

CMBI Credit Commentary

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

- *Asian IG space skewed to better selling and front-end was heavy this morning. Benchmark names widened 2-3bps. Bank T2 widened c5bps. EHCARs rose 0.2-0.7pt after announcement of further repurchase. See below.*
- **CSCHCN/MOLAND/PWRLNG:** *Restructuring after restructuring. CSCHCNs down 0.5-3.5pts, MOLANDs were unchanged and PWRLNGs were unchanged to down 1.5pts this morning. See below.*
- **DALWAN:** *Secured requisite consent at early deadline of DALWAN 7.25 01/29/24. DALWANs were unchanged to down 0.5pt this morning. See below.*

❖ Trading desk comments 交易台市场观点

Yesterday, UST yield tightened 6-14bps across the curve. On the new issue front, AVIILC priced a USD187mn PerpNC3 at par to yield 6.125%. The new USD500mn CINDBK 10NC5 T2 tightened around 15bps from RO (T+165) at open, but closed only 7bps tighter than RO at T+158 area after profit taking. Chinese TMT/SOE benchmarks were skewed to better selling. BABA/BIDU/CNOOC 24-28s were unchanged to 5bps wider. The high beta TMTs were traded in mixed two-way flows with MEITUA 30s widened 5bps. The front-end Chinese financials were traded heavily with profit taking post the overnight rates tightening. Chinese Bank T2/AMC/Leasing papers such as BCHINA /BOCOHK/ CCAMCL/BOCAVI/CMINLE/CDBFLC/BCLMHK 24-28s were 1-4bps wider. Chinese AT1s BCHINA/CINDBK/ICBCAS Perps were 0.1pt higher. In JP space, SMBCAC 28/33 were still well bid and tightened 3bps. HK IGs CKHH/HKAA 33s tightened 1-3bps. HK Corp space were mixed. LIFUNG Perp gained another 3.3pts. CKINF/CKPH/HYSAN Perps were up 0.6-1pt, whilst NWDEVL Perps were 0.5-0.7pt lower. HK properties SHUION 24/26 were down 0.9-1.5pts. Chinese properties moved lower. CSCHCNs fell 10.8-14pts following the report of missed coupon on Tue (its grace period end on 30 Dec'23), and the announcement of seeking another term-out for all five USD bonds on Wed. See below for comments. FUTLAN/FTLNHD 24-26s and GEMDAL '24 declined 1.4-2.6pts. LNGFOR 27-32s lowered 1.7-2.1pts. COGARDs/SINOCEs were down 0.4-0.8pt. Last night, PWRLNG announced official default that it has missed coupon on its PWRLNG 5.95 04/30/25. MOLAND announced consent solicitation in respect of extensions on senior notes due 2023-2027s. See below for comments. In industrials, AACTEC 26/31 were up 0.3-0.5pt. ANTOIL/HILOHO 24-25s closed unchanged to 0.4pt lower. At close, Moody's revised HILOHO's outlook to negative from stable and affirmed Caa1 rating. Macau gaming names STCITYs/WYNMACs were up 0.3-0.6pt. Indian renewable AZUPOE 24/26 were 1.5-1.8pts higher. On 28'Nov, the company announced consent solicitation for a tender offer to purchase USD40mn out of USD350mn.

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AZUPOE 5.65 '24 and USD12mn out of USD414mn AZUPOE 3.575 '26. In Indonesian space, KIJAIJ '27/UPLIN '30 were up 0.5-0.9pt. LMRTSP 24/26 were 0.4-0.5pt lower.

The LGFVs/Perp spaces were quiet. The quality LGFV names were under better buying from RMs/AMs/banks across 23-26s papers at 6%-handle yield. JNHITE/YWSOAO 24-25s were up 0.1pt. CQNANA/CQLGST 24s were up 0.1-0.4pt. Shandong names SHDOIS '24/QDHTCO '24/QDJZWD '25 were 0.1-0.3pt higher. CPDEV 25/26/Perp closed 0.7-1.3pts lower. We saw more trading flows on CPDEV Perp among Chinese RMs/PBs as more profit taking emerged, while the loose bonds remained well-digested by RMs buying. Meanwhile SOE perps were better bid after another overnight rates rally session, although we gradually saw some profit taking flows too especially in papers inside 6% yield. CHPWCN 3.08 Perp/HUADIA 3.375 Perp were up 0.1-0.2pt

