

## CMBI Credit Commentary

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

#### The Asset Asian G3 Bond Benchmark Review 2023

We hope you found our commentaries and ideas helpful. We seek to elevate our efforts and value-add further in the coming year. We highly appreciate your support to us in Sell-Side Analysts of the polls of "[The Asset Asian G3 Bond Benchmark Review 2023](#)". Thank you for your support!

- *Markets remained relatively quiet on SG holiday and ahead of half-year end. New KORGAS 28s tightened 1-2bps. In financials, Chinese bank T2s were better offered. HRINTHS remained under better selling across the curve. NWDEVL Perps were marked down 0.25-0.5pt with some profit taking flows.*
- **DALWAN:** *Suspension of onshore bond issuance submitted by DALWAN. Separately, Zhuhai Wanda refilled the application proof for HK IPO on 28 Jun. DALWANs were 0.5pt lower this morning. See below.*
- **SWIRE:** *To sell Swire Coca-Cola USA unit for USD3.9bn to its controlling shareholder. We continue to see Hong Kong corporates have the financial flexibility to reduce the debt level amid persistent high interest rate by mobilizing resources within the Group. SWIREs were unchanged to +0.3pts this morning. See below.*

#### ❖ Trading desk comments 交易台市场观点

Yesterday, overnight rates widened 3-7bps. On the new issue front, LUSOIB 7.2 10NC5 T2 grinded 0.25pt higher on top-up demand from prop desks. New Korea SOE KORGAS 28s priced USD500mn at T+88 and stayed around RO to close at T+89/87. In Chinese SOEs, HAOHUA/SINOCH 27-31s were skewed to better buying. TMT benchmarks opened 2-3bps tighter, but then flows were skewed to better selling for the rest of day. BABA/TENCNT papers closed unchanged to 2bps wider. In financials, Chinese bank T2s were better bid. CCB/BCHINA were quoted 2-3bps tighter. AMC space remained under better selling. HRINTH 24/25/26/27/29s were traded unchanged to 0.25pt lower, while its long-end papers remained resilient on the back of RM support. Chinese properties remained lackluster. DALWAN curve moved 1-2pts lower with some profit taking, post the suspension (rather than termination) of onshore bond issuance submitted by DALWAN. COGARDs drifted 1-1.5pts lower. FUTLAN/FTLNHD 24-26s were 0.5-1pt lower. AGILEs/CENCHIs were marked down 0.75-1.5pts. Industrials EHICAR 24s/26s were traded 0.5-0.75pt lower. HILOHO 24s were down 1.75pts. Macau gaming names MPELs/STCITYs were traded 0.25-0.75pt higher. In Indian space, ADSEZs/ADANEMs/ADANIGs were marked 0.5-1pt higher. VEDLNs and GRNKENs were bid up 0.25pt. Indonesian space was muted. APLNIJs were marked 1.5pts higher.

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In Perp/LGFV space, HK Corp Perp space drifted lower with active two-way flows. NWDEVL Perps erased pretty much of the Tuesday's gains. NWDEVL Perps were marked down 1.25-2.25pts amid mixed views/comments on the deal coming from the equity side. Elsewhere, LGFVs and SOE Perps were largely stable as a modest recovery in deployment demand. There were cash parking flows in 23s papers as well as 26s/27s bonds ahead of half-year end, which contributed to the slow digestion of the vast amount of loose bonds that came out in the past few weeks. KMRLP 3.9 '24 was indicated around 1pt higher. SOE Perps such as CHSCOI 4 Perp/HAOHUA 3.35 Perp were marked 0.125pt higher.

#### ❖ Last Trading Day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
APLNIJ 5.95 06/02/24	50.2	1.4	NWDEVL 4 1/8 PERP	68.6	-2.3
SWIPRO 3 1/2 01/10/28	95.4	1.3	CHINSC 7 3/8 04/09/24	32.5	-2.1
ADANIG 4 3/8 09/08/24	92.9	0.9	NWDEVL 4.8 PERP	60.1	-2.0
ROADKG 7 PERP	31.3	0.8	DALWAN 11 02/13/26	46.0	-1.9
KMRLGP 3.9 12/12/24	83.4	0.8	HILOHO 9 3/4 11/18/24	51.2	-1.8

#### ❖ Marco News Recap 宏观新闻回顾

**Macro** – S&P (-0.04%), Dow (-0.22%) and Nasdaq (+0.27%) were mixed yesterday. U.S. Federal Reserve Chair Powell signaled more rate hikes and he said he did not see inflation falling to the central bank's target rate this year or next. The US treasury yields were down yesterday, the 2/5/10/30 yield reached at 4.71%/3.97%/3.71%/3.81%, respectively.

