

CMBI Credit Commentary

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

- *New issues BOCAVI'28 tightened c8bps and recent new issue DFHOLD'26 further tightened 5bps this morning. High-beta IG names MEITUA, LENOVO were 5bps tighter. Long term HYUELEs were active and rose c0.5pt.*
- **HRINTH:** *The weekly ritual still on but will the repurchase focuses change? HRINTHs were unchanged to 0.2pt higher this morning. See below.*
- **NWDEVL/NWSZF:** *NWD obtained shareholders' approval for NWS deal, expect to receive the disposal proceeds by 20 Nov. NWDEVLs were unchanged to +0.75pt and NWSZFs were unchanged this morning. See below.*

❖ Trading desk comments 交易台市场观点

Yesterday, overnight yields tightened 14-20bps across the curve. The Fed held the FFR unchanged in the Nov FOMC meeting as expected while the tone on rate hike outlook was relatively dovish. On the new issue front, BOCAVI priced a USD500mn 5yr bond at T+130. The Korea recent new DFHOLD 26s performed well as the bond tightened 8bps and closed around T+190. On the secondary side, Asia ex JP IG space was firm. Chinese SOE/TMT benchmarks HAOHUA/SINOCHEM 30-31s were 2-4bps tighter. The high-beta TMTs MEITUA/XIAOMI 30s were 5-7bps tighter. In financials, the front end of Chinese leasing/AMC papers were still traded heavily with some more profit taking flows. BOCAVI 28s widened 2bps. CMINLE/CDBFLC 30s widened 4bps. HRINTH 30s/CCAMCL 28s were 1-3bps wider. Last evening, HRINTH announced further bond repurchases totaled USD137mn in principal amount. In Chinese bank T2s, the big four banks were traded in mixed two-way flows. ICBCAS 29-30s tightened 2-5bps, while BCHINA/BOCOHK 24-26s were 1-2bps wider. Chinese AT1s BCHINA 3.6 Perp/ICBCAS 3.2 Perp were up 0.1pt. Thai banks BBLTB/KBANK AT1s were up 0.1-0.3pt. In HK Corp space, NWDEVL Perp were 0.4-1.1pts higher. Shareholders of NWD approved the NWS disposal in an EGM yesterday. CKINF 4.85 Perp/FWDGHD 6.375 Perp were 0.3-0.7pt higher. HK/Chinese properties were mixed. DALWAN '26 dropped 1.3pts. LNGFOR '28 was down 1.1pts. VNKRLs performed mixed with its 24s closed 1pt lower, whilst on the other hand, the rest of the VNKRL 25-29s were up 0.4-0.8pt. CSCHCNs were 0.5-0.7pt higher. PINGREs were up 0.4-0.5pt. SHUION 24-26s were also up 0.2-0.4pt. Industrials were mixed. ANOTIL/AACTEC papers were 0.1-0.4pt higher whilst EHICARs were down 0.3pt. In Macau gaming names, WYNMAC/STCITY 27-29s gained 1.1-1.8pts. MPELs/SANLTDs were 0.3-1pts higher. In Indian space, renewables GRNKEN/RPVIN 27-28s were up 0.5pt. ADSEZ 29-31s were 0.6pt higher. In Indonesian SOEs, the long end of PERTIJ/INDOIS were up 1.9-2pts in light of the overnight rates move. Elsewhere, GLPCHI 24/26 lowered 0.4-0.5pt while GLPSPs were unchanged.

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S&P downgraded the ratings of GLP and GLP China to 'BB' from 'BBB-' with negative outlook, and the ratings were withdrawn at the issuers' request.

The LGFV/Perp spaces were mixed with light flows. The cash parking demands continued to focus on the front-end papers. CQNANA 4.5 '26 was 1.1pts higher while CQNANA 24s closed 0.1pt higher. CPDEVs were mixed. CPDEV 25/26 were 0.2-0.4pt higher whilst CPDEV 5.75 Perp declined 0.9pt. The 7-8% LGFVs GZINFU '26/QDHTCO '24 were up 0.2pt. However, the higher-yielding Shandong names SHDOIS '24/SHGUOH '25 were unchanged to 0.2pt lower. SOE perps were also mixed. CHPWCN 3.45 Perp/CHCOMU 3.425 Perp were up 0.1pt, whilst RLCONS 3.97 Perp/HUADIA 4 Perp were unchanged to 0.1pt lower. Elsewhere, FRESHK 25-26s were 0.3-0.5pt higher. ZHONAN 25/26 were down 0.1-0.2pt.