❖ Last Trading Day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
LIFUNG 5 1/4 PERP	46.7	3.3	CSCHCN 9 06/26/24	25.8	-14.0
AZUPOE 3.575 08/19/26	86.8	1.8	CSCHCN 9 04/12/24	29.0	-13.0
AZUPOE 5.65 12/24/24	96.3	1.5	CSCHCN 9 07/20/24	39.3	-11.4
INDOIS 3.55 06/09/51	72.9	1.5	CSCHCN 9 10/09/24	23.5	-11.2
INDOIS 3.8 06/23/50	76.0	1.2	CSCHCN 9 12/11/24	23.2	-10.8

❖ Marco News Recap 宏观新闻回顾

Macro – S&P (+0.38%), Dow (+1.47%) and Nasdaq (-0.23%) were mixed on Thursday. US Oct core PCE index was +3.5% yoy, down from +3.7% yoy in Sep and same with the expectation. The latest US initial jobless claim was +218k, lower than the expectation of +220k. Euro-zone Nov CPI was +2.4% yoy, lower than the expectation of +2.7% yoy. China Caixin Nov manufacturing PMI was 50.7, higher than the expectation of 49.3. The UST yields rebounded yesterday, 2/5/10/30 yield reached 4.73%/4.31%/4.37%/4.54%, respectively.

❖ Desk analyst comments 分析员市场观点

➤ CSCHCN/MOLAND/PWRLNG: Restructuring after restructuring

Modern Land and Powerlong announced further restructuring of its restructured offshore bonds yesterday, while China South City is reported to planning the extension of the maturities of its offshore USD bonds. The implication of restructuring after restructuring reflected the sales recovery has been well below expectation. In 10M23, the aggregate contract sales of 34 developers under our radar were RMB2,816.2bn, down 20.1% yoy from RMB3,526.4bn in 10M22. Only 5 developers out of these 34 developers (4 are SOEs, plus Hopson) under our radar reported positive growth in sales yoy in 10M23. Additionally, despite there have been lots of discussions of banks offering financing package to developers, so far, the attitude of banks remains very cautious, especially for developers with impending offshore maturities.

CSCHCN: plan for 5 year term-out after the 20 month extension last time

China South City (CSC) has missed the coupon on CSCHCN 9 07/20/24 on 27 Nov'23. We understand that the company plans to launch a maturity extension plan to extend its term-out 2024 bonds for another 5 years. The plan could be launch prior to the expiry of grace period to cured its missed coupon on 30 Dec'23. To us, this implies CSC does not plan to cure the missed coupons. The coupon missed surprised us as CSC was reported to make 5% amortization of USD13.8mn on the bond due in Jul'24 on 20 Nov'23. The coupon missed is somewhat related to failure to draw down syndicated loans arranged with the assistance from Shenzhen SEZ

Construction and Development Group earlier this year as syndicated loan creditors are cautious of the offshore repayment obligations of 2024 bonds. We understand RMB2.4bn of the RMB6bn syndicated loans is undrawn.

Table 1: China South City's liability management exercises

Date	Event
27 Jul'22	-Obtained requisite consent to extend the maturities of five USD bonds originally due in 2022-23 by 20 months to Apr-Dec'24 with cash amortization -Shenzhen SEZ Construction and Development Group provided keepwell for the notes
28 Nov'23	Missed the coupon on CSCHCN 9 07/20/24
29 Nov'23	Media reported it is considering to launch consent solicitation for all of its five USD bonds to extend maturities for 5 years

Source: Company filling, CMBI Research.

MOLAND: An effective 364-day extension

Modern Land announced a consent solicitation on its USD bonds due in 2023-27. It proposes to extend the maturity of MOLAND 7 12/30/23 for 364 days. For the accrued but unpaid interest, at least 2% p.a. shall be paid in cash and payable on the maturity date. If it elect to pay in PIK for the remaining interest, such PIK interest shall accrue at the rate of 9% p.a.

Also, to amend the interest payment of MOLAND 8 12/30/24, MOLAND 9 12/30/25, MOLAND 9 12/30/26 and MOLAND 9 12/30/27, such that the accrued but unpaid interest as of 30 Dec'23 shall be paid entirely in PIK. The interest of at least 2% p.a. accrued from 30 Dec'23 to 30 Dec'24 shall be paid in cash and payable on 30 Dec'24, the remaining interest for such period will be in PIK. Accrued but unpaid interest from 30 Dec'24 to (but excluding) the maturity date shall be paid entirely in cash.

