

## CMBI Credit Commentary

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

- *New issue ZHANLO'26 was traded at around the reoffer level this morning. VNKRLs were down up to 1.5pts this morning after the drop of 3.5-5.5pts yesterday.*
- **HRINTH:** *Announcement of bond repurchases appear to be a weekly ritual. HRINTHs were unchanged to 0.5pthigher this morning. See below.*
- **MEDCIJ:** *Early tender of USD391.8mn to be accepted. MEDCIJs moved -0.1 to +0.1pt this morning. See below.*

#### ❖ Trading desk comments 交易平台市场观点

Yesterday, overnight UST 10yr yields widened 12bps to 4.98%. Asia ex JP IG space was mixed. Flow wise, we saw the buy:sell ratio to be around 1:2. Chinese TMT/SOE benchmarks BABA/TENCNT/HAOHUA 30-31s were unchanged to 2bps tighter. The long-end of CHGRIDs/SINOPEs were up 1.1-1.2pts. The high beta TMTs MEITUA/XIAOMI 30s were unchanged to 2bps wider. In financials, the front end of Chinese bank T2/leasing papers remained under better selling from RMs. ICBCAS/CMINLE 24s-26s were 2-3bps wider. Chinese AT1s were unchanged to 0.1pt lower. HSBC/STANLN AT1s were down 1-1.5pts. BBLTB/KBANK AT1s declined 0.2pt. AMCs were mixed. GRWALL 25-30s were under better buying and closed 0.2-0.3pt higher while HRINTH 24-27s was traded 10-15bps wider but prices are largely stable. Last night, HRINTH announced another bond repurchases of USD174mn in principal amount. HK IGs HKLSP/HKAA 33s were 3bps wider. In HK Corp perps, CKINF 4 Perp/HYSAN 4.1 Perp/LIFUNG 5.25 Perp lowered 0.5-1pt. Chinese properties were weak, led by VNKRL. The due 24-29s plummeted 8-10pts before recovered to close 3.5-5.5pts lower with no specific news. We saw selling from Chinese AMs/HFs in VNKRL and buying at the dip from PBs with a bit of HF involvement as well. There was some AM trimming in CHJMAO, but was largely digested by the demand from Chinese RMs. CHJMAO 26/29 closed 0.7-1pt lower. PINGRE 24-26s were 0.8-1.7pts lower. LNGFOR '28/YUEXIU '31 were 0.5-1.2pts lower. DALWANs declined 0.7-0.8pt. In industrials, EHICAR 24/26 were up 0.2-0.7pt while ANTOIL '25 lowered 2.5pts. In Macau gaming names, MPEL/WYNMAC 28-29s were 0.7-1.2pts lower. Indian space was quiet. ADSEZ '27/GRNKEN '28 were down 0.4pt. Indonesian names LMRTSP 24/26 were 0.2-0.8pt higher. MEDCIJs closed 0.3-0.4pt lower.

The LGFV/Perp spaces were stable, and flows were light. On the primary front, ZHANLO priced a USD500mn 3yr bond at 99.941 to yield 6.7%. On the secondary side, LGFVs continued to see strong demand in 8%+ names such as CQNANA/GZINFU/ZHHFGR/BCDHGR, yet offers were more sporadic. CQNANA 26s were 0.1-0.7pt higher. Meanwhile deployment demand also

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returned on several quality low-yielding names NJYZSO/CDCOMM/YWSOAO, as top-up demand on the 7%-handle Shandong names faded a bit. SHDOIS 24/QDHTCO 25 were down 0.1pt. CPDEV 26/Perp were down 0.2-0.5pt. SOE perps were largely firm. HUADIA 3.375 Perp/RLCONS 3.97 Perp were up 0.1-0.2pt.

