

CMBI Credit Commentary

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

- *Markets were stable with light flows this morning. CQLGSTs rose c1pt post the tender offer announcement, we also saw profit taking after that. DALWAN proposed revised plan to postpone repayment of pre-IPO investment, DALWANs were unchanged to 0.5pt higher.*
- **CSCHCN:** *Increased amortization of 9% payable in 2024-25, added incentive fee of 1pt in consent solicitation. CSCHCNs rose 0.8 to 1.5pts this morning. See below.*
- **China Economy** – *CPI at record lows calling for enhanced policy support. CMBI revises down the forecast on CPI growth for 2023 from 0.4% to 0.3% while maintaining the forecast for 2024 at 1.4%. See below for comments from CMBI economic research.*

❖ Trading desk comments 交易台市场观点

Last Friday, overnight UST 10-yr yield widened 3bps to 4.15%. Asia IG space was stable ahead of NFP on Friday night. In Chinese SOE/TMT benchmarks, HAOHUA/BIDU/TENCNT/BABA 30-31s tightened 2-3bps. The high beta TMTs MEITUA/WB 30s were 3-5bps tighter. In financials, Chinese bank T2s were under better buying. BCHINA/CINDBK 28-33s were 1-3bps tighter. On AMCs, CCAMCL/ORIEAS 24-26s widened 5-8bps. On Thu close, Moody's placed the ratings of Cinda AMC, Orient AMC, and their subsidiaries on review for downgrade, following the sovereign rating action. In HK Corp space, NWDEVL Perps were 0.3-0.7pt lower to close 2-4pts lower WoW. HK/Chinese properties were mixed. HPDLF/SHUION 24-26s were up 0.4-0.8pt. PINGRE '25 was up 3.1pts. DALWAN/GRNCH 26s were 1.3-2.3pts higher. FUTLAN/FTLNHD 24-26s were up 0.3-0.6pt. CHJMAOs were unchanged to 0.5pt higher. On the other hand, GRNLGR/RISSUN 28s were 1.5-2.2pts lower. Industrials were mixed. CHIOIL '26 closed 3.4pts higher at mid-80s. Media reported the company signed up to USD350mn 3-yr term loan facility and up to USD300mn 364-day bridge loan facility. HILOHO/WESCHI 24-26s were 0.6-0.8pt lower. Macau gaming names MPEL/SANLTD/STDCTY 27-31s were up 0.3-0.5pt. In Indian space, ADSEZs/ADANEMs/ADANIGs were up 0.3-0.6pt. VEDLN 24-26s were up 1.3-1.6pts to close 4-6pts higher WoW. Renewables GRNKEN/RPVIN 25-28s were 0.5-0.8pt higher. In Indonesian space, APLNIJ '24/BUMAIJ '26 were up 0.9-1.7pts.

The LGFV/Perp spaces had an uneventful session. On the primary front, CHXIN priced 3-yr bonds of USD150mn at par to yield 6.8%. On the secondary side, the flows were overall light, highlighted by two-way flows in quality LGFVs among onshore RMs. Otherwise, the flows were largely PB-centric skewed to small better selling amid risk offloading. The 6-7% LGFVs

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YWSOAO/HZCONI 25s were up 0.1pt. Shandong names SHUGRP '24/HKICQL '25/SHGUOH '26 were up 0.1-0.3pt. However, Chongqing papers CQNANA/CQLGST 24s were down 0.1-0.2pt. The higher-yielding LGFVs GSHIAV 24-25s were down 0.2pt. In SOE perps, CHSCOI 3.4 Perp/CHPWCN 3.08 Perp/RLCONS 3.97 Perp were up 0.1pt.

