrew Great Wall AMC's Baa3 ratings for business reasons
- **[ZHLGHD]** Zhongliang's offshore debts restructuring scheme approved by HK court

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