

CMBI Credit Commentary

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

- *Markets were weak this morning. Asian IG space widened 3-8bps with better-selling flows, TMT/Bank T2 were c3bps wider. LGFV new issue ZJBOXV'25 rose 0.1pt. SOE Perp/AT1 were down c0.25pt.*
- **SMCPM:** Secured five-year syndicated loans of USD2bn for refinancing. Maintain buy on SMCPM 5 ½ PERP and PCORPM 5.95 PERP within SMC complex. See below.
- **China Economy - Exports still in a moderate recovery.** CMBI expects exports and imports of goods to increase 3.6% and 3.3% in 2024 after decreasing 4.6% and 5.5% in 2023. See below for comment from CMBI economic research.

❖ Trading desk comments 交易平台市场观点

Yesterday, the overnight UST yield widened 5-7bps from last close. Asia IG space was mixed. SIASP 34s tightened 3bps under buying from PBs. KR space was soft. HYUELE/HYNMTR/POHANG/KOMRMR 27-29s were unchanged to 3bps wider. In AU/NZ, CBAAUs/MQGAUs/ANZs closed unchanged to 3bps wider under profit taking. In JP, MUFG 30s were also under better selling and widened 2bps. In Chinese IGs, HAOHUA 28s/29s were another 3-5bps tighter after tightening 10-15bps over the last week. BIDU '30/TENCNT '28 were 2-3bps tighter. The high beta TMTs such as XIAOMI/MEITUA 30-31s were also better bid and closed unchanged to 2bps tighter. In financials, BOCAVI 28s/29s tightened 1-3bps. The front-end of Chinese AMCs were under better selling. CCAMCL/HRINTH 24s widened 10bps. In AT1s, AU names such as WSTP 5 Perp/MQGAU 6.125 Perp were 0.2-0.3pt higher. In contrast, EU AT1s such as BNP 8 Perp/HSBC 8 Perp/UBS 7.75 Perp 0.2-0.5pt lower. In HK, NWDEVL Perps and 27-31s moved another 0.7-1.2pts lower on RM selling, after the decline of 2-4pts over the last week. Chinese properties performed mixed. VNKRL 24-27s rebounded 0.4-1.6pts after falling 3-9pts last week, post the developer clarified on some recent rumors via its official media account on WeChat. DALWAN '26 was 1.6pts higher, and GEMDAL '24/CHJMAO '29 were up 0.3-0.4pt. CSCHCNs, on the other hand, dropped 0.5-5.5pts. Radiance announced the deposit of fund for the belated redemption of its USD300mn RDHGCL 7.8 03/20/24. In industrials, FOSUNI 26-27s were up 0.4-0.5pt whilst WESCHI '26 was 0.8pt lower. In Macau gaming, MPELs/STCITYs were down 0.3-0.9pt. In Indian space, VEDLN 26-28s were 0.4-1.5pts higher. Media reported Vedanta Ltd obtained an INR39.18bn (cUSD469.2mn) 11-yr term loan from Power Finance Corporation (PFC). Indonesian names were quiet.

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In LGFVs, we saw small better buying flows in the front-end of high-yielding papers, whilst several recent issues were better offered. Shandong names such as SHGUOH/QDJZWD 24-25s were up 0.1-0.3pt, whilst JNHTE/PUTSTA 27s were unchanged to down 0.1pt. Selective mid-5% yielding LGFVs such as SXUCI '26/CDCOMM '27 were down 0.1pt. CPDEV 25/26/Perp were 0.1-0.4pt lower. The high-beta names were also mixed. FRESHK '27 was 0.1pt lower. The insurance names GPRCIN/ZHONAN 26s were up 0.3pt.

❖ Last Trading Day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
VNKRLE 4.2 06/07/24	93.6	1.6	CSCHCN 9 12/11/24	21.4	-5.5
DALWAN 11 02/13/26	76.1	1.6	CSCHCN 9 06/26/24	21.5	-5.0
VEDLN 13 7/8 12/09/28	87.7	1.5	NWDEVL 5 7/8 06/16/27	87.4	-1.2
VEDLN 9 1/4 04/23/26	80.4	0.9	NWDEVL 4 3/4 01/23/27	87.4	-1.2
VEDLN 13 7/8 01/21/27	93.3	0.7	NWDEVL 5 1/4 PERP	67.3	-1.0

❖ Marco News Recap 宏观新闻回顾

Macro – S&P (-1.20%), Dow (-0.65%) and Nasdaq (-1.79%) remained weak on Monday. US retails sales rose 0.7% mom in Mar'24, higher than the expectation of +0.4% mom. China 1Q24 GDP rose 5.3% yoy, higher than the expectation of +4.8% yoy. UST yields rallied higher yesterday, 2/5/10/30 yield reached 4.93%/4.65%/4.63%/4.74%.

