

CMBI Credit Commentary

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

- *Market sentiment was weak this morning. CN IG space widened 1-2bps, TMTs/BOCAVI/SINOCH were under better selling. KR IGs/LGFV/AT1 were stable with two-way flows.*
- **CHJMAO/VNKRLE:** *Thoughts from Vanke to Jinmao. We saw short coverings on VNKRLEs after the drop of up to 2pts this morning. CHJMAOs moved -0.8 to +0.2pt this morning. See below.*
- **SECGRP:** *Moody's affirmed Shanghai Electric Holdings Group's Baa3 rating and changed outlook from negative to stable. SECGRPs were unchanged this morning.*

❖ Trading desk comments 交易平台市场观点

Asia IG was soft yesterday, KR names such as DAESEC/HYUELE/HYUCAP/SAMTOT 27-29s widened 2-5bps. In JP space, MIZUHOs/SUMIBKs were unchanged to 3bps wider. In Chinese IGs, HAOHUA/BABA 30-31s widened 1-2bps, TENCNT 30s widened 2-4bps. The high-beta TMTs such as MEITUA/WB 30s widened 2-3bps. In financials, AMCs were mixed with buying on the long end of CCAMCLs versus selling on ORIEAS 27s. There were also some selling on HRINTHS/GRWALLs. In T2s, BNKEA 27-32s widened 2-5bps under profit taking. In AT1s, BNKEA 5.825 Perp/CHOHIN 5.5 Perp were 0.2pt higher. EU AT1s BACR 9.625 Perp/UBS 7.75 Perp were up 0.2-0.3pt, whilst the non-China Asian AT1s such as DBSSP/KTBTB/WSTP Perps were 0.1-0.2pt lower amid PB selling. In HK names, REGH 6.5 Perp/NWDEVL 6.15 Perp were 1.4-2.7pts higher. The rest of NWDEVLs were up another 0.6-0.9pt under PB buying, after gaining 1.1-1.4pts last Friday. CSIPRO '25/LASUDE '26/NANFUN '30 were up 0.7-1.8pts. Chinese properties had a choppy session. VNKRLE 5.35 03/11/24 maturing next week remained stable, whilst VNKRLE 4.2 06/07/24 dropped 3.6pts. VNKRLE 25-29s plunged 5.9-6.8pts. We saw heavy selling from RMs but some short covering from security houses. LNGFOR 27-32s declined 1.6-1.9pts, CHJMAO 26-29s were down 1.3pts. CHIOLIs/CRHZCHs and FUTLAN/FTLNHD 24-26s were 0.3-0.6pt lower under small selling. On the other hand, GEMDAL '24 was another 2.3pts higher after gaining 3pts last week. RDHGCL '24 was up 1.1pts. Outside properties, SFHOLD '30 was 1.9pts higher. HILOHO '24 was up another 0.6pt. Macau gaming names SANLTDs/MPLEs were down 0.1-0.3pt. In Indian space, ADGREG priced a USD409mn senior secured 18-yr bond at par to yield 6.7%. ADGREGs/ADANIGs were unchanged to 0.2pt higher. Elsewhere, GLPSP Perps were 0.5pt lower.

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The LGFVs and SOE perps remained largely stable with decent deployment buying flows from onshore RMs. CHPWCN 3.08 Perp/HUADIA 3.375 Perp were 0.1pt higher. Shandong names SHGUOH '25/SHUGRP '24 were up 0.1pt. The 5-6% LGFVs such as HZCONI '25/GZINFU '26 were down 0.1-0.2pt. Elsewhere, CPDEV/ZHHFGR 25/26 were 0.2-0.3pt lower, reflecting the spill-over from the jittery of VNKRLEs. CWAHK/FRESHK 26s were up 0.3-0.4pt.

❖ Last Trading Day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
REGH 6 1/2 PERP	54.0	2.7	VNKRLE 3 1/2 11/12/29	40.1	-6.8
GEMDAL 4.95 08/12/24	74.4	2.3	VNKRLE 3.975 11/09/27	49.3	-6.0
SFHOLD 2 7/8 02/20/30	88.4	1.9	VNKRLE 3.15 05/12/25	68.4	-5.9
LASUDE 5 07/28/26	69.8	1.8	VNKRLE 4.2 06/07/24	90.2	-3.6
AGILE 5 3/4 01/02/25	19.3	1.7	LNGFOR 3 3/8 04/13/27	54.9	-1.9

❖ Marco News Recap 宏观新闻回顾

Macro – S&P (-0.12%), Dow (-0.25%) and Nasdaq (-0.41%) retreated on Monday. China Caixin service PMI was 52.5, lower than the expectation of 52.9. UST yield moved higher yesterday, 2/5/10/30 yield reached 4.61%/4.21%/4.22%/4.36%.

❖ Desk analyst comments 分析员市场观点

➤ CHJMAO/VNKRLE: Thoughts from Vanke to Jinmao

Over past 2 weeks, VNKRLEs moved sharply lower on rumours regarding the restructuring of non-standard debts and concerns of refinancing plan for near-term maturities. VNKRLE 5.35 03/11/24, due next Monday, was largely flat but the rest of VNKRLEs moved 5-12 pts lower since last week. The sharp movements of VNKRLEs also cause jittery in CHJMAOs. We see further spill-over from VNKRLEs to be buying opportunities for CHJMAOs.

Recalled that we changed our recommendations on VNKRLEs to neutral from buy in Jan'24 ([see our Asia Credit Outlook](#)) after the rally following the high-profile “endorsement” from SZMC. We see lower conviction levels of VNKRLEs, especially for short-dated VNKRLEs in view of valuations, weaker contract sales and lack of clarity on its funding plan.