Table 2: Summary of Modern Land's consent solicitation

Bond	ISIN	O/s amt (USDmn)	Consent fee (per USD1,000 principal)
MOLAND 7 12/30/23	XS2500896860	81.997	USD2
MOLAND 8 12/30/24	XS2500897678	186.951	USD0.02
MOLAND 9 12/30/25	XS2500898486	311.818	USD0.02
MOLAND 9 12/30/26	XS2500899294	417.851	USD0.02
MOLAND 9 12/30/27	XS2500899880	606.652	USD0.02
Total		1,605.269	

Expiration time 18 Dec'23

Approval threshold No less than 75% in respective outstanding aggregate principal of each series of notes

Source: Company filling, CMBI Research.

Table 3: Modern Land's liability management exercises

Date	Event
27 Feb'22	Announced debt restructuring plan for the five USD bonds to extend the maturities by 1-5 years -MOLAND 12.85 10/25/21 -MOLAND 11.8 02/26/22 -MOLAND 11.5 11/13/22 -MOLAND 9.8 04/11/23 -MOLAND 11.95 03/04/24

30 Nov'22	Restructuring effect date condition of the scheme satisfied
29 Nov'23	<p>Launched consent solicitation on its five USD bonds:</p> <p>-On MOLAND'23: (i) to extend maturity for 364 days; (ii) for the period from the original issue date to (but excluding) the maturity date, interest of at least 2% p.a. shall be paid in cash, payable in 2024; (iii) accrued but unpaid interest as of the maturity date shall be paid entirely in cash. If it elect to pay any PIK interest, such PIK interest shall accrue at the rate of 9% p.a.</p> <p>-To adjust the interest payment on MOLAND'24: (i) accrued but unpaid interest as of 30 Dec'23 shall be paid entirely in PIK; (ii) interest of at least 2% p.a. accrued from 30 Dec'23-30 Dec'24 shall be paid in cash and payable on 30 Dec'24, and (iii) accrued but unpaid interest as of the maturity date shall be paid entirely in cash. If it elect to pay any PIK interest, such PIK interest shall accrue at the rate of 10% p.a.</p> <p>-To adjust the interest payment on MOLAND'25-27: (i) accrued but unpaid interest as of 30 Dec'23 shall be paid entirely in PIK; (ii) interest of at least 2% p.a. accrued from 30 Dec'23-30 Dec'24 shall be paid in cash and payable on 30 Dec'24, and (iii) Interest for the period from and including 30 Dec'24 to the (but excluding) the maturity date shall be paid entirely in cash. If it elect to pay any PIK interest, such PIK interest shall accrue at the rate of 11% p.a.</p>

Source: Company filling, CMBI Research.

PWRLNG: Missed coupon of restructured and plan for holistic restructuring

Powerlong Real Estate missed USD16mn interest payment on PWRLNG 5.95 04/30/25 at the expiry of the grace period. This will result in an event of **default** under the terms of certain offshore bank and other borrowings. It does not plan to cure the interest and has engaged external financial advisor Haitong International to explore holistic solution. From 1 Jan'22 to 29 Nov'23, it has repaid total principal and interest of RMB6.1bn of offshore debts.

Table 4: Powerlong's liability management exercises

Date	Event
16 Jul'22	<p>Completed the exchange offer and consent solicitation on below two offshore USD bonds</p> <p>-PWRLNG 4 07/25/22 for 1 year, and issued PWRLNG 4 07/14/23</p> <p>-PWRLNG 7 ½ 11/08/22 for 2 year, and issued PWRLNG 7 ½ 01/15/24</p>
5 Jul'23	<p>Completed the exchange offer on three bonds:</p> <p>-PWRLNG 4 07/25//22 (already exchanged in Jul'22) for another 1 year</p> <p>-PWRLNG 7.125 11/08/22 (already exchanged in Jul'22) for another 2 year</p> <p>-PWRLNG 6.95 07/23/23 for 29 months</p> <p>Completed consent solicitation on below three bonds to carve out any event of default resulting from the default PWRLNG 6.95 07/23/23:</p> <p>-PWRLNG 6.25 08/10/24</p> <p>-PWRLNG 5.95 04/30/25</p> <p>-PWRLNG 4.9 05/13/26</p> <p>Completed concurrent consent solicitation on two bonds to further extend the maturities, and to carve out any event of default resulting from the default PWRLNG 6.95 07/23/23:</p> <p>-PWRLNG 4 07/14/23 for 1 year</p> <p>-PWRLNG 7.125 01/15/24 for 2 year</p>

- 29 Nov'23 -Missed coupon on PWRLNG 5.95 04/30/25 at the expiry of the grace period, an event of default will occur on certain offshore bank and other borrowing
 -To explore holistic solution to address debts

Source: Company filling, CMBI Research.

