

CMBI Credit Commentary

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

The Asset Asian G3 Bond Benchmark Review 2023

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- *Flows were two-way this morning. New issue TZCONS'27 was stable with light flows. BOCOM/CHINAM floaters and HSBC/STANLN AT1 were under better buying.*
- **CDBFLC:** *Switch to lower cash price seniors from T2. CDBFLC'30 widened c22bps while shorter-dated CDBALFs/CDBLFDs tightened 3-5bps since last Friday. See below.*
- **ROADKG:** *To pay USD18.8mn to redeem USD49.6mn in principal amounts in the tender offers. ROADKGs rose 3-5.4pts post the announcement. See below.*

❖ Trading desk comments 交易台市场观点

Yesterday, MSSIN priced a USD350mn 5-yr bond at T+140. The recent issued CATLIF '34/BNKEA '34 tightened 2-5bps. FWDGHD '31 tightened 12bps. HYUELEs/LGENSOs were 1-3bps tighter. BBLTB 33/34 tightened 4-6bps. In Chinese IGs, the long-end of TENCNTs/BABAs were 1.0-1.7pts higher (5-10bps tighter). TENCNT/BABA 31s tightened 4bps. XIAOMI/LENOVO 30s tightened 3-7bps. In financials, BOCAVI '30 tightened 2bps. CDBFLC '30 widened another 2bps. See below for comments. In AT1s, MUFG 8.2 Perp/ SUMIBK 6.6 Perp/BBLTB 5 Perp/KBANK 4 Perp were up 0.1-0.2pt. EU AT1s had a firm session. BNP/ SOCGEN Perps gained 0.4-0.6pt despite some profit taking flows. INTNED/ BACR/ DNBNO/ NWG Perps were up 0.1-0.3pt under better buying from PBs versus small profit taking from AMs. In HK, LASUDE '26 was 0.7pt higher after more asset sales (See our daily on [3 Jul '24](#)) while REGH 6.5 Perp was 0.4pt lower. Chinese properties performed mixed. ROADKG Perps/24-26s were 3.4-5.4pts higher following Road King's tender offer and consent results. See comments below. On the other hand, VNKRL 25/27/29 declined 0.8-1.4pts. Media report that China Vanke's equity-backed products failed to make payments to investors. LNGFORs were 0.3-0.4pt lower. Outside properties, HILOHO '24 was 0.4pt lower. In Macau gaming, MPELs/SANLTDs were 0.2pt higher. In Indonesia, MDLNIJ 25/27 were another 1.3-2.0pts higher and closed 3.2-4.3pts higher WTD. In India, VEDLN 26-28s were up 0.3-0.8pt. Elsewhere, GLPSP Perps were down 1.0pt.

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

Cyrena Ng, CPA 吳靄瑩
(852) 3900 0801
cyrenang@cmbi.com.hk

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

In LGFVs, TZCONS priced a USD500mn 3-yr bond at par to yield 5.45%. CDCOMM '27/SXUCI '26 were up 0.1pt. The high-beta IG names were under better buying in high yielding papers. HUANEN '31/HNINTL '30 were 0.3-0.5pt higher. ZHONAN 25/26 were up 0.1pt. In SOE perps, HUADIA 3.375 Perp was 0.1pt higher. COFCHK 3.1 Perp/CHSCOI 3.4 Perp were down 0.1pt.

❖ Last Trading Day's Top Movers

| Top Performers | Price | Change | Top Underperformers | Price | Change |
|---------------------|-------|--------|-----------------------|-------|--------|
| ROADKG 7 PERP | 22.1 | 5.4 | VNKRLE 3.975 11/09/27 | 62.3 | -1.4 |
| ROADKG 7 3/4 PERP | 24.4 | 5.4 | VNKRLE 3 1/2 11/12/29 | 55.2 | -1.3 |
| ROADKG 7.95 PERP | 22.8 | 5.2 | GLPSP 4 1/2 PERP | 61.0 | -1.0 |
| ROADKG 6 09/04/25 | 40.0 | 4.0 | GLPSP 4.6 PERP | 60.9 | -1.0 |
| ROADKG 5.2 01/12/26 | 36.8 | 3.5 | VNKRLE 3.15 05/12/25 | 85.1 | -0.8 |

❖ Marco News Recap 宏观新闻回顾

Macro – S&P (+0.51%), Dow (-0.06%) and Nasdaq (+0.88%) were mixed on Thursday. US Jun'24 ADP employment was +150k, lower than the expectation of +163k. The latest US initial jobless claim was +238k, higher than the expectation of +234k. UST yield retreated yesterday, 2/5/10/30 yield reached 4.71%/4.33%/4.36%/4.53%.

