

CMBI Credit Commentary

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

- *Markets were slightly softer this morning. In Asian IG space, we saw selling flows on 10yr names like TENCNT, HAOHUA and HYUELE, spread widened 2-5bps by mid-day while Shorter names were two way balanced.*
- **DALWAN:** *FV for new 3-yr to be high 11%. Book over USD500mn already at the time of writing. See below.*
- **ADANIG:** *Indian Corporate Affairs Ministry starts reviewing Adani's regulatory filings made over the years. Adani halt the plans to raise up to INR10bn (cUSD122mn) via public bonds. ADANIG'24, ADANEMs and ADSEZs were 0.25-1.5pts this morning.*

❖ Trading desk comments 交易台市场观点

Last Friday, Asia IG space was firm, as broad cash deployment demand remained strong amid a slower rate hike pace. Though we saw US job data came out stronger than expected on Friday night. The unemployment rate hit 3.4%, a 53-year low. Korea IG space performed mixed on the day, HYUELE gapped another 10-20bps tighter in the AM session while S&P changed the company's credit outlook to negative from stable post lunch. Flows turned to better selling across the curve, HYUELE curve was pushed back from the tight to close 5-10bps tighter than the last close. Chinese IG benchmarks were 1-4bps tighter but we saw more two-way flows at current levels. In financials, bank T2s continued to be firm with BCHINA/CCB T2s closed 5-10bps tighter WoW. AMC space outperformed as HRINTH curve was traded up 1-1.5pts and CCAMCL/ORIEAS curve also went 5-10bps tighter. We saw active two-ways on leasing front end such as BOCAVI/ICBCIL 23s-26s. In TMTs, benchmark BABA/TENCNT were unchanged. BBB- papers LENOVO '32/MEITUA '30 notably tightened 8-12bps. In IG properties, LNGFORs softened 10-20bps. Chinese HY space was mostly firm. CHINSC 23s/CSCHCN 24s closed 1pt higher, and AGILEs were also traded up 1-3pts. CENCHI was an under performer, finished 2-3pts lower into the close. Elsewhere, HK corps HYSAN/NWDEVL perps were marked another 1-2.5pts higher, to close between high-80s to mid-90s. FWDINS 6.755 Perp was marked up 5.5pts to 94 level. Industrial names FOSUNIs/HONGQIs were roughly stable on the day. Macau gaming STCITYs/MPELs lowered 0.5-2.5pts on the day. In Indian HYs, Adani Group's offshore bonds recovered 5-7pts under HF buying. That said, S&P ratings affirmed of Adani Ports and Adani Electricity at BBB- but revised outlooks to negative from stable. VEDLN 24-26s were up 4-5pts, renewables like RPVINs/GRNKENs were bid up another 0.5-1.5pts. Indonesian names like LPKRIJs/LMRTSPs were unchanged to 0.5pt higher.

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The LGFV/ Perp/ Asia AT1 remained largely strong with RM chasing for risks. On a WoW basis the LGFV space were overall 2pts higher, largely across different maturities and papers, albeit for different reasons. LGFV 24s-25s papers tightened up to 100bps in yield or 1-2pts higher, thanks to offshore Chinese AM and prop desks buying amid lower rates and short covering. We continued to see decent volume of onshore/cross border buying flows, some from NBRM (leveraged accounts, security houses, etc) but not as much or comparable to the depth before CNY. For quality LGFV 26s-27s, it was pretty much short squeeze on dealers who were left short into CNY, or worse, into 2023, amid (i) the fall in rates, (ii) 26s rolling into the 3y bucket, and most importantly (iii) inflows among Chinese RM. Elsewhere in the front-end, LGFV 23s papers were largely bound by funding costs and struggled to break through low-to-mid-5%. From a credit curve point of view, high beta LGFV 23s benefited from the hunt for yield and simply rallied across maturities, and these beta papers firmed up 2-3pts in cash prices or 100-300bps in yield terms. We saw many names that nobody bothered to look for a long time getting lifted this week, (e.g. JINCHU/ GSHIAV) which reflected how firm current market state is. Although we also saw various types of investors trying to offload unwanted risks into the rally, many clients just tend to go with the flow, enjoy the moment and worry later. Elsewhere, SOE Perps and Chinese AT1s had a bit of consolidation amid two-way flows. SOE Perps were largely unchanged skewed to a touch higher with CMHI/CNMG were under better buying. HAOHUA curve tightened 5-10bps post dealer lifting 30s. AT1s retracing a touch off the high. Benchmark ICBCAS 3.2 Perp was marked at 95.6/95.8 level, 0.7pt higher WoW.