### ❖ Last Trading Day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
TAISEM 4 1/2 04/22/52	82.4	1.2	VNKRLE 4.2 06/07/24	79.3	-5.5
CHGRID 4.85 05/07/44	87.2	1.2	VNKRLE 3.15 05/12/25	63.8	-4.8
CHGRID 4 05/04/47	75.6	1.2	VNKRLE 5.35 03/11/24	87.9	-4.0
CHGRID 4 3/8 05/22/43	82.2	1.1	VNKRLE 3.975 11/09/27	50.7	-3.9
CCAMCL 4 3/4 12/04/37	78.3	1.1	VNKRLE 3 1/2 11/12/29	41.7	-3.5

### ❖ Marco News Recap 宏观新闻回顾

**Macro** – S&P (-1.18%), Dow (-0.76%) and Nasdaq (-1.76%) continued to down on Thursday. US 3Q23 GDP increased 4.9% qoq, higher than the expectation of +4.3% qoq. The latest US initial jobless claim was +210k, higher than the expectation of +200k. European Central Bank kept interest rate unchanged at 4.5% as expected. The long-term UST yields were down while short-term yields were stable, 2/5/10/30 yield reached 5.02%/4.79%/4.86%/5.01%, respectively.

### ❖ Desk analyst comments 分析员市场观点

#### ➤ HRINTH: Announcement of bond repurchases appear to be a weekly ritual

On 26 Oct'23, Huarong announced the 6<sup>th</sup> round of USD bond repurchases total USD174mn in principal amount. The focuses remain to be on longer-dated and lower cash price bonds, including HRINTH 3 7/8 11/13/29, HRINTH 3.625 09/30/30 and HRINTH 5 1/2 04/27/47. All of these were conducted between 20-26 Oct'23. Except the golden week, Huarong announced bond repurchases every week since 19 Sep'23. To us, the significance of the successive repurchases of longer-dated bonds lie on the signal of Huarong's strong confidence on its near-term liquidity.