❖ Last Trading Day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
PERTIJ 4.15 02/25/60	64.9	2.0	DALWAN 11 02/13/26	24.3	-1.3
PERTIJ 5 5/8 05/20/43	86.2	2.0	ROADKG 7 3/4 PERP	19.1	-1.2
PERTIJ 6 1/2 05/27/41	95.1	2.0	LNGFOR 4 1/2 01/16/28	41.7	-1.1
INDOIS 3.55 06/09/51	66.8	2.0	VNKRLE 4.2 06/07/24	83.2	-1.0
PERTIJ 4.175 01/21/50	68.4	1.9	CPDEV 5 3/4 PERP	75.3	-0.9

❖ Marco News Recap 宏观新闻回顾

Macro – S&P (+1.89%), Dow (+1.70%) and Nasdaq (+1.78%) continued to rally higher on Thursday. The latest US initial jobless claim was +217k, higher than the expectation of +210k. China Caixin Oct service PMI was 50.4, increased from 50.2 in Sep while was lower than the expectation of 51.2. The UST yields retreated yesterday, 2/5/10/30 yield reached 4.98%/4.65%/4.67%/4.82%, respectively.

❖ Desk analyst comments 分析员市场观点

➤ **HRINTH: The weekly ritual still on but will the repurchase focuses change?**

Table 1: Details of repurchases

Ticker	Currency	Issue size (mn)	O/s (mn)	Offer price	YTM	Repurchas	Incremental	Incremental	Incremental	Incremental	Incremental	Incremental	Total
						ed amt (mn) as at 19 Sep	repurchase d amt (mn) as at 21 Sep	repurchase d amt (mn) as at 27 Sep	repurchased amt (mn) as at 11 Oct	repurchased amt (mn) as at 19 Oct	repurchase d amt (mn) as at 27 Oct	repurchase d amt (mn) as at 2 Nov	repurchases disclosed
HRINTH 4 1/2 05/29/29	USD	700	594.348	80.52	9.0%	98.65	7.00						105.65
HRINTH 3 7/8 11/13/29	USD	500	424.525	79.65	8.2%	52.48	23.00				107.00	70.00	252.48
HRINTH 3 3/8 02/24/30	USD	700	270.500	79.68	7.4%		141.00	108.50	101.21	78.79			429.50
HRINTH 3 5/8 09/30/30	USD	350	149.000	79.67	7.4%	41.00	32.00	15.00	52.50	60.50	10.00		211.00
HRINTH 5 1/2 04/27/47	USD	200	135.500	75.85	7.7%			21.554	32.95	10.00	57.00		121.50
HRINTH 4.95 11/07/47	USD	700	470.000	72.23	7.4%	72.27	87.91	18.00		51.83		67.00	297.00
HRINTH 3.8 11/07/25	SGD	400	368.000	87.83	10.5%	32.00							32.00
						287.87	290.91	163.05	186.65	201.12	174.00	137.00	1440.61

Source: Company fillings.

As expected, Huarong continues the "weekly announcement" on offshore bond repurchases. In the round, Huarong repurchases USD70mn of HRINTH 3.875 11/13/29 and USD67mn of HRINTH 4.95 11/07/47, totaled USD137mn in principal amount. The focuses remain on lower cash price and longer-dated bonds. All of these

were bought back between 27 Oct – 2 Nov'23. It is noteworthy that the o/s amount of HRINTH 3.875 11/13/29 fell below USD300mn. This could affect the index-eligibility of HRINTH 3.875 11/13/29.

While the repurchases continue, the amount of repurchases dropped in the last 2 rounds of repurchases. We believe that the lower amount of repurchases should be attributable to the higher cash prices and thinner trading liquidity of some issues the repurchases focusing on. Huarong appears to be more reluctant to repurchase bonds with prices 80 or higher. So far, it is yet to announce any repurchases on 24s, 25s, 26s and 27s. Since 21 Sep'23, it is yet to announce further repurchases of HRINTH 4 ½ 05/29/29 after the bond was traded up close to 80. Additionally, the remaining o/s amount of issues such as HRINTH 3.625 09/30/30 and HRINTH 5.5 04/27/47 decreased significantly. The thinner trading liquidity would make further repurchases more difficult.