#### ❖ Desk analyst comments 分析员市场观点

##### ➤ DALWAN: Suspension of onshore bond issuance submitted by DALWAN

The suspension of onshore bond should be largely expected after the long delay. Indeed, the suspension (中止) of the application of onshore bond issuance was submitted by DALWAN. The application is not terminated (终止) by CSRC. Recalled that DALWAN applied for the issuance of RMB6bn onshore bonds in Jan'23. We understand that DALWAN has already responded to CSRC queries dated 21 Mar'23 on 18 Apr'23. On 2 Jun'23, in the feedback to the IPO of Zhuhai Wanda, CSRC raised questions on the uses of IPO proceeds, related transactions of among DALWAN, Zhuhai Wanda and Dalian Wanda Group, the risk related to redemption of pre-IPO investments. We believe that the application of onshore bond issuance will only be resumed after DALWAN addresses CSRC's queries satisfactorily.

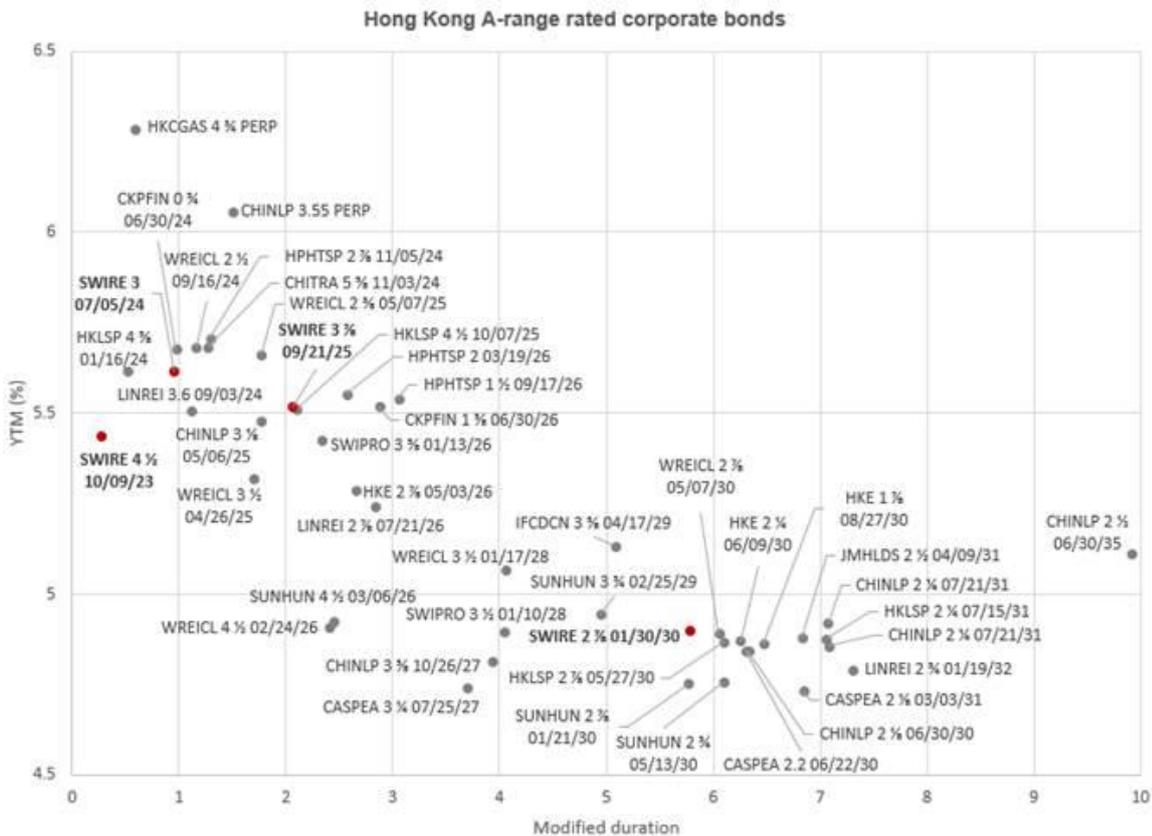
As we wrote before, the pre-IPO investors and DALWAN are in the same boat. It is in the interests of the pre-IPO investors to openly discuss the possibility of waiving or amending the put option. This signals to the market that DALWAN will not rush for the IPO at the expense of valuation. We expect that at least some of the pre-IPO investors will be open to the waiver or amendment of the put option. The pre-IPO investors include PAG, COGARD, Country Garden Services, CITIC Capital, Ant, Tencent, etc. In our opinion, the pre-IPO investors which are more likely to insist on the redemption by the end of Dec'23 could be COGARD and Country Garden Services. They account for a total of 17% of the pre-IPO investments of RMB38bn (i.e. RMB6.5bn).