❖ Desk analyst comments 分析员市场观点

➤ CDBFLC: Switch to lower cash price seniors from T2

Subsequent to the 38% drop in share price last week, CDBFLC announced on this Tue that CDB was not in agreement or other commitment of selling shares in CDBFLC as at 2 Jul'24. As per this announcement, CDB has continued to deepen reforms and initiated an assessment in relation to the relevant businesses of CDBFLC, including exploring plans such as a potential transfer of the shares of CDBFLC.

To us, this announcement somewhat confirmed the media reports that CDB has been exploring the sale of its stakes in CDBFLC although size of the stake sale and timing remain uncertain. Currently, CDB owns 64.4% of CDBFLC. CDB's majority ownership has been the key support to CDBFLC's credit profile. We are concerned that the impact to CDBFLC's credit profile if CDBFLC will no longer be majority owned by CDB. To illustrate, CDBFLC's senior unsecured rating is A1 by Moody's, on par with that of CDB (CDBALF and CDBLFD, on the other hand, are rated at A2 by Moody's). On a standalone basis, CDBFLC is rated at ba2 and CDBLFD is rated at b2. These imply a rating uplift of 7-9 notches resulting from CDB's majority ownership and support.

CDBFLC 2 7/8 09/28/30 is the only T2 issue within the CDBFL/CDBALF/CDBFD complex, and therefore holders of this do not have the option to request CDBFLC for early redemption even under COC. Hence we close our [buy recommendation on CDBFLC 2 7/8 09/28/30 \(offered at 96.1, initiated on 20 Oct'23 at 92.7\)](#) and switch to lower cash price senior bonds of the complex in the likes of CDBALF 3.5 10/24/27, CDBLFD 2 03/04/26 and CDBLFD 3.125 03/02/27. We consider these yield pick-up plays (50-70bps) over SDBC's with a potential upside of COC put redemption at 101 in case CDB transfers its stakes in CDBFLC to shareholders with weaker credit profiles and cut its ownership in CDBFLC from 64.4% to not more than 50%.

Table: CDB Leasing and CDB complex

| Security name | Issuer | ISIN | O/s amount (USD mn) | Payment rank | M/S/F rating | Ask price | Ask YTM /YTC (%) | Next call date |
|------------------------------|-----------------------|---------------------|---------------------|---------------------|----------------|-------------|------------------|----------------|
| CDBFLC 2 7/8 09/28/30 | CDB Financial Leasing | XS2210100439 | 700.00 | Subordinated | -/BBB+/A+ | 96.2 | 6.1% | 09/28/2025 |
| CDBALF 3 1/2 10/24/27 | CDBL Funding 1 | XS1703056801 | 400.00 | Sr Unsecured | A2/-/A+ | 94.9 | 5.2% | - |
| CDBLFD 2 03/04/26 | CDBL Funding 2 | XS2297060126 | 500.00 | Sr Unsecured | A2/-/A+ | 94.7 | 5.4% | - |
| CDBLFD 3 1/8 03/02/27 | CDBL Funding 2 | XS2423459325 | 250.00 | Sr Unsecured | A2/-/A+ | 94.8 | 5.2% | - |
| SDBC Float 04/16/27 | CDB | XS2800295052 | 500.00 | Sr Unsecured | -/A+/- | 100.2 | 5.6% | - |
| SDBC 2 02/16/27 | CDB HK | XS2444444405 | 550.00 | Sr Unsecured | A1/-/- | 93.5 | 4.7% | - |
| SDBC 3 3/8 01/24/27 | CDB | XS1553212025 | 500.00 | Sr Unsecured | A1/A+/- | 96.9 | 4.7% | - |
| SDBC 3 06/01/26 | CDB | XS1422334448 | 600.00 | Sr Unsecured | A1/A+/- | 96.6 | 4.9% | - |
| SDBC 3.975 05/04/26 | CDB HK | XS2618954478 | 100.00 | Sr Unsecured | -/-/- | 98.4 | 4.9% | - |

Source: Bloomberg.