➤ **DALWAN: Received requisite consent at early deadline of DALWAN 7.25 01/29/24**

Dalian Wanda Commercial Management (DWCM) received requisite consent related to [the consent solicitation for its USD600mn DALWAN 7.25 01/29/24](#) as our expectation at early deadline. The consent solicitation was launched on 21 Nov'23 to extend the maturity of DALWAN'24 for 11 months to 29 Dec'24. The approval threshold is a meeting quorum with holders of not less 66% in principal amount and at least 50% votes in favour of the consent. Before the early deadline on 29 Nov'23, DWCM got consents from bondholders representing c99.3% of the aggregate principal amount. The company will hold bondholders' meeting on 13 Dec'23 to pass the Extraordinary Resolution. In our view, the maturity extension helps convince rep-IPO investors to amend the put clause of pre-IPO investments (cRMB46bn). We still believe that DWCM is in a better position to weather through the current tight liquidity situation than many residential developers. DALWANs were unchanged to down 0.5pt this morning.

➤ **EHICAR: Repurchased and canceled USD68.5mn of EHICAR 7.75 11/14/24**

EHICAR had repurchased and canceled totaled USD68.5mn of USD450mn EHICAR 7.75 11/14/24 as of 29 Nov'23, representing 15.22% of the aggregate principal amount. The company continuously manage its maturity since 2021 and we expect more buyback in the future given [its improving financials](#). Post the pandemic, there is a spilt of recovery pace between large-ticket and durable consumptions and small-ticket and frequent consumptions in China. The recovery of business such as travelling, F&B and car rental has been solid. We prefer sectors with faster recovery paces including car rental and Macau gaming. After the call of CARINC 9.75'24 in Sep'23. EHICAR'24/26 are the few remainders in small-ticket and frequent consumption sector of China. We maintain Buy on EHICARs. At 86.44 and 66.83, EHICAR'24/26 are trading at YTM of 24.69% and 23.91%. EHICAR'24 rose 0.7pt and EHICAR'26 increased 0.2pt this morning.

Date	Repurchased amount (USD mn)	% of principal
31 Dec'21	43.22	9.60%
11 Oct'23	3.2	0.71%
30 Nov'23	22.08	4.91%
Total	68.5	15.22%

Source: Company fillings, Bloomberg.

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

Issuer/Guarantor	Size (USD mn)	Tenor	Coupon	Priced	Issue Rating (M/S/F)
Avic International Leasing	187	PerpNC3	6.125%	6.125%	Baa1/-/-
Macquarie	900	3yr	5.391%	T+100	A1/A+/A

Macquarie	1000	11NC10	6.255%	T+200	A2/BBB+/A
Macquarie	350	3yr	6.555%	SOFT+120	A1/A+/A

➤ **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 79 credit bonds issued yesterday with an amount of RMB49bn. As for Month-to-date, 1,622 credit bonds were issued with a total amount of RMB1,659bn raised, representing a 18.1% yoy increase
- **[DEXICN]** Dexin China announced to withdraw recommendation for payment of RMB0.0875 per share final dividend for FY21 to preserve cash
- **[EHOUSE]** E-House (China) Enterprise announced to hold EGM on 31 Jan'24 to consider HKD483mn rights issue
- **[FUTLAN]** Media reported that Seazen Holdings plans to offer up to RMB850mn three-year CBICL-guaranteed notes in Dec
- **[JMUDIV]** Fitch withdrew Jimo Urban BB+ ratings as company stops participating in process
- **[RDHGCL]** Media reported that Radiance Group plans up to RMB1.2bn CBICL-guaranteed deal
- **[SAKAEI]** Media reported that Indonesian energy company Saka Energi plans to use internal cash to repurchase its outstanding USD156mn due 2024 notes
- **[STCITY]** Studio city announced that it repurchased USD103mn due 2025 notes, USD100mn through tender offer and USD3mn from open market
- **[WB]** Weibo plans to issue up to USD330mn in convertible senior bonds due 2030 to refinance debt

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