❖ Last Trading Day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
CHIOIL 4.7 06/30/26	86.7	3.4	GRNLGR 7 3/4 06/25/28	9.9	-2.2
PINGRE 3 1/4 06/23/25	80.9	3.1	RISSUN 3 03/29/28	3.2	-1.5
GRNCH 4.7 04/29/25	85.0	2.3	TAISEM 4 1/2 04/22/52	92.5	-1.3
BUMAIJ 7 3/4 02/10/26	95.3	1.7	CITLTD 5.07 04/18/48	91.2	-1.1
VEDLN 8.95 03/11/25	76.1	1.6	CHINLP 2 1/8 06/30/30	82.9	-1.0

❖ Marco News Recap 宏观新闻回顾

Macro – S&P (+0.41%), Dow (+0.36%) and Nasdaq (+0.45%) rallied higher on last Friday. US Nov Nonfarm payrolls increased 199k, higher than the expectation of +180k. US Nov unemployment rate was 3.7%, lower than the expectation of 3.9%. The UST yields moved higher on Friday, 2/5/10/30 yield reached 4.71%/4.24%/4.23%/4.31%, respectively..

❖ Desk analyst comments 分析员市场观点

➤ CSCHCN: Increased amortization of 9% payable in 2024-25, added incentive fee of 1pt in consent solicitation

China South City (CSC) improved the terms of consent solicitation of the five USD bonds, including (i) mandatory redemption 4% of the aggregate principal amount on 31 Jan'24; (ii) additional amortization payment of 5% in 2025; (iii) inclusion of CSC Nanchang as specified onshore asset. CSC also added an incentive fee of 1pt will be given to holder validly delivered on or prior to extended expiration date on 15 Dec, on top of the originally proposed early consent fee of 0.5pt.

In short, CSC will raise the consent and incentive fee by 1pt to 1.5pts and add 2 amortizations totaled 9pts with 4pts upfront. The credit enhance will include CSC Nanchang. We understand the headroom for additional loans against CSC Chongqing, CSC Hefei and CSC Nanchang is RMB4-5bn. The additional loans secured from these assets will be used for redemption of CSC's term-out bonds.

As we discussed in [our daily on 5 Dec](#), we believe that the rush to solicit consent for maturity extension is to avoid default prior to the 30-day grace period of the missed coupon expiring on 20 Dec'23. Also, the consent solicitation without haircut or debt-to-equity swap reflect CSC's high willingness to get sufficient consent to extend the maturities of the USD bonds, and continue its operations as a going concern.

Table 1: Details of consent solicitation

Principal amount of notes after
capitalization of accrued interest

Security Name	o/s amt (USD mn)	ISIN	Consent fee (pt)	Incentive fee (pt)	Per USD100 principal amount	Total
CSCHCN 9 04/12/24	289	XS2085883119	0.5	1	103.175	298
CSCHCN 9 06/26/24	287	XS2120092882	0.5	1	104.325	300
CSCHCN 9 07/20/24	235	XS1720216388	0.5	1	100.725	237
CSCHCN 9 10/09/24	203	XS2238030162	0.5	1	102.5	208
CSCHCN 9 12/11/24	333	XS2227909640	0.5	1	101.7	339
	1,347					1,381

Expiration date 15 Dec'23

Payment date 19 Dec'23

Incentive payment date 31 Jan'24

Keepwell provider SZCDG

Threshold Not less than 75% in aggregate principal amount of outstanding of each of the bonds

Source: Company fillings.

