

## 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!

- *CENCHIs were marked 0.5-1pt lower post its announcement on offshore payment suspension. NWD and NWS remain on trading halts. NWDEVLs/NWSZFs were unchanged to 0.25pt lower this morning. The stock prices of NWDEVL/NWSZF changed -1.7% and +4.0% from the last closes before trading halts.*
- *HONGSL: RSA for HONGSL 9.875 08/27/22 to extend the maturity for 4 years. See below.*
- *China Macro Monitor – Growth remained sluggish with moderate policy easing. CMBI expects the 2Y CAGR of GDP to slow from 4.6% in 1Q23 to 3.9% in 2Q23 before rebounding to 4.3% in 2H23. See below for comments from our economic research.*

#### ❖ Trading desk comments 交易台市场观点

Last Friday, UST yields retreated 4-5bps across the curve. Asia ex-JP IG space was quiet and benchmarks edged 1-2bps wider with thin liquidity. In Chinese SOEs, HAOHUA 29s/30s were traded 2-3bps wider to close at T+165 and T+178, respectively. CHGRID/SINOPE 28-30s were marked 3-5bps wider but the long-end papers remained firm. TMT benchmarks TENCNT/BIDU papers widened 2-4bps. The high-beta TMTs such as MEITUA/LENOVO 30s also widened 4-6bps. In financials, BOCAVI 28s/33s were 2-3bps wider. In AMCs, HRINTHS/CCAMCLs were better offered across the curve. Chinese bank T2s BCHINA/ICBCAS 29s/30s widened 3-6bps. Chinese properties were largely firm. FTLNHD 23s/COGARD 24s were traded up around 1.25pts. ROADKGs were 0.5-1.25pts higher from the recent lows across the curve. PWRLNGs were indicated 0.25pt lower after Powerlong announced another round of liability management exercise. Industrials FOSUNI/EHICAR 23-24s closed 0.25pt lower. Macau gaming names performed mixed. WYNMACs declined 0.5-0.75pt, whilst SANLTDs/STCITYs gained 0.5pt. In Indian space, Adani complex bonds ADSEZs/ADTINs/ADANIGs were quoted down 0.75-1.5pts. VEDLNs were marked down around 1pt across the curve. Indonesian names MEDCIJ/LPKRIJ 26s gained 0.25-0.5pt.

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The LGFV/Perp spaces had an uneventful session with onshore market out for holiday, and many clients taking a day off in HK as well. The cash-raising selling theme persisted across the spaces, and sentiment remained largely soft. The flows in LGFVs were overall very thin and PB-centric. Shandong names such as SHGUOH/QDJZWD 24s/25s were under better selling. KMRLGP 5.9 2'4, on the other hand, closed 0.5pt higher. The limited amount of buying interests were focused on high-yielding LGFVs (away from Yunnan/Kunming) from offshore Chinese AMs. GSHIAV/SXFIAM were sought-after. On the other hand, SOE Perps were roughly stable. HUADIA 4 Perp/SINOCH 3 Perp were traded 0.125-0.25pt higher.

#### ❖ Last Trading Day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
ROADKG 6 09/04/25	61.6	1.3	CCAMCL 5 02/08/48	77.1	-2.0
FTLNHD 6.8 08/05/23	97.9	1.3	GRNLGR 6 3/4 09/26/25	20.4	-1.9
HAOHUA 4 3/4 06/19/49	82.8	1.2	FIHUCN 5 02/26/28	85.3	-1.7
HPDLF 6.8 12/28/23	90.4	1.1	ADSEZ 3.1 02/02/31	71.8	-1.4
COGARD 8 01/27/24	73.5	1.1	HRINTH 4.95 11/07/47	67.3	-1.3

#### ❖ Marco News Recap 宏观新闻回顾

**Macro** – S&P (-0.77%), Dow (-0.65%) and Nasdaq (-1.01%) were down on Friday, ending a week dominated by Fed's signal of more interest rate hikes but vowed the central bank would proceed with caution. Jun Services PMI was 54.1, slightly higher than expectation of 54. According to China's Ministry of Culture and Tourism, the travel spending during China's dragon boat festival was before pre-COVID levels, highlighting weak consumption. The US treasury yields slightly retreated on Friday, the 2/5/10/30 yield reached at 4.71%/3.99%/3.74%/3.82%, respectively.

