

CMBI Credit Commentary

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

- *Active two-way flows in CN/KR IG space this morning. CN IGs were under better buying, HAOHUAs tightened c3bps, BABA/TENCNT were 1-2bps tighter. AMCs were well bid and ORIEAS'27/CCAMCL'30 tightened c2bps.*
- **China LGFV:** *Guizhou SOE issued private bonds to repay LGFV's debts. See below.*
- **DALWAN:** *Media reported that Dalian Wanda Group signed two 364-day loans to refinance subsidiaries' due-January, due-June loans. DALWANs were unchanged to down 0.5pt this morning.*

❖ Trading desk comments 交易平台市场观点

Yesterday, overnight UST yield tightened 2-8bps across the curve. Asia IG space was subdued. KR space was traded in mixed two-way flows, while DAESSEC/SAMTOT/HYUELE 29s widened 2-3bps. In JP space, SMBCAC 28/33 were under better selling but spread closed unchanged. In Chinese IGs, BABA 31s/TENCNT 29-30s widened 2-4bps. HAOHUA curve widened 3bps. The BBB TMTs WB/LENOVO/MEITUA/XIAOMI 30s widened 2-5bps. In financials, BOCAVI 28-29s widened 2bps. AMCs such as CCAMCL/ORIEAS 26-30s were also under better selling and widened 3-5bps. GRWALL 27-30s were 0.25pt lower (around 10-20bps wider). In AT1s, Chinese big-4 papers BOCOM 3.8 Perp/ICBCAS 3.2 Perp were 0.1pt lower. Meanwhile in EU names, UBS 5.75 Perp/INTNED 8 Perp were up 0.1pt, whereas the shorter-dated-to-call papers such as UBS 7 Perp/INTNED 6.75 were better offered and closed 0.1pt lower. The high-beta names CHOHIN 5.5 Perp/BNKEA Perps were 0.1-0.3pt higher, thanks to buying from PBs/Prop desks. HK names were mixed. HYSAN Perps increased around 0.5pt on the back of buying from AMs. NWDEVL Perps were 0.5-1.2pts lower after gaining 3-4pts last week. CPREIT '30 declined around 0.5pt on the back of RM trimming risks. Chinese properties were also weak. RDHGCL '24 was 12.5pts lower. DALWAN 24-26s were 2.9-4.1pts lower. VNKRL 25-29s were 0.9-1.1pts lower. PINGRE 25-26s were down 0.4-0.9pt. Outside properties, SFHOLD '30 was 1.4pts higher. HILOHO '24 was up another 0.6pt after gaining 4pts last week. EHICAR 24-26s were 0.4-0.6pt lower. Macau gaming names MPEL/SANLTD/STCITY 26-32s were down 0.3-0.8pt. In Indian space, VEDLNs were 0.3-0.7pt lower. GRNKENS/RPVINs were 0.3-0.5pt lower. Indonesian space was quiet. Elsewhere, GLPCHI '26 declined 0.8pt. GLPSP 25s/Perps were 0.9-1.2pts lower.

The LGFVs/perps/high beta spaces had mixed flows. SUMILF 5.875 Perp was 0.2pt higher, whilst the rest of sector was under better selling. CTIH 6.4 Perp/AIA 5.1 Perp/QBEAU 5.875 Perp lowered 0.1-0.3pt. LGFVs remained

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better buying from Chinese RMs across 5%-handle to 8%-handle yielding names. Guangzhou names GZINFU '26/GZGETH '27 were up 0.1pt. Shandong names SHDOIS/SHUGRP 24s were unchanged to 0.1pt higher. CPDEV 25/26/Perp and ZHHFGR Perp were 0.2-0.5pt higher. In SOE perps, HUANEN 3.08 Perp/CHCOMU 3.425 Perp were 0.1-0.2pt higher.