In 2M24, Vanke's contract sales were RMB33.5bn, down 41.7% yoy. Over the coming 3 months, Vanke will face offshore bond maturities totaled USD1.4bn (USD bond of USD630mn due next Monday, Dim Sum bonds of RMB1.4bn due May'24 and another USD bonds of USD600mn due Jun'24). Additionally, it will have onshore bonds totaled RMB7.3bn (cUSD1bn) maturing or subject to put redemption for the rest of 2024. These include onshore bond of RMB2bn maturing in Apr'24, RMB1bn puttable in May'24, RMB2.3bn puttable in Jul'26 and RMB2bn maturing in Sep'24. So far, the “endorsement” of SZMC is yet to translate into a notable improvement for Vanke's access to capital markets. Vanke's last onshore bond issue was in Jul'23.

Table 1: VNKRLRLE maturing and puttable bonds in 2024

Ticker	ISIN	Currency	O/S (mn)	Maturity	Next put date	YTM (%)	Offer price
VNKRLE 5.35 03/11/24	XS1917548247	USD	630	3/11/2024	-	21.2	98.9
VNKRLE 4.2 06/07/24	XS1958532829	USD	600	6/7/2024	-	23.7	94.3
VNKRLE 3.45 05/25/24	HK0000732427	CNY	1,445	5/25/2024	-	24.5	94.8
VANKE 3.52 04/29/24	BP2678004	CNY	2,000	4/29/2024	-	6.0	99.5
VANKE 3.08 09/06/24	BR3536181	CNY	2,000	9/6/2024	-	7.5	97.6
VANKE 3.4 05/20/26	BP5437341	CNY	1,000	5/20/2026	5/20/2024	3.8	99.2
VANKE 3.19 07/26/26	BQ6570346	CNY	2,300	7/26/2026	7/26/2024	4.1	98.0

Total (USD mn) 2,462

Source: Bloomberg.

Meanwhile, we maintain Buy on CHJMAO in view of Jinmao's more manageable public bond maturities. In 2024, Jinmao has only 1 USD bond (CHJMAO 4 06/21/24) with an o/s amount of USD250mn maturing in Jun'24 and onshore bonds totaled RMB5bn due 2024, including RMB3bn in Apr'24 and RMB2bn in Oct'24. It has a perp (CHJMAO 7.125 PERP, o/s USD400mn) callable in Dec'24. The coupon of this perp will be reset to 5-yr UST+5.539% without step-up. We expect Jinmao to call the perp taking cue from the call of CHJMAO 4.875 PERP last Nov, the first call date. CHJMAO 4.875 PERP is another Jinmao perp of which coupon would have been reset without step-up in the case of non-call.

Table 2: CHJMAO maturing and puttable bonds in 2024

Ticker	ISIN	Currency	O/S (mn)	Maturity (Call date)	Next put date	YTM (%)	Offer price
CHJMAO 4 06/21/24	XS2013709220	USD	250	6/21/2024	-	7.5	99.0
CHJMAO 7 1/8 PERP	XS2082952172	USD	400	12/6/2024	-	10.2	93.6
JMIMSH 3.74 04/16/24	BP0493927	CNY	3,000	4/16/2024	-	2.4	100.1
JMIMSH 3.65 10/14/24	BR8916016	CNY	2,000	10/14/2024	-	2.6	100.6

Total (USD mn) 1,354

Source: Bloomberg.

Furthermore, we take comfort from Sinochem's controlling stakes (37.1%) in Jinmao. There are cross acceleration clauses between the debts of Jinmao and those of Sinochem. We notice the profit warning of Jinmao on 1 Mar'24. We do not think the profit warning an entire surprise given Jinmao issued profit warning for the 1H23 results in Aug'23. The press release on profit warning last week revealed that its performance in 2H23 was more worse than that in 1H23. Nonetheless, we take comfort that Sinochem disclosed its plan to buy additional stakes in Jinmao for up to HKD200mn in the open market after the FY23 results blackout. Based on the last close, this could raise Sinochem's stakes in Jinmao to 39.5% from 37.1%. Additionally, 5 members of senior management of Jinmao including the chairman, CEO and CFO disclosed their intention to buy stakes in Jinmao for up to HKD25mn after the FY23 results blackout.

➤ Offshore Asia New Issues (Priced)

Issuer/Guarantor	Size (USD mn)	Tenor	Coupon	Priced	Issue Rating (M/S/F)
Adani Green Energy	400	18yr	6.7%	6.7%	Ba1/-/BBB-
Commonwealth Bank of Australia	1250	10yr	5.837%	T+162	Baa1/BBB+/A-
Dafeng Port Heshun Technology Company Limited	31	3yr	5.45%	5.45%	-/-/-

➤ **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 87 credit bonds issued yesterday with an amount of RMB75bn. As for Month-to-date, 169 credit bonds were issued with a total amount of RMB142bn raised, representing a 37.2% yoy decrease
- **[COGARD]** Country Garden will consider whether to apply for validation order after taking into account progress of offshore restructuring
- **[KWGPRO]** KWG Group does not anticipate settling USD458mn KWGPRO 7.4 03/05/24 upon maturity
- **[LMRTSP]** LMIRT is still in talks with SGD lenders for collateral swap to get new loan
- **[SECGRP]** Moody's affirmed Shanghai Electric Holdings Group's Baa3 rating and changed outlook from negative to stable
- **[VNKRLE]** Media reported that BOCHK has internally approved to join the syndicated loan to China Vanke and its portion is HKD1.5bn. Some banks are reluctant to join the loan, the deal might still get across the line with the Shenzhen government's strong support
- **[ZHLGHD]** Zhongliang Holdings winding-up petition hearing adjourned to 13 May

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