❖ Desk analyst comments 分析员市场观点

➤ **SMCPM: Obtained five-year syndicated loans of USD2bn for refinancing**

Media reported that San Miguel Corporation (SMC) secured 5yr syndicated loans of USD2bn at interest rate of SOFT+180bps. SMC initiated discussions with banks for the new syndicated loan in late-2023 and proceeds of the new loans would be used to refinance a USD2bn facility which was obtained in Dec'19 and is maturing in Dec'24.

SMC has yet published FY23 results while it disclosed that EBITDA increased 24% to cUSD3.6bn in FY23. As of Sep'23, the company had cash on hand of cUSD4.7bn cash and short-term debts of cUSD4.4bn. The syndicated loans secured once again demonstrated SMC's ability to access lower cost on-shore funding and manage its maturities. Within SMC complex, we have [buy recommendations](#) on SMCGL 6 ½ PERP, SMCPM 5 ½ PERP and PCORPM 5.95 PERP. On 11 Mar'24, San Miguel Global Power announced to call SMCGL 6 ½ PERP on first call date of 25 Mar'24. We believe SMC and its subsidiary Petron Corp would call SMCPM 5 ½ PERP and PCORPM 5.95 PERP on their first call dates given the 500bps and 250bps coupon step-up if not called and their ability to access various funding channels. SMCPM 5 ½ PERP and PCORPM 5.95 PERP rose 3.5pts 2pts, respectively since Jan'24.

Security Name	ISIN	Amt Out (USD mn)	First Call Date	Ask Price	YTC(Ask)	Coupon reset	Coupon step-up
SMCGL 6 ½ PERP	XS1896598908	783.2	04/25/2024	100.06	10.8	5yrUST+6.608%	250bps
SMCPM 5 ½ PERP	XS2207320701	500	07/29/2025	98.27	6.9	5yrUST+10.237%	500bps
PCORPM 5.95 PERP	XS2330597738	550	04/19/2026	96.58	7.8	5yrUST+7.574%	250bps

Source: Bloomberg.

➤ China Economy - Exports still in a moderate recovery

China's exports of goods notably dropped below expectations in March due to higher base. The exports were still in a moderate recovery as high value-added industries including ship, auto and integrated circuits continued to show thrilling advancement. Price deflation was a drag for export growth as export volume grew remarkably from 2H23. Imports of goods remained subdued in commodities, yet copper-related products blossomed thanks to their crucial role in new energy equipment and semiconductor manufacturing. Looking forward, exports and imports of goods may continue to improve with their growth expected to rise from -4.6% and -5.5% in 2023 to 3.6% and 3.3% in 2024. China's exports recovery and continuous deflation may trigger further trade tensions with the US and EU. RMB may continue to face downside pressure in 2Q24 before a possible mild rebound in 2H24.

Exports plunged across trading partners amid higher base. China's exports of goods dropped 7.5% YoY (all on a YoY basis unless specified) in Mar after rising 7.1% in 2M24. The weakening of exports was mainly due to higher base last year as the widespread Covid infections in 2M23 may have delayed some export orders to March delivery. For 1Q24, the exports of goods rose 1.5%, up from the decline of 4.6% in 2023. Trade with emerging economies saw the largest drop in Mar including Africa, India and Russia while ASEAN showed resilience. Trade with major developed countries including the US, EU, Japan and Australia also declined. The year 2023 witnessed a significant pivot in China's export structure as ASEAN became the largest trading partner surpassing the US and EU, as China ramped up trade connections with emerging economies amid global geopolitical realignment. China's export volume grew remarkably by 4.4% in 1Q24 as price deflation was a drag for export value growth.