**Table 1: HRINTHs repurchase details**

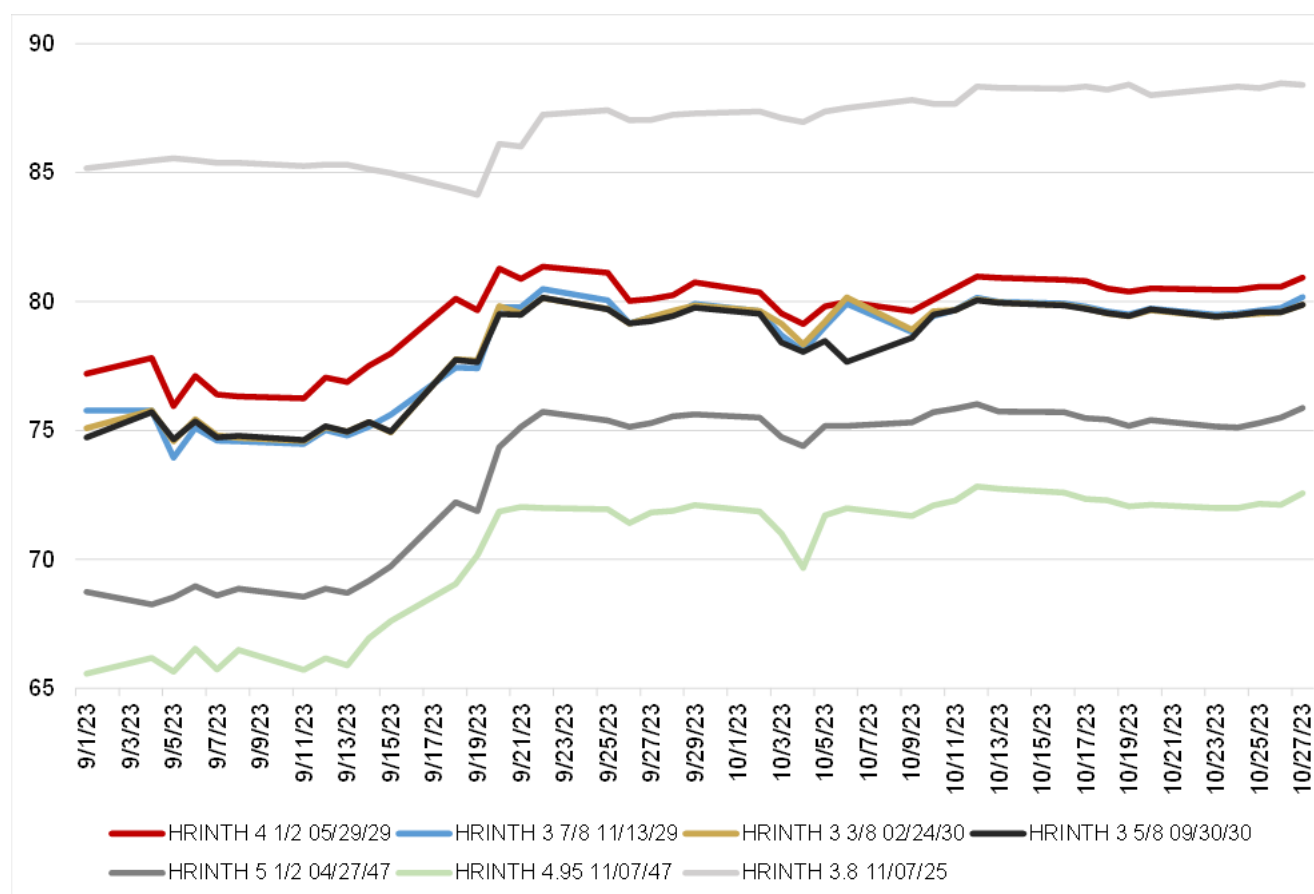
Ticker	Currency	Issue size (mn)	O/s (mn)	Offer price	YTM	Repurchased amt (mn) as at 19 Sep	Incremental repurchase amt (mn) as at 21 Sep	Incremental repurchase amt (mn) as at 27 Sep	Incremental repurchased amt (mn) as at 11 Oct	Incremental repurchased amt (mn) as at 19 Oct	Incremental repurchase amt (mn) as at 27 Oct	Total repurchase disclosed
HRINTH 4 1/2 05/29/29	USD	700	594.348	80.52	9.0%	98.65	7.00	0.00	0.00			105.65
HRINTH 3 7/8 11/13/29	USD	500	424.525	79.65	8.2%	52.48	23.00	0.00	0.00		107.00	182.48
HRINTH 3 3/8 02/24/30	USD	700	270.500	79.68	7.4%	0.00	141.00	108.50	101.21	78.79		429.50
HRINTH 3 5/8 09/30/30	USD	350	149.000	79.67	7.4%	41.00	32.00	15.00	52.50	60.50	10.00	211.00
HRINTH 5 1/2 04/27/47	USD	200	135.500	75.85	7.7%	0.00	0.00	21.554	32.95	10.00	57.00	121.50
HRINTH 4.95 11/07/47	USD	700	470.000	72.23	7.4%	72.27	87.91	18.00	0.00	51.83		230.00
HRINTH 3.8 11/07/25	SGD	400	368.000	87.83	10.5%	32.00	0.00	0.00	0.00			32.00
						287.87	290.91	163.05	186.65	201.12	174.00	1303.61

Source: Bloomberg.

The cumulative bond repurchases totalled USD1.3bn equivalent in principal amount. We estimate that Huarong has so far reduced its net debt and booked exceptional gain from the repurchases of cUSD300mn. Huarong's net debts were RMB736.3bn as at Jun'23 and it reported net losses of RMB6.0bn in 1H23. Huarong raised 3-year onshore financial bonds of RMB20bn (cUSD2.7bn) at a coupon rate of 3.1% on 16 Aug'23. Assuming the proceeds of cUSD2.7bn from the onshore issued are earmarked for offshore bond redemptions and all repurchases had been conducted since 16 Aug'23, Huarong should still have a warchest of cUSD1.1bn for early redemptions of offshore bonds. Please read [our comments: "HRINTH: Room for further repurchases?" dated 20 Oct'23 for more discussion.](#)

HRINTHs remain our top picks in Chinese AMC space. For HRINTHs, our preferences are HRINTH 3.75 05/29/24, HRINTH 5.5 01/16/25 and HRINTH 4.25 Perp (callable 09/30/25). We also like GRWALL 3.95 Perp (callable 07/31/24) and CCAMCL 4.4 Perp (callable 03/11/26) as a low beta play.

**Chart 1: Price movement of repurchased HRINTHs since 1 Sep'23**



Source: Bloomberg.