Separately, Zhuhai Wanda refiled the application proof for HK IPO on 28 Jun. The previous filing of IPO application expired on 25 Apr'23.

➤ **SWIRE: To sell Swire Coca-Cola USA unit for USD3.9bn to its controlling shareholder**

Swire Pacific announced it would sell its Swire Coca-Cola USA unit for USD3.9bn to its controlling shareholder John Swire & Son Ltd. The unit produces and sells Coca-Cola and other drinks across 13 states in the U.S. After the disposal, Swire Pacific will provide management and administrative support to the sold unit for an annual fee of no less than 6% of the unit’s recurring EBIT. Swire Pacific plans to use HKD11.7bn (cUSD1.5bn) to pay special dividends, the remaining of the proceeds, i.e. cUSD2.4bn, could be used to reduce debts and leverage. At Dec’22, Swire Pacific’s net debt was HKD56.8bn (cUSD7.2bn) and gearing ratio (excl. lease liabilities) was 18%.

It is the 2<sup>nd</sup> transactions among HK blue chips with the assistance from parent to shore up liquidity and lower funding costs at the listco level this week. On Tue, New World Development (NWD)’s parent Chow Tai Fook Enterprises offered to acquire all the outstanding shares of NWS Holdings owned by NWD and other non-concerted parties for up to USD4.5bn. We continue to see Hong Kong corporates have the financial flexibility to reduce the debt level facing the high interest environment through mobilizing resources within the Group. Apart from business unit disposal, many of the HK large corporates also have high quality investment properties that it may use to cash out if they in need. Among A-range rated HK corporate bonds, we see SWIREs are fairly valued. SWIREs were unchanged to +0.3pts this morning.



Source: Bloomberg, CMBI Research.

➤ **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)
No Offshore Asia New Issues Pipeline Today					

➤ **News and market color**

- Regarding onshore primary issuances, there were 94 credit bonds issued yesterday with an amount of RMB58bn. As for month-to-date, 1,775 credit bonds were issued with a total amount of RMB1,553bn raised, representing a 4.1% yoy increase
- **[AGANIG]** Adani Group raised USD1bn by selling a part of their stakes in Adani Enterprises and Adani Green Energy to prepay debt
- **[CHINSC]** China SCE is seeking to roll two offshore syndicated facilities
- **[EHOUSE]** Ashurst exits as E-House AHG advisor after a leading bondholder left the AHG
- **[GEELY]** Geely will start deliveries of two high-end SUVs in 3Q23 in Europe expanding its global footprint
- **[HPDLF]** Hopson plans to use internal cash to repay HKD296mn (cUSD37.8mn) and USD6mn amortization on its syndicated loan due tomorrow
- **[POLYRE]** Poly Development received CSRC's approval for its proposed private share placement to raise up to RMB12.5bn (cUSD1.7bn)
- **[XIN]** Xinyuan Real Estate accepted for exchange the entire USD307.4mn of three USD bonds
- **[YWSOAO]** Yiwu state-owned Capital Operation's subsidiary has announced the offer of USD400mn 5.7% guaranteed bonds due in 2026
- **[ZYRDBG]** Zunyi Road and Bridge Construction failed to make RMB300mn interest payment on its extended bank loans on 20 Jun

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