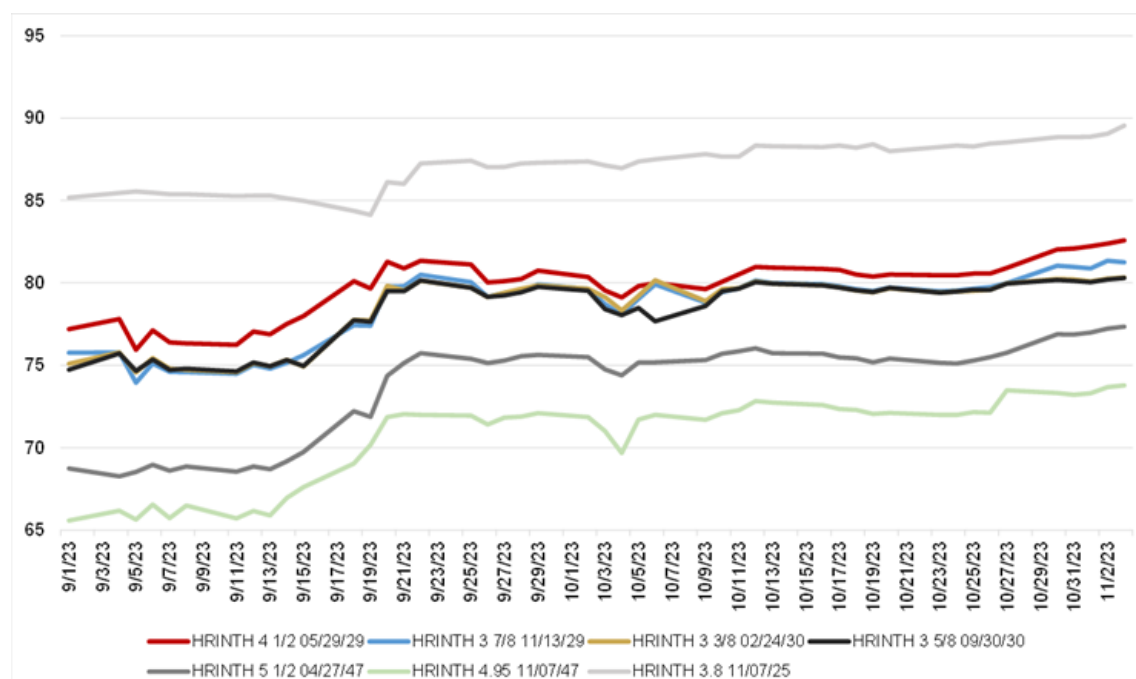
Are the repurchases done? We believe that Huarong's incentive and ability to further repurchase its offshore bonds are still strong. To us, the question is whether the repurchase focuses will change. As we wrote before, Huarong raised 3-year onshore financial bonds of RMB20bn (cUSD2.7bn) at a coupon rate of 3.1% on 16 Aug'23. Assuming the proceeds of cUSD2.7bn from the onshore issued are earmarked for offshore bond redemptions and all repurchases had been conducted since 16 Aug'23, Huarong should still have a war-chest of cUSD1bn for early redemptions of offshore bonds. Furthermore, the funding cost (3.1%) of the onshore bonds is lower than the coupon rates of all of its offshore bonds. We believe the cost for Huarong to remit funds for offshore repurchases should be immaterial. Further repurchases of offshore bonds can continue help to lower net debts, improve cash flow and boost P&L.

If the repurchase focuses continue to be on longer-dated and lower cash price (<80) bonds, HRINTH 4.95 11/07/47 will probably be the most obvious choice going forward, especially the o/s amount of HRINTH 5.5 04/27/47 was only USD78.5mn.

If the repurchase focuses can be flexible, we believe that Huarong would prefer to repurchase bonds with cash price higher than 80 and higher coupon rates, instead of the nearest maturities. These will maximum the impact of lowering net debts, improving cash flow and boosting P&L through repurchases.

HRINTHs remain our top picks in Chinese AMC space. For HRINTHs, our preferences are HRINTH 3.75 05/29/24, HRINTH 5.5 01/16/25 and HRINTH 4.25 Perp (callable 09/30/25). For Chinese AMCs, we also like GRWALL 3.95 Perp (callable 07/31/24) and CCAMCL 4.4 Perp (callable 03/11/26) as a low beta play.

Chart 1: Price movement of repurchased HRINTHs since 1 Sep'23



Source: Bloomberg.

➤ **NWDEVL/NWSZF: NWD obtained shareholders' approval for the NWS offer, early redemption of NWDEVLs expected**

NWD secured the shareholders' approval for the disposal of NWS Holdings in the EGM held on 2 Nov'23. The NWS offer was approved by 99.35% of the votes cast. On the basis that NWD to tender its acceptance of NWS offer on 9 Nov, the disposal will then become unconditional in all respects on the same day. NWD expects to receive the disposal proceeds by 20 Nov'23, and the NWS offer will be closed on 23 Nov'23. Separately, NWS Holdings has proposed to offer RMB1.5-2bn 3-year MTNs on 6 Nov to repay offshore debts. NWDEVLs were unchanged to +0.75pt and NWSZFs were unchanged this morning.

The disposal will provide NWD with cash proceeds of HKD21.8bn, HKD4bn will be used to pay a special dividend to its shareholders. We believe the remaining HKD17.8bn will be used for [debt refinancing](#), as well as early redemption of its bonds and perps as detailed in our comment [NWD: Privatization help mobilizing liquidity within the group](#) published on 27 Jun'23. During FY23 result briefing, NWD openly mentioned the plan to repurchase/tender offer its USD bonds and perps. Recalled that NWD and NWS early redeemed NWDEVL 4.5 05/19/30, NWDEVL 3.75 01/14/31, NWSZF 4.25 06/27/29 and NWSZF 5.75 Perp totaled USD482.51mn in principal amount through a tender offer in Dec'22.