#### ➤ MEDCIJ: Early tender of USD391.8mn to be accepted

Medco Energi announced early results of its 12 Oct'23 tender offer for the four USD bonds. There were cUSD1.2bn bonds tendered and tender amounts of 2026/2027/2028 bonds reached the cap of USD60/60/70mn.

The company will accept the tendered bonds on a pro-rata basis and will not accept for purchase any of them after early tender deadline.

For 2025 notes, there are cUSD33.3mn outstanding notes not tendered and the company will accept them at 98.2 (excluding USD3 early premium from 101.2) before 9 Nov'23. We expect most of the bonds to remain outstanding as the consideration is lower than the current price of 100.9.

This is the second tender offer from Medco Energi within one year. Recalled that in Nov'22, the company repurchased USD255.102mn of MEDCIJ 6.75 01/30/25 at 98 via tender offer. After the completion of this tender offer, the company will repurchase totaling c646mn USD notes and face less than cUSD33.3mn USD notes maturities before 2026.

The concurrent 5.5NC2 new issue MEDCIJ 8.96 04/27/29 was reoffered at 98.771 to yield 9.25% on 19 Oct'23 (Rating: B1/B+/B+ by M/S/F) and currently traded at 98.4. The proceeds from new issue will be used to refinance existing debts, or replace committed but currently undrawn facilities which may include the financing relating to potential acquisition of 20% interests in a producing assets in the Middle East.

Notes	o/s amount (USD mn)	Maximum amount	Tendered amount	Expected acceptance amount	Early tender offer consideration	Proration factor	Current ask price
MEDCIJ 6.75 01/30/25	235.10	Any and all	201.801	201.801	101.2	-	100.9
MEDCIJ 7.375 05/14/26	533.61	60	313.666	60	100	23.201%	99.3
MEDCIJ 6.375 01/30/27	570.73	60	438.971	60	96.25	18.796%	94.3
MEDCIJ 6.95 11/12/28	372.60	70	264.216	70	95.5	30.959%	93.1
	1712.04		1,218.654	391.801			

Source: Company fillings

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

Issuer/Guarantor	Size (USD mn)	Tenor	Coupon	Priced	Issue Rating (M/S/F)
Energopro AS	300	5NC2	11.0%	11.0%	-/B+/BB-
Fujian Zhanglong Group	500	3yr	6.7%	6.7%	-/-/BBB-

#### ➤ 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 108 credit bonds issued yesterday with an amount of RMB142bn. As for Month-to-date, 1,157 credit bonds were issued with a total amount of RMB1,273bn raised, representing a 1.1% yoy increase
- [ADEIN]** Media reported that Adani Group is seeking to raise maximum USD4bn to help fund group's green hydrogen plans

- **[CAPG]** China Aoyuan announced to extend RSA longstop date to as early as 29 Dec'23
- **[CHJMAO]** Media reported that China Jinmao plans to spin off an infrastructure securities investment fund and list it on Shanghai Stock Exchange
- **[CIFIHG]** Media reported that CIFI domestic unit paid on time first amortization, coupon on restructured RMB750mn due-2025 bonds
- **[DALWAN]** Media reported that Zhuhai Wanda is still pushing ahead its IPO plan and that Dalian Wanda Group, the parent of Dalian Wanda Commercial Management, is seeking consents from holders of its USD500mn term loan to pay only 10% of the original USD150mn instalment on due date Nov'23
- **[GCLNE]** GCL Technology bought back additional 18mn shares for around HKD22mn
- **[HRINTH]** China Huarong AMC further repurchased and cancelled USD107mn HRINTH 3.875 11/13/29, USD57mn HRINTH 5.5 04/27/47 and USD10mn HRINTH 3.625 09/30/30
- **[NAGACL]** NagaCorp announced it has sufficient financial resources for full repayment of 2024 notes
- **[SINOPE]** Sinopec 9M23 revenue up 0.7% yoy to RMB2.47tn and operating profit increased 4.5% yoy to RMB79.3bn
- **[YANGZH]** Yangzhou Economic and Technology Development Zone Development received Shanghai bourse approval over RMB1bn corporate bond offering

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