

CMBI Credit Commentary

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

- *Markets sentiments stabilized this morning. Asian IG tightened 3-8bps due to short coverings. AT1 space overall rose 0.5pt. For LGFV, we saw demands on due 23/24 bonds.*
- **SINOCE:** *Deferred USD20.6mn perps distribution. SINOCEs were unchanged to +0.25pt this morning after yesterday's 7-15pts slump. See below.*
- **ROADKG:** *Road King revenue down 30.5% to USD2.2bn and pre-tax profit down 74.3% to USD140mn for FY22. ROADKGs moved -0.25 to +0.25pt this morning.*

❖ Trading desk comments 交易台市场观点

Yesterday, Asia IG space opened in a firm tone. Overnight UST 2y yields climbed 14bps to just below 4% at Tue open, as banking crisis fears eased. China TMTs and HAOHUA performed strongly on short covering. Benchmark papers TENCNT 30s/BABA 31s led the move to close 5-8bps tighter at T+170, and T+158, respectively. HAOHUA tightened 10-15bps across the curve, while its front-end space remained very heavy as most of client flows were looking for bids. Elsewhere in SOEs, we saw sellers on low beta SOEs such as CHGRID/SINOPE/YANTZE. China financials were traded a touch softer. In leasing names, there were active selling flows on BOCAVI/CMINLE 23s-26s. ICBCIL 25s/CCBL 26s widened 5-10bps. In T2s, we saw active two-way flows in SHCMBK/WOORIB/BCHINA/ICBCAS/OCBCSP while BNKEA 27s tightened 10bps. China property space remained fragile. SINOCE Perp plunged 15pts to 29.5, post Sino-Ocean announced to defer the semi-annual distribution for the USD600mn SINOCE 6.876 Perp. Other SINOCE bullets slumped 7-11pts across the curve. COGARDs/FUTLANs/FTLNHDs lowered 1-1.5pts. ROADKG 25s/26s were traded down 1-2.5pts. AGILEs/GRNLGRs drifted 1-2pts lower. Industrials HONGQIs/ WESCHIs were down 0.5-1pt. Macau gaming names MPELs/SANLTDs/STCITYs gained 1-2pts. In Indian space, VEDLNs bounced back 2-5pts after falling 3-6pts on Mon. Renewables GRNKENs were bid up 0.5-1.5pts. Indonesian names MEDCIJs were 0.5pt lower.

In the Asia AT1/Perp/LGFV space, market rebounded mildly. Sentiment towards the AT1 space recovered significantly following statements Tuesday evening from the SRB-EBA-ECB Banking Supervision. The BOE reassured investors that AT1s should bear losses after equities. New HSBC 8 Perp that closed at 89/90 on Mon opened at 92/94 area. It was traded up 6pts from Asia close (or 2.5pts from NY close), amid two-way flows among regional RM. The HSBC AT1 softened a touch into lunch ahead of London opening, but closed at 95/96, back to the levels before CS write-off event. The rest of

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HSBC and STANLN AT1 papers were sought-after by regional PBs. We saw largely better buying flows despite small profit taking from prop accounts on these two names. Elsewhere, Chinese AT1s such as BCHINA/ICBCAS perps bounced up 1-1.5pts. We saw Chinese RM buying Big5/CINDBK AT1s at the dip, and HF/prop covering shorts in BNKEA/CHOHIN perps. BNKEA 5.875 Perp notably jumped 4.5pts. Thai/Korea/SG AT1s climbed around 2pts, in light of PB and RM buying. In LGFVs/SOE Perps, buying flows were front-end-centric from Chinese AM as clients sought to park cash in less volatile papers. Whereas on the other hand, we also saw LGFV/SOE perps coming out of cross-border flows possibly only because of mandate/ fund rebalancing flows ahead of quarter end.

❖ Last Trading Day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
HSBC 8 PERP	96.2	5.6	SINOCE 6.876 PERP	29.9	-15.8
VEDLN 13 7/8 01/21/24	86.1	5.1	SINOCE 5.95 02/04/27	56.5	-10.7
BNKEA 5 7/8 PERP	87.3	4.6	SINOCE 3 1/4 05/05/26	57.4	-10.3
VEDLN 8.95 03/11/25	67.6	4.5	SINOCE 4 3/4 01/14/30	47.6	-9.6
VEDLN 6 1/8 08/09/24	66.7	3.7	SINOCE 4 3/4 08/05/29	48.4	-9.5

❖ Marco News Recap 宏观新闻回顾

Macro – U.S. stock markets got another rebound yesterday, S&P (+1.30%), Dow (+0.98%) and Nasdaq (+1.58%) rallied and financial sector recovered a lot. The sector was supported by U.S. Treasury Secretary Yellen's speech in which she vows to protect depositors of small banks and intervene if needed. The U.S. treasury yields overall rose yesterday, the 2/5/10/30 yields reached 4.17%/3.73%/3.59%/3.73%, respectively.