➤ **ROADKG: To pay USD18.8mn to redeem USD49.6mn in principal amounts in the tender offers**

Road King announced the results of the tender offers and consent solicitation. Road King accepted all the bonds validly tendered totaled USD49.6mn in principal amount, as this is less than the maximum acceptance amount of USD60mn. The total tender consideration, including accrued interests but not the consent fee, to be paid by Road King amounted to USD18.8mn for all of the five outstanding bonds. Meanwhile, it has also obtained sufficient support on the consent solicitation, meetings were held on 3 Jul'24 and the extraordinary resolutions were passed.

Road King will redeem additional amounts of its five outstanding bonds on top of those accepted, according to the T&C in the tender offers. A total of USD30mn will be applied towards the five bonds, 60% on ROADKG 6.7 09/30/24 and 10% each on the remaining four bonds. The redemptions are expected to be on or around 15 Aug'24.

After the settlement of the tender offers on 16 Jul, the next step for Road King is to pay for the early repayments on 18 Jul. The redemption price is at par plus accrued and unpaid interests totaled cUSD182mn for the five bonds, as per our estimate.

| Security Name | o/s amount before tender (USD mn) | Accepted amt (USDmn) | o/s amount after tender offer (USDmn) | Early repayment (% of o/s amt) | Early repayment (USDmn) | Amt o/s after early repayment | Px (ask) |
|-----------------------------------------------|-----------------------------------|----------------------|---------------------------------------|--------------------------------|-------------------------|-------------------------------|----------|
| Tender offers and consent solicitation | | | | | | | |
| ROADKG 6.7 09/30/24 | 301.231 | 10.98 | 290.25 | 22.5% | 65.31 | 224.94 | 59.2 |
| ROADKG 5.9 03/05/25 | 194.621 | 11.46 | 183.16 | 10% | 18.32 | 164.84 | 44.4 |
| ROADKG 6 09/04/25 | 186.385 | 10.16 | 176.23 | 10% | 17.62 | 158.6 | 40.0 |
| ROADKG 5.2 01/12/26 | 488 | 12.25 | 475.75 | 8% | 38.06 | 437.69 | 36.8 |
| ROADKG 5.125 07/26/26 | 488 | 4.75 | 483.26 | 8% | 38.66 | 444.59 | 36.2 |
| Consent solicitation only | | | | | | | |
| ROADKG 7.75 Perp | 300 | | 300 | - | - | 300 | 24.4 |
| Other outstanding FFL perps | | | | | | | |
| ROADKG 7.95 Perp | 300 | | 300 | - | - | 300 | 22.8 |
| ROADKG 7 Perp | 300 | | 300 | - | - | 300 | 22.1 |
| Total | 2,558.237 | 17.67 | 2,508.64 | | 177.97 | 2,330.68 | |

Source: Bloomberg, Company filling.

➤ Offshore Asia New Issues (Priced)

| Issuer/Guarantor | Size (USD mn) | Tenor | Coupon | Priced | Issue Rating (M/S/F) |
|---------------------------------|---------------|-------|--------|--------|----------------------|
| Deqing Construction&Development | 97 | 3yr | 5.65% | 5.65% | -/-/- |
| Samvardhana Motherson | 350 | 5yr | 5.625% | T+140 | Baa3/-/BBB- |
| Taizhou Urban Construction | 500 | 3yr | 5.45% | 5.45% | -/-/BBB |

➤ 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 58 credit bonds issued yesterday with an amount of RMB46bn. As for Month-to-date, 154 credit bonds were issued with a total amount of RMB149bn raised, representing a 262.9% yoy increase
- **[GRNCH]** Greentown unit made cash tender offer for outstanding RMB25mn notes
- **[PUKOU]** Moody's withdrew Nanjing Pukou Economic Development's Ba2 rating for business reasons
- **[TPHL]** Times China winding-up petition hearing adjourned to 31 Jul'24
- **[VNRLE]** China Vanke Jun'24 contracted sales dropped 30.5% yoy to RMB25.1bn
- **[YZCOAL]** Yankuang Energy raised RMB3bn via onshore 181-day bonds with interest rate of 1.82%

Fixed Income Department

Tel: 852 3657 6235/ 852 3900 0801

fis@cmbi.com.hk

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