

CMBI Credit Commentary

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

- *Front end Chinese benchmark IG papers were under better buying. The higher-yielding LGFVs papers continued to be sought-after. CPDEV 5.75 Perp was up 0.5pt by noon.*
- **ROADKG:** Disposal of four expressways in China for RMB4.4bn (cUSD609.8mn). ROADKG 7 ¾ PERP rose 1.25pts this morning. See below.
- **MONGOL:** Government of Mongolia has launched an offer to repurchase any and all of its MONGOL 8.75 03/09/24. MONGOLs were stable this morning.

❖ Trading desk comments 交易台市场观点

Last Friday, the overnight UST yield tightened 7-9bps. The sentiment on Asia ex JP IG space was softened. In Chinese financials, HRINTH curve was unchanged to 0.2pt lower (around 5-10bps wider) after rallying 1.0-5.1pts last Thursday. CCAMCL/ORIEAS 28-30s were 5bps tighter. We saw some more profit taking from clients on the Chinese bank T2s/leasing papers. CCB/ICBCAS 24-26s widened 2-3bps. In AT1s, Chinese names BCHINA/BOCOM Perps remained firm. EU AT1s UBS 9.25 Perp/SOCGEN 10 Perp/BNP 8.5 Perp opened a touch softer in the morning but closed 0.1-0.3pt higher on the day. In Chinese IGs, SOE/TMT benchmarks HAOHUA/CNOOC/TENCNT 30-32s were unchanged to 2bps wider. The high beta TMTs WB/XIAOMI 30s were 4-6bps tighter amid a wave of client lifting in the afternoon. Elsewhere in Korea space, DAESEC '26/HYUELE '28 were under more profit taking and closed 1-3bps wider. HK IGs CKHH/HKAA 33s tightened 2-3bps. HK Corp space performed mixed. AIA/FWDGHD/CKPH Perps were 0.5pt higher, whilst NWDEVL Perps were down 0.3-0.5pt. HK/Chinese properties moved lower. DALWAN 24-26s were down 0.7-1.4pts. LNGFOR 29-32s were another 0.6-1.3pts lower post Moody's downgrade. GEMDAL '24 edged down 0.9pt and SHUIONs/VNKRLEs declined 0.3-0.7pt. CSCHCNs lowered 0.5-1.2pts. Industrials were mixed. FOSUNI 24-26s were up 1.1-2.1pts. EHICAR '24/WESCHI '26 were down 0.3-0.5pt. Macau gaming names continued to perform well post the positive rating actions from Moody's/S&P. SANLTD/SJMHOL/STCITY 26-30s were 0.5-1.1pts higher. In Indian space, GRNKEN/RPVIN 25-28s were 0.5-0.7pt higher. JSTLIN '32/HBSPIN '31 were up 0.8-1.2pts. In Indonesian space, APLNIJ '24 was up 1.7pts. KIJAIJ '27/LPKRIJ '25 were down 0.4-0.7pt. Elsewhere, GLPCHI 24/26 gained another 0.8-1.7pts to close 1.8-2.3pts higher WoW.

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The LGFV/Perp spaces were firm, while flows turned slower into the weekend. We saw benchmark LGFV papers were under better buying from AMs and prop desks, despite some loose bonds occasionally coming out of PBs. CPDEV 26/Perp gained another 0.4pt to close 2-2.5pts higher WoW. The Shandong names remained active. SHDOIS/SHGUOH/HKIQCL 24-26s were 0.1-0.2pt higher. The In Guangzhou LGFVs, GZINFU/GZDZCD 24-26s were 0.2-0.3pt higher. In SOE perps, HUADIA 3.375 Perp was up 0.1pt. CHPWCN 4.25 Perp/CCBINT 3.329 Perp were down 0.1-0.2pt. The higher-yielding IG papers FRESHK/ZHONAN 26s were up 0.6-0.8pt.

❖ Last Trading Day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
FOSUNI 5.95 10/19/25	80.6	2.1	CHIGRA 9 1/8 01/30/24	93.5	-1.5
APLNII 5.95 06/02/24	86.7	1.7	DALWAN 7 1/4 01/29/24	63.0	-1.4
FOSUNI 5 05/18/26	71.4	1.7	LNGFOR 3.85 01/13/32	38.4	-1.3
GLPCHI 4.974 02/26/24	90.4	1.7	CSCHCN 9 07/20/24	40.0	-1.2
JSTLIN 5.05 04/05/32	81.8	1.2	GEMDAL 4.95 08/12/24	34.2	-0.9

❖ Marco News Recap 宏观新闻回顾

Macro – S&P (+0.13%), Dow (+0.01%) and Nasdaq (+0.08%) edged up slightly last Friday. Federal Reserve officials had mixed view on the interest rates trend; the 10-year treasury touched a two-month low. The UST yield retreated last Friday, 2/5/10/30 yield reached 4.88%/4.45%/4.44%/4.59%, respectively.