Table 2: Details of maturity extension

Security Name	New maturity	New coupon	Interest payment dates	Original amortization	Revised amortization
CSCHCN 9 04/12/24	19 Jan'27	4.5	19 Feb/19 Aug		31 Jan'24 - 4%
				19 Mar'26 - 3%	19 Jun'25 - 5%
				19 Aug'26 - 3%	19 Mar'26 - 3%
				19 Jan'27 - 94%	19 Aug'26 - 3%
CSCHCN 9 06/26/24	19 May'27	4.5	19 Jun/19 Dec		19 Jan'27 - 85%
					31 Jan'24 - 4%
				19 Jan'26 - 3%	19 May'25 - 5%
				19 Jul'26 - 3%	19 Jan'26 - 3%
CSCHCN 9 07/20/24	19 Aug'27	4.5	19 May/19 Nov	19 Mar'27 - 4%	19 Jul'26 - 3%
				19 May'27 - 90%	19 Mar'27 - 4%
					19 May'27 - 81%
CSCHCN 9 10/09/24	19 Dec'27	4.5	19 Mar/19 Sep	19 Dec'25 - 3%	31 Jan'24 - 4%
				19 Jun'26 - 3%	19 Apr'25 - 5%
				19 Feb'27 - 4%	19 Dec'25 - 3%
				19 Aug'27 - 90%	19 Jun'26 - 3%
CSCHCN 9 12/11/24	19 Mar'28	4.5	19 Apr/19 Oct		19 Feb'27 - 4%
					19 Aug'27 - 81%
				19 Sep'25 - 5%	
				19 May'26 - 3%	31 Jan'24 - 4%
CSCHCN 9 12/11/24	19 Mar'28	4.5	19 Apr/19 Oct	19 Oct'26 - 3%	19 Mar'25 - 5%
				19 May'27 - 4%	19 Sep'25 - 5%
				19 Dec'27 - 85%	19 May'26 - 3%
					19 Oct'26 - 3%
CSCHCN 9 12/11/24	19 Mar'28	4.5	19 Apr/19 Oct		19 May'27 - 4%
					19 Dec'27 - 76%
				19 Jul'25 - 5%	
				19 Apr'26 - 3%	31 Jan'24 - 4%
CSCHCN 9 12/11/24	19 Mar'28	4.5	19 Apr/19 Oct	19 Sep'26 - 3%	19 Jan'25 - 5%
				19 Apr'27 - 4%	19 Jul'25 - 5%
				19 Mar'28 - 85%	19 Apr'26 - 3%
					19 Sep'26 - 3%
CSCHCN 9 12/11/24	19 Mar'28	4.5	19 Apr/19 Oct		19 Apr'27 - 4%
					19 Mar'28 - 76%

USD mn	Original payment schedule	New payment schedule
2024	-	55
2025	34	104
2026	76	76
2027	983	889
2028	288	257
Total	1,381	1,381

Source: Company fillings.

➤ China Economy – CPI at record lows calling for enhanced policy support

China's CPI growth came in below market expectation once again and further declined 0.5% YoY in Nov. The continuous slump of food and energy prices remained the major drag of softened CPI while drastic MoM decline across the board surpassed typical seasonal trends. Domestic demand remained subdued as core CPI stayed flat at 0.6% and dropped 0.3% MoM. The YoY decline of China's PPI widened again to 3% due to the plunge of overseas crude oil price and overcapacity in some industries. The deflation increased real-term interest rates and debt burden of the real economy sector and adversely impacted durables consumption and business capex, which indicates weak aggregate demand and calls for additional policy loosening. Looking forward, we expect CPI and PPI to remain weak next month due to the continued drop of crude price, warm weather, and floppy aggregate demand, before gradually improving in 2024. We revise down our forecast on CPI growth for 2023 from 0.4% to 0.3% while maintaining the forecast for 2024 at 1.4%. We maintain our forecast on PPI growth for 2023 at -3% and 2024 at 0.3%.

CPI growth further weakened due to the drag of food, energy and durable prices. CPI fell short of market expectation once again, edging down to -0.5% YoY in Nov after dropping 0.2% in Oct. The retracted YoY CPI growth is mainly driven by food and energy prices and weak domestic demand for goods and services. Food CPI noticeably dropped 4.2% YoY after declining 4% in Oct, as pork price further dropped 31.8% YoY in Nov. Pork price dipped 3% sequentially in Nov after dropping 2% in Oct. As the number of live pigs in stock and breeding sows is still elevated, as well as the warm weather weighing on the pork demand for sausages and preserved pork during winter, we expect the drag from pork price due to excessive supply and weak demand on CPI will not end just yet. The warm weather also ensures stable supply of other food like vegetables and grain. The energy price returned to negative YoY as vehicle fuel growth contracted from 1.8% to -2.9% while public utility price inched down to 0.3% after rising 0.6%. In sequential terms, CPI further dropped to -0.5% after decreasing 0.1% as declines across the board exceeded normal seasonality. Core CPI growth stayed flat at 0.6% YoY while its MoM growth further tumbled to -0.3% from 0%, the biggest MoM drop since Mar 2019. Demand for durables, which had the greatest impact on production output, further deteriorated as CPI in telecom equipment and home appliances drastically softened. Services CPI growth edged down to 1% YoY in Oct while its MoM growth further dropped to -0.4%. MoM growth of tourism significantly dropped 5.9% as national holiday ended in Oct. Employment conditions remained challenging as housing rent remained at -0.1% MoM, contracting for three months.