In NWDEVL/NWSZF complex, we continue to see NWD has strong incentive to early redeem its perps with reset and coupon step-up given there is no short-dated paper until Jan'27 after NWDEVL 4 ¾ 12/05/23. We maintain Buy on **NWDEVL 6.15 Perp**, **NWDEVL 5.25 PERP** and **NWDEVL 4.125 Perp**. We also see higher likelihood of buyback of **NWDEVL 4 ½ 07/18/29** and **NWDEVL 4 ½ 05/19/30** in view of lower cash prices among NWDEVLs, as well as more concentrated outstanding amount during '29-30. Furthermore, we view **NWSZF 5.75 Perp** as short-dated carry play with first call date in Jan'24. At 99.0, NWSZF 5.75 Perp is trading at YTC of 11.6%.

Table 1: List of NWD's outstanding USD bonds

	O/s (USD mn)	Maturity	First call date	Coupon	Coupon reset	Coupon Step up	Offer price	YTW/YTC (bp)
NWDEVL 4 ¾ 12/05/23	310	12/5/2023	-	4.75	-	-	99.06	16.22
NWDEVL 4 ¾ 01/23/27	600	1/23/2027	-	4.75	-	-	79.09	12.89
NWDEVL 5 ¾ 06/16/27	200	6/16/2027	-	5.875	-	-	81.11	12.53
NWDEVL 4 ¾ 07/18/29	950	7/18/2029	-	4.125	-	-	67.20	12.29
NWDEVL 4 ½ 05/19/30	562.82	5/19/2030	-	4.5	-	-	65.15	12.44
NWDEVL 3 ¾ 01/14/31	127.84	1/14/2031	-	3.75	-	-	64.00	11.16
NWDEVL 4.8 PERP	700	-	9/9/2023	4.8	-	-	41.25	1,813.22
NWDEVL 6 ¼ PERP	1300	-	3/7/2024	6.25	-	-	48.66	332.05
NWDEVL 6.15 PERP	500	-	3/16/2025	6.15	3yrUST+6.201%	300bps	73.89	31.55
NWDEVL 5 ¼ PERP	1000	-	3/22/2026	5.25	5yrUST+7.889%	300bps	61.40	16.41
NWDEVL 4 ¾ PERP	1200	-	3/10/2028	4.125	5yrUST+5.858%	300bps	49.72	14.93
Total	7,450.66							

Source: Bloomberg.

➤ Offshore Asia New Issues (Priced)

Issuer/Guarantor	Size (USD mn)	Tenor	Coupon	Priced	Issue Rating (M/S/F)
BOC Aviation	500	5yr	5.75%	T+130	-/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 78 credit bonds issued yesterday with an amount of RMB81bn. As for Month-to-date, 162 credit bonds were issued with a total amount of RMB136bn raised, representing a 8.6% yoy increase
- Media reported that China AMCs have been slow the step to bail out distressed property projects due to concern about potential losses and compliance risks
- [ADANIG]** Media reported that Adani Green Energy in talks with foreign banks for up to USD1.8bn loan
- [ADEIN]** Adani Enterprises 2Q24 revenue down 41% yoy to USD2.7bn and EBITDA rose 39% yoy to USD357.7mn
- [COGARD]** Media reported that Country Garden paid on time 2% second amortisation, interest on termed-out private panda bonds
- [FAEACO]** Far East Consortium secured HKD300mn three-year sustainability-linked loan from Cathay United Bank for general corporate funding purposes

- **[GLPSP/GLPCHI]** S&P downgraded GLP and GLP China one notch to BB and placed negative outlook due to deteriorating liquidity; the ratings were withdrawn at issuer request
- **[INDYIJ]** Indika Energy 9M23 revenue down 27% yoy to USD2.3bn and EBITDA down 70% yoy to USD300mn
- **[LOGPH]** Logan Group announced it is exploring various structures in relation to offshore restructuring including deleveraging via debt to equity
- **[NWDEVL]** New World Development received shareholder support for disposal of NWS Holdings in EGM
- **[NWSZF]** NWS Holdings proposes to offer RMB1.5-2bn 3-year MTNs to repay offshore debts
- **[SLSCCI]** Chengdu Airport Xingcheng Investment proposes to offer RMB4.3bn corporate bonds
- **[XINAOG]** Moody's affirmed ENN Natural Gas Ba1 rating and maintained positive outlook
- **[ZHANLO]** Fujian Zhanglong Group issued USD500mn 6.7% notes due 2026

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