❖ Desk analyst comments 分析员市场观点

➤ SINOCE: Deferred USD20.6mn perps distribution

Sino-Ocean deferred the distribution on its USD600mn 6.876% perps scheduled on 21 Mar. Media reported that the company aims to pay both the deferred distribution and the next distribution on the next distribution date on 21 Sep. Based on the offering circular, the deferral of the perp distribution does not constitute an event of default as the issuer has the sole discretion to defer the payment. The dividend stopper clause stops the company from paying any dividends on parity or junior obligations, until it has satisfied all the outstanding amount in full. The FY22 final dividend, if any, will be announced on 30 Mar.

Sino-Ocean has been selling its assets to refinance maturing debts and replenish working capital. The scheduled distribution amounting to USD20.6mn (cRMB141.7mn), the deferral signals the company still lack of sufficient liquidity to meet the obligation dues. In Feb'23, it cashed out RMB475mn from the sale and leaseback on facilities in data centers with China Chengtong. In Dec'22, it issued RMB1.3bn REITs product on Shanghai Stock Exchange. It also sold its entire 50% stake in Taikoo Li Chengdu to its project partner Swire Properties at RMB5.55bn, it should have received RMB1bn by 3 Jan, to receive RMB59mn by 31 Mar and remaining RMB4.5bn by 30 Apr. Apart from asset disposals, Sino-Ocean is in discussions with CBICL over a guarantee for a domestic issuance, and also with ICBC on possibly USD300mn offshore loan with a pledge of commercial project in Beijing.

While it stays current on its offshore and onshore bonds, it will face coupon dues on its SINOCE 3.8'25 and SINOCE 3.25'26 in 1H23, totaling USD10.3mn (cRMB70.8mn). Assuming the funding condition does not improve in Apr, the RMB4.5bn proceeds from Taikoo Li Chengdu by 30 Apr shall enable it to pay the coupon

on above two bonds on 26 Apr and 5 May. Regarding the operating performance, the company's contract sales for 2M23 is RMB8.36bn, its 2% growth yoy already outperformed c75% of its 37 peers under our radar. After the news, SINOCE Perp plunged 15pts while SINOCEs 24-30s dropped 7-11pts yesterday. SINOCEs were unchanged to +0.25pt this morning.

	Px (bid)	YTM (% , bid)	Amount o/s (USDmn)
SINOCE 6 07/30/24	73.8	31.1	700
SINOCE 2.7 01/13/25	60.4	33.8	520
SINOCE 3.8 04/26/25	68.1	24.1	200
SINOCE 3.25 05/05/26	56.8	23.6	400
SINOCE 5.95 02/04/27	56.0	24.0	500
SINOCE 4.75 08/05/29	47.8	19.4	600
SINOCE 4.75 01/14/30	47.0	18.9	400
SINOCE 6.876 PERP	29.3	23.6	600
Total			3,920

Source: Bloomberg

➤ Offshore Asia New Issues (Priced)

Issuer/Guarantor	Size (USD mn)	Tenor	Coupon	Yield	Issue Rating (M/S/F)
Double Dragon	20	2.35yr	7.25	8%	-/-/-

➤ Offshore Asia New Issues (Pipeline)

Issuer/Guarantor	Currency	Size (USD mn)	Tenor	Pricing	Issue Rating (M/S/F)
Korea National Oil	USD	-	3/5/10yr	-	-/-/-

➤ News and market color

- Regarding onshore primary issuances, there were 106 credit bonds issued yesterday with an amount of RMB154bn. As for Month-to-date, 1,633 credit bonds were issued with a total amount of RMB1,511bn raised, representing a 27.1% yoy increase
- **[AGILE]** Media reported Agile clarifies default on RMB1.26bn overdue trust that the trust fund was invested in an equity investment project and has no relation with company's debt
- **[CENCHI]** Media reported Central China said it plans to cure the missed 27 Feb coupon on CENCHI 7.65 08/27/23 within the grace period before 29 Mar
- **[CHINSC]** China SCE announced that it may get cRMB300mn loss for FY22
- **[DALWAN]** Wanda Commercial gets subscriptions at top end of RMB1.5bn target for 3NP2 bonds, coupon set at 6.8%; its 21DalianwandaMTN001 noteholders exercise RMB740mn put option
- **[GRNCH]** Greentown proposes to offer up to RMB1bn two-year corporate bonds to repay debts

- **[KWGPRO]** Media reported KWG said it has cured the missed Feb coupon on USD400mn KWGPRO 6.3 02/13/26 and KWGPRO 6 08/14/26
- **[LASUDE]** Lai Sun expects to get HKD8-9mn loss for 6M ended 31 Jan'23
- **[LVGEM]** LVGEM expects to get RMB650-800mn loss for FY22
- **[PWRLNG]** Powerlong Real Estate expects profit drop c75% yoy to RMB1.6-2bn drop for FY22
- **[ROADKG]** Road King revenue down 30.5% to USD2.2bn and pre-tax profit down 74.3% to USD140mn for FY22
- **[TPHL]** Media reported Times China extended voting deadline for domestic bond, ABS restructuring for third time, to 27 Mar

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