Exports declined across major products, except for tech-related items. Ship and auto vehicles have extended their rally since 2021, rising 34% and 28.4% in Mar after increasing 173.1% and 12.6% in 2M24. Exports of cellphone, computers and integrated circuits remained robust registering 1.7%, 4.9% and 11.5% growth in Mar after reporting -18.2%, 3.9% and 24.3% in 2M24, in line with cyclical upturn of global tech-cycle since late 2023. Other items including textile, garment, furniture and general equipment deteriorated in Mar amid higher base last year but remained expansion in 1Q24. Raw materials including steel products, unwrought aluminum and rare earth declined in 1Q24.

Imports of goods continued to slow down. China's imports of goods dropped 1.9% in Mar after rising 3.5% in 2M24, below market expectations. Imports volume of energy goods including coal, crude oil and natural gas slowed down to 0.5%, -6.2%, and 21.3% in Mar from 22.9%, 5.1% and 23.6% in 2M24. Intermediate goods for further processing and manufacturing equipment including steel products, rubber and machine tool remained soft as its import volume dwindled to -9.3%, -12% and -35.7% from -8.1%, -12.6% and -32.7%. Copper products rebounded to 16.1% in Mar from 2.6% in 2M24 thanks to the blossom of AI and semiconductor manufacturing. Imports of raw materials including iron ore eased in terms of volume to 0.5% from 8.14% in 2M24 while copper ore accelerated to 15.3% in Mar from 0.6%. For integrated circuits, the import volume slowed down to 5.8% from 16.8% in 2M24, while their import price fell by 3.7%. For agriculture products, the import volume of grain and soybean further dropped 2.9% and 19.1% in Mar. Meanwhile, the beauty cosmetics continued with YoY declines in volume and price.

Exports and imports of goods are expected to increase 3.6% and 3.3% in 2024 after decreasing 4.6% and 5.5% in 2023. Global trade of goods may moderately improve in 2024 thanks to base effect, restocking cycle as well as resurgence of commodity prices. WTO expects global trade volume to increase by 3.2% in 2024. China's exports should be in a moderate recovery this year. The fierce supply-side competition and deflation pressure domestically will aid the competitiveness of China's export globally. China's deflation in export price amid excessive government subsidy and asymmetric advantage in labor cost may trigger further trade tensions with the US and EU. China's imports of goods may also improve this year as domestic demand and price are likely

to slowly improve. RMB may remain under pressure in 2Q24 as the economy and inflation in the US remain stronger than in China in the near term. The currency may see a mild rebound in 2H24 when the US economy and inflation may weaken and China's economy and price may rebound.

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➤ Offshore Asia New Issues (Priced)

Issuer/Guarantor	Size (USD mn)	Tenor	Coupon	Priced	Issue Rating (M/S/F)
Hangzhou Shangcheng District Urban Construction	200	364d	6.2%	6.2%	-/-/BBB

➤ Offshore Asia New Issues (Pipeline)

Issuer/Guarantor	Currency	Size (USD mn)	Tenor	Pricing	Issue Rating (M/S/F)
Agricultural Bank of China London Branch	USD	-	3yr	SOFR+95	A1/-/-
KEB Hana Bank	USD	-	3/5yr	T+100/110	Aa3/A+/-

➤ News and market color

- Regarding onshore primary issuances, there were 89 credit bonds issued yesterday with an amount of RMB67bn. As for month-to-date, 714 credit bonds were issued with a total amount of RMB695bn raised, representing a 26% yoy decrease
- Media reported that China is mulling formation of national real estate platform to acquire unfinished property projects
- **[GLPCHI]** GLP China bondholders exercised put option on RMB1.5bn (cUSD207mn) 21GLP07. The company decided not to resell the put amount
- **[GZRFPR]** Guangzhou R&F Properties signed definitive agreement for sale of London property to Cheung Chung Kiu
- **[RDHGCL]** Radiance Holdings (Group) remitted funds to redeem defaulted USD300mn RDHGCL 7.8 03/20/24
- **[SUNHKC]** Sun Hung Kai & Co announced USD3bn guaranteed MTN programme
- **[TPHL]** Times China faces winding-up petition from Hang Seng Bank and first hearing date is on 3 Jul'24
- **[VEDLN]** Vedanta received 11-year INR39.2bn (cUSD470mn) term loan from PFC
- **[VNKRLE]** Media reported that China Vanke is working on RMB130bn asset package as collateral to secure new bank loans; China Vanke clarified recent market rumors about investigation

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