❖ Last Trading Day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
ADANIG 4 3/8 09/08/24	71.3	7.7	TENCNT 3.925 01/19/38	85.6	-1.6
ADANEM 3.949 02/12/30	72.8	5.7	STCITY 6 07/15/25	93.8	-2.5
ADSEZ 4 07/30/27	78.9	5.4	CENCHI 7.65 08/27/23	38.2	-2.4
FWDINS 6.755 PERP	94.1	5.4	CNPCCH 2 06/23/30	84.2	-1.9
ADSEZ 3.1 02/02/31	69.3	5.3	CENCHI 7 1/4 04/24/23	52.0	-1.8

❖ Marco News Recap 宏观新闻回顾

Macro – U.S. stock markets down on last Friday, S&P (-1.04%), Dow (-0.38%) and Nasdaq (-1.59%) were affected by far beyond expectation U.S. Jan'23 NFP data which was +517k, higher than estimation of +185k and previous month's +223k. Unemployment rate in Jan'23 was the lowest level in 1969 as 3.4%. The U.S. Jan'23 ISM non-manufacturing PMI was 55.2, also higher than expectation of 50.4. The U.S. treasury yields edged higher on Friday, yield curves were bear flattened and 2/5/10/30 yields reached 4.30%/3.67%/3.53%/3.63%, respectively.

❖ Desk analyst comments 分析员市场观点

➤ DALWAN: FV for new 3-yr to be high 11%

DALWAN announced a 3-year USD bond issue, the second YTD. We understand that the new issue is mainly driven by strong reverse requests. At the time of writing, the book size is over USD500mn, already exceeded DALWAN's remaining NDRC quota to be expired before the end of 1Q23. We consider the FV of new 3-yr DALWAN to be high 11% (11.75-11.875%), taking cues of YTM of 10.2% and 11% of DALWAN 7.25 01/29/24 and DALWAN 11 01/20/25, respectively.

Summary of the new issue:-

- Target size: USD250-300mn (TBD)
- Tenor: 3-year
- Format: Reg S
- Credit enhancement: EIPU+keepwell provided Dalian Wanda Commercial Management
- IPG: 12.5% vs our FV estimate of 11.75-11.875%
- UOP: USD bond repayment

Recalled that DALWAN issued DALWAN 11 01/20/25 in mid-Jan'23. This was the first “proper” book-built USD issue from Chinese HY properties since RDHGCL 7.8 03/20/24 in Sep'21. As we discussed in our Asia Credit Outlook 2023 and our comments on DALWAN dated 13 Jan'23, we consider DALWAN one of the “survivors” of the sector. The successive USD bond issues help notably relieved its offshore refinancing pressure and have reinforced our belief on the “survival” of DALWAN. We have Buy recommendations on DALWANs and DALWAN 11 01/20/25, traded 2.3pts higher from reoffer price since issuance, is our top pick within DALWAN curve.