❖ Last Trading Day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
SFHOLD 2 7/8 02/20/30	87.6	1.4	RDHGCL 7.8 03/20/24	58.0	-12.5
REGH 6 1/2 PERP	50.1	1.4	DALWAN 11 02/13/26	67.1	-4.1
ROADKG 7 3/4 PERP	25.4	1.1	DALWAN 11 01/20/25	77.1	-3.8
CSCHCN 9 10/09/24	28.9	0.9	DALWAN 7 1/4 12/29/24	84.2	-2.9
CSCHCN 4 1/2 08/19/27	29.0	0.8	NWDEVL 6.15 PERP	80.2	-1.2

❖ Marco News Recap 宏观新闻回顾

Macro – S&P (-0.38%), Dow (-0.16%) and Nasdaq (-0.13%) retreated on Monday. US new home sales in Jan'24 was 661k units, lower than the expectation of 680k. UST yields rallied higher on Monday, 2/5/10/30 yield reached 4.69%/4.29%/4.28%/4.40%.

❖ Desk analyst comments 分析员市场观点

➤ China LGFV: A Guizhou SOE issued private bonds to support the debt repayment of a LGFV

On 23 Feb'24, Hongyingda Construction Project Management, a SOE 100%-owned by Guizhou Anshun Xixiu District Bureau of Finance, issued 5-year onshore private bonds of RMB1.8bn (cUSD250mn) at a coupon rate of 4.8%. The proceeds will be fully used to repay two onshore private bonds of LGFV Anshun Xixiu Qiancheng Industry Co. Ltd which was included in dishonest debtor list by courts since 2022. There is no equity ownership between the SOE and LGFV but both of them are controlled by Anshun Xixiu District Bureau of Finance.

On the other hand, the new private bonds are guaranteed by Guizhou State Owned Asset Operation, a SOE 100% owned by Guizhou Provincial Department of Finance. The guarantee indicates that Guizhou provincial government is coherently managing district/county level debts in the province. In 2023, Guizhou's debt ratio, i.e. the sum of local government debts and LGFV debts divided by GDP, increased to 131% from 122% in 2022 and ranked 2nd highest in China. As of Feb'24, Guizhou provincial government has issued the most special refinancing bonds totaled RMB258.8bn among all Chinese provinces to refinance outstanding debts.

The unprecedented issuance may set an example for other regions' LGFVs to refinance their high-cost debts. We expect more SOEs to issue bonds and on-let the proceeds to fundamentally weaker LGFVs within the same provinces or regions for the latter's debt repayments. These will help lower overall funding costs and relieve refinancing pressure from the provincial or regional governments' perspective.

➤ Offshore Asia New Issues (Priced)

Issuer/Guarantor	Size (USD mn)	Tenor	Coupon	Priced	Issue Rating (M/S/F)
HSBC	1000/500	3yr	5.294%/6.305%	T+80/ SOFR+90	A2/A-/A+

➤ **Offshore Asia New Issues (Pipeline)**

Issuer/Guarantor	Currency	Size (USD mn)	Tenor	Pricing	Issue Rating (M/S/F)
Tianfeng Securities Co., Ltd	USD	-	2yr	7.3%	-/-/BBB-
Sumitomo Mitsui Financial Group	USD	-	PerpNC10.25	7.25%	Baa3/BB+/-

➤ **News and market color**

- Regarding onshore primary issuances, there were 78 credit bonds issued yesterday with an amount of RMB73bn. As for month-to-date, 678 credit bonds were issued with a total amount of RMB676bn raised, representing a 37.1% yoy decrease
- **[ADEIN]** Media reported that Adani unit is in talks to raise up to USD3bn loan for green hydrogen project
- **[DALWAN]** Media reported that Dalian Wanda Group signed two 364-day loans to refinance subsidiaries' due-January, due-June loans
- **[DEXICN]** Media reported that Dexin USD350mn bond trustee sent demand notice to the developer in preparation for possible filing of winding-up petition
- **[GEMDAL]** Gemdale provides RMB2.5bn guarantee to unit Shenzhen Gemdale Property Management for RMB2.5bn credit line from China Merchants Bank
- **[RAKUTN]** Rakuten Group announced to repurchase USD986mn of due 2024 USD notes via tender offer; S&P affirmed Rakuten BB rating and maintained negative outlook remains negative
- **[VEDLN]** Vedanta Resources processed due 9 Feb'24 interest payment on USD894mn bond with a week's delay

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