❖ Desk analyst comments 分析员市场观点

➤ ROADKG: Disposal of four expressways in China for RMB4.4bn (cUSD609.8mn)

China Merchants Expressway Network & Technology Holdings entered into an agreement to buy a 100% stake in Road King (China) Infrastructure, an indirect subsidiary 75% owned by Road King Infrastructure (Road King) through Road King Expressway International (the seller). The purchase consideration is RMB4.4bn (cUSD609.8mn) subject to a downward adjustments based on post completion accounts. In addition, the seller is entitled to receive an one-off management fee of RMB30mn (cUSD4.2mn) if the completion take place on or before 31 Jan'24. The longstop date will be on 31 Mar'24.

Road King (China) holds 40-49% interest in Baojing Expressway (in Hebei), Changyi Expressway (in Hunan), Longcheng Expressway (in Shanxi) and Machao Expressway (in Anhui). The unaudited net asset value of the disposing company was HKD3.5bn (cUSD447.9mn) at 30 Jun'23. Following the disposal, Road King's toll business will include interests in Indonesia expressway portfolio with four toll road projects, and residual interests in Tangjin Expressway (in Hebei).

The net proceeds of the transaction is cRMB4.0bn (USD557.9mn) from the transaction. It plans to use HKD833mn (cUSD106.9mn) to repay project loans at the Road King Expressway International level. The remaining are to be distributed to the shareholders by way of dividends. The attributable cash dividend to be upstreamed to Road King should be cUSD338mn. As per the announcement, Road King plans to utilize 80-90% of the dividend to be upstreamed, estimated at HKD2.1-2.4bn (cUSD272.6-306.7mn), to reduce the its gearing.

In our view, the sales of Chinese toll road help improving the near-term financial flexibility in refinancing the near-term maturities/redemption, despite at the expense of recurring cash flow from more stable toll road operations. In 1H23 and FY22, these Chinese toll roads contributed operating cash flow of RMB334mn and

RMB636mn, respectively. At 30 Jun'23, Road King has HKD7.1bn (cUSD915.7mn) bank and cash in hand, compared with short-term debt of HKD5.2bn (cUSD670.1mn). Road King will have USD bond of USD358.8mn maturing in Sep'24. It will also face the first call date of ROADKG 7 ¾ PERP in Nov'24. If the perp will not be called by then, the coupon of the perp will be reset to 5yr UST+6.003%, i.e. 10.4% at current UST. This is the only perp of Road King with coupon reset. We continue to believe that Road King is incentivized to call this perp, especially with the improved in financial flexibility. We have a buy recommendation on ROADKG 7 ¾ PERP.

Security name	Maturity	Next call date	Amt Out (USDmn)	Coupon	Ask price	YTM/YTC (ask, %)
ROADKG 6.7 09/30/24	9/30/2024	03/30/2023	358.83	-	69.42	56.19
ROADKG 7 ¾ PERP	-	11/18/2024	300	600	21.00	45.41
ROADKG 5.9 03/05/25	3/5/2025	03/30/2023	217.06	-	59.90	52.38
ROADKG 6 09/04/25	9/4/2025	9/4/2023	297.89	-	47.32	56.43
ROADKG 5.2 01/12/26	1/12/2026	1/12/2024	500	-	28.92	79.04
ROADKG 5 ½ 07/26/26	7/26/2026	07/26/2024	500	-	27.46	66.45
ROADKG 7.95 PERP	-	02/17/2024	300	-	22.01	35.98
ROADKG 7 PERP	-	12/23/2024	300	-	21.15	33.04

Sources: Bloomberg.

➤ Offshore Asia New Issues (Priced)

Issuer/Guarantor	Size (USD mn)	Tenor	Coupon	Priced	Issue Rating (M/S/F)
No Offshore Asia New Issues Priced 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 77 credit bonds issued last Friday with an amount of RMB64bn. As for Month-to-date, 911 credit bonds were issued with a total amount of RMB929bn raised, representing a 2.4% yoy decrease
- [APLNIJ]** Fitch downgraded Agung Podomoro by two notches to C on distressed debt exchange
- [BTSDf]** Health & Happiness CEO steps down, rotating CEO mechanism established
- [CAPG]** Media reported that China Aoyuan's offshore debt restructuring plan was opposed Ping An Overseas at the court hearing, objection was temporarily rejected by the court and requested to provide more information
- [COGARD]** Country Garden scheduled put option for 22Bidi02 of RMB800mn (cUSD110.9mn) and 22Bidi03 bonds of RMB200mn (cUSD27.7mn) on 22-28 Nov
- [CSCHCN]** China South City to hold board meeting on 30 Nov to approve 1H23 results

- **[HRINTH]** S&P said the proposed name change does not change their views on the creditworthiness on CITIC Group or China Huarong; Fitch said the name change should not affect Huarong's credit fundamental or policy direction
- **[MONGOL]** Government of Mongolia has launched an offer to repurchase any and all of its MONGOL 8.75 03/09/24
- **[ROADKG]** Road King (China) Infrastructure 100% stake to be acquired by China Merchants Expressway Network & Technology for RMB4.4bn (cUSD609.8mn)
- **[SHDOIS]** Shandong Iron & Steel proposes to offer up to RMB1bn 5-year corporate bonds to repay debts
- **[SINOCE]** Sino-Ocean received bondholders' approval over payment adjustment proposal for two onshore bonds H15Yuanyang5 and H18Yuanyang1, trading remain in suspension

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