PPI expanded its YoY declines as energy price continued to slump. PPI declined 3% YoY in Nov after dropping 2.6% YoY in Oct, which has been in contraction for 14 months. The worse-than-expected PPI drop was mainly driven by the continued decline of energy price as PPI in oil & gas mining and coal mining fell 15.8% and 3.3% respectively in Nov from -15.4% and 1.7%. PPI in non-ferrous and ferrous metals moderated to 1.7% and -2.3% in Nov from 2.6% and -5.2%. From the MoM perspective, PPI inched down to -0.3% in Nov, after three consecutive months of growth. The slump of international crude oil price drove the MoM growth of crude oil & gas and petroleum to decline 2.8% and 2.5% from rising 2.8% and 2.5%. Prices of crude oil-related industries like textile and chemical materials & products also saw a decline in MoM growth at -0.2% and -0.9%. Other industries facing intensive supply-side competition like automobiles and computers & electronics also softened two months in a row. The moving trend of PPI growth is highly related to the inventory cycle as the widened PPI decline as well as the fall of PMI indicate the overcapacity in most manufacturing industries has not been alleviated yet.

We expect a mild reflation in CPI and PPI in 2024 with the base effect, more expansionary fiscal policy and loosening monetary policy ahead. We expect the central bank to maintain liquidity and credit easing policy with additional cuts in RRR, LPRs and deposit rates in the next three quarters to facilitate credit expansion. The PBOC also vows liquidity support for debt-ridden local governments. Fiscal policy will be more proactive and expansionary as the central government has allowed provincial governments to issue special bonds to repay the matured hidden debts. However, the improvement of domestic demand may remain slow due to property market slump and weak business confidence. We revise down our forecast on CPI growth for 2023 from 0.4% to 0.3% and maintain the forecast for 2024 at 1.4%. We maintain the forecast on PPI growth for 2023 at -3% and 2024 at 0.3%.

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

Issuer/Guarantor	Size (USD mn)	Tenor	Coupon	Priced	Issue Rating (M/S/F)
No Offshore Asia New Issues Pipeline Today					

➤ **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 64 credit bonds issued last Friday with an amount of RMB46bn. As for Month-to-date, 441 credit bonds were issued with a total amount of RMB405bn raised, representing a 4.6% yoy increase
- [ADANIG]** Adani Green received letter from MUFG, StanChart on possible USD410mn fundraise to refinance due-2024 notes
- [CSCHCN]** China South City modifies terms of consent solicitation for 9% due-2024s and extends expiration date to 15 Dec
- [DALWAN]** Media reported that Dalian Wanda has proposed revised plan to Zhuhai Wanda's pre-IPO investors to postpone repayment
- [FOSUNI]** Fosun International paid HKD11.55mn for share repurchase
- [FUTLAN]** Seazen Holdings proposed to offer up to RMB850mn three-year MTNs to repay debts, boost working capital
- [LNGFOR]** Longfor repaid cHKD2bn of syndicated loans due Jan'24

- **[SDEXPR]** Shandong Hi-Speed Holdings convened an EGM of shareholders to vote on the USD299mn proposed acquisition of 42.1 stake of VNET Group
- **[YUNINV]** Yunnan Provincial Energy Investment issued RMB2bn two-year MTNs at 3.65% coupon rate to repay debts

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