Chart: Real estate issuance since Sep'21

ISIN	Name	Company	Pricing Date	Tranche Amount (USD mn)	Total Issued Amount (USD mn)	Issue Rating (M/S/F)	Remark
XS2577258713	DALWAN 11 01/20/25	Dalian Wanda	Jan'23	400	400	Ba3/-/BB-	New issue
XS2247552446	GRNCH 4.7 04/29/25	Greentown	Feb'22	150	450	Ba3/-/-	Additional Issue
XS2342908949	CIFIHG 4.45 08/17/26	CIFI	Jan'22	150	500	Ba3/BB/-	Additional Issue
XS2316077572	CHINSC 5.95 09/29/24	China SCE	Dec'21	150	450	-/-/BB-	Additional Issue
XS2250030090	PWRLNG 5.95 04/30/25	Powerlong	Dec'21	135	535	B2/B+/-	Additional Issue
XS2213954766	PWRLNG 6 1/4 08/10/24	Powerlong	Dec'21	150	500	B2/B/-	Additional Issue
XS2400512146	DAFAPG 13 1/2 04/28/23	DaFa Properties	Oct'21	100	100	B3/-/-	New issue
XS2387698926	XINHUZ 11 09/28/24	Xinhu Zhongbao	Oct'21	250	500	-/B/-	Additional Issue
XS2376908344	HLCBNH 11 10/08/23	Helenbergh China	Oct'21	102	270	B3/-/-	New issue
XS2333154867	JIAYUA 11 02/17/24	Jiayuan	Sep'21	100	230	B3/-/B+	Additional Issue
XS2386506310	JINGRU 12 01/28/24	Jingrui	Sep'21	165	165	-/B/-	New issue
XS2387698926	XINHUZ 11 09/28/24	Xinhu Zhongbao	Sep'21	250	500	-/B/-	New issue
XS2385313064	ZENENT 12 1/2 04/23/24	Zensun Enterprises	Sep'21	160	160	B3/-/-	New issue
XS2384610577	RDHGCL 7.8 03/20/24	Radiance	Sep'21	300	300	B2/B/-	New issue
XS2384273475	REDSUN 9 1/2 09/20/23	Redsun Properties	Sep'21	200	200	B3/-/B+	New issue
XS2034561584	KWGPRO 7.4 03/05/24	KWG Group	Sep'21	158	458	-/-/BB-	Additional Issue
XS2386495100	ZHLGHD 12 04/17/23	Zhongliang	Sep'21	200	200	-/-/B+	New issue
XS2382158207	ZENENT 12 1/2 09/13/23	Zensun Enterprises	Sep'21	200	200	B3/-/-	New issue
XS2214229887	KWGPRO 5.95 08/10/25	KWG Group	Sep'21	100	300	-/-/BB-	Additional Issue

➤ Offshore Asia New Issues (Priced)

Issuer/Guarantor	Size (USD mn)	Tenor	Coupon	Yield	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)
Wanda Properties Global Co. Ltd	USD	-	3yr	12.5%	Ba3/-/BB

➤ **News and market color**

- Regarding onshore primary issuances, there were 16 credit bonds issued yesterday with an amount of RMB22.8bn. There is no yoy comparison as there was no onshore bonds issuance in same period of 2022 due to Chinese New Year vacation.
- **[ADANIG]** Indian Corporate Affairs Ministry starts reviewing Adani's regulatory filings made over the years. Adani halt the plans to raise up to USD122mn via public bonds; Standard Chartered stops accepting Adani bonds as collateral for margin loans; S&P revised the outlooks of Adani Ports and Adani Electricity to negative from stable, while Fitch said no immediate rating impacts on Adani entities.
- **[CAPG]** China Aoyuan unit schedules RMB2.54bn (cUSD376.7mn) 20Aoyuan01 bond put option exercise on 3-7 Feb'23; The company agreed to sell 60% stake in a target company holding an urban redevelopment project in Zhuhai involving 14 land parcels to Shandong SASAC for RMB584.4mn (cUSD86.8mn)
- **[COGARD]** Country Garden's 9 property projects were put on sale by its JV partner China Poly Group, these projects amount to cRMB1.3bn (cUSD193mn) and are located in Chongqing, Zhongshan, Zhuhai, Wenzhou, etc.
- **[EHOUSE]** E-House said the restructuring effective date did not occur on 14 Dec'22 as it was not able to consummate the process in accordance with the scheme
- **[EVERRE]** China Evergrande is accelerating the sale of 458 property projects including residential properties, commercial properties and car parking spaces
- **[FUTLAN]** Seazen get approval from NAFMII to issue up to RMB15bn (cUSD2.22bn) of MTNs
- **[GRNKEN]** Greenko may finalize a bridge loan with seven banks to refinance USD435mn GRNKEN 6.25 02/21/23
- **[HONGQI]** China Hongqiao warn net profit to fall 40% in FY22 due to drop in gross profit per tonne of aluminum and provision for a large exchange loss
- **[MIDEAZ]** Midea Real Estate get approval from NAFMII to issue up to RMB15bn (cUSD2.22bn) of MTNs
- **[PWRLNG]** Powerlong signs strategic cooperation agreement with Agricultural Bank of China
- **[RISSUN]** Risesun is seeking consent to further extend its RMB1.12bn (cUSD166.3mn) 7.18% notes due 2023 (20 荣盛地产 MTN002)

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