#### ❖ Desk analyst comments 分析员市场观点

##### ➤ HONGSL: RSA for HONGSL 9.875 08/27/22 to extend the maturity for 4 years

Redsun Properties' parent Hong Yang Group announced RSA of HONGSL 9.875 08/27/22 with an outstanding principal of USD275mn. The scheme creditors will exchange their existing notes into new notes with principal amount equal to the outstanding principal of the existing notes and accrued interest. The new notes will mature in 4 years and carry 5% coupon, payable in cash semi-annually. The new notes will also offer amortization on the 12<sup>th</sup>/24<sup>th</sup>/36<sup>th</sup>/42<sup>nd</sup> months. The approval threshold of the scheme is simple majority in number of scheme creditors who represent at least 75% of aggregate principal who are present and voting (in person or by proxy) at the scheme meeting. See below the summary of key terms of the RSA.

#### HONGSL 9.875 08/27/22 RSA

New notes principal	cUSD290mn, being the outstanding principal of the existing notes, and accrued interest	
Coupon	5%, payable semi-annually in cash	
Maturity	4 years from the RED	
Amortization	12 <sup>th</sup> month	4%
	24 <sup>th</sup> month	8%
	36 <sup>th</sup> month	12%
	42 <sup>nd</sup> month	38%
	48 <sup>th</sup> month	Remaining outstanding amount

Overdue accrued interest on existing notes	For the period of 27 Feb'22 to 27 Aug'22 of cUSD13.6mn: - USD10mn payable on RED in cash - The balance of cUSD3.6mn payable 6 months after the RED in cash
Guarantee	Guaranteed by Hong Yang Group, Redsun Properties, and Redsun Services
Collateral	(i) c72.77% of Redsun Services (1971.HK) (ii) All the receivables payable to the Nanjing Hongtaiyang Commercial World Co. (iii) Keepwell deed provided by Jiangsu Redsun Industrial Raw Materials City Co.
Restriction on dividends	Hong Yang shall be restricted from declaring any dividends while the new notes remain outstanding The dividend received from Redsun Services (1971.HK) may only apply for the payment of offshore operating costs, repayment of principal and/or interest on the new notes at its discretion
Cash sweep	Any financial assets disposal of the group (excluding Redsun Properties (1996.HK) and its subsidiaries) will be applied towards payment of any principal and/or interests due under the new notes
Onshore loan subordination	Onshore Loan Lender will undertake not to claim any amounts from the Onshore Loan Borrower and Onshore Loan Guarantors in respect of the Onshore Loan until all outstanding amounts under the New Notes have been repaid. In return, a second-ranking pledge over the shares of Redsun Services (1971.HK) will be granted, rank behind the new notes shares collateral  Onshore Loan: RMB1.16bn facility  Onshore Loan Lender: Nanjing Hongtaiyang Commercial World Co.  Onshore Loan Borrower: Shanghai Hongyang Information Technology Development Co.  Onshore Loan Guarantors: Hong Yang, Redsun Properties, Redsun Services and Jiangsu Redsun Industrial Raw Materials City Co.
Early-bird RSA fee	0.5% of the aggregate principal
Early-bird deadline	30 Jun
General RSA fee	0.25% of the aggregate principal
General deadline	21 Jul
RSA fee payment	On or prior to the RED
Longstop date	30 Sep'23
Approval threshold	Simple majority in number of scheme creditors who represent at least 75% of aggregate principal who are present and voting (in person or by proxy) at the scheme meeting

*Source: Company's filling.*

### ➤ **China Macro Monitor – Growth remained sluggish with moderate policy easing**

**Growth momentum:** China's growth momentum remained weak in June as the high-frequency economic activity index further declined. Exports, housing sales, most durable consumption and business capex remained sluggish, while passenger and tourist flow continued to recover. Commodity prices slightly rebounded as US Fed temporarily paused policy rate hike in June and China was expected to launch additional policy easing ahead. However, US banks continued to tighten credit condition while the Chinese policymakers remained cautious to launch strong policy loosening. Renminbi further depreciated. We expect the 2Y CAGR of GDP to slow from 4.6% in 1Q23 to 3.9% in 2Q23 before rebounding to 4.3% in 2H23. Service sector has over 60% of China's SMEs and accounts for over 60% of China's urban employment. Its continuous recovery should help

boost private business confidence and employment condition, which may probably facilitate an improvement of consumption performance in 2H23.

**Economic activity:** NBS service output index is expected to rise 5.7% in June after increasing 11.7% in May. In term of 2Y CAGR, it may mildly improve. Service activity may further improve as the summer holiday comes in July-August. Housing market and auto sales weakened in June, but may gradually improve from 3Q23. Construction activity remained weak as prices of related products further declined or was flat. The YoY growth of fixed asset investment (FAI) is expected to slow from 4% in 5M23 to 3.7% in 1H23. Overseas demand slightly improved, but advanced economies continued to diversify supply chains beyond China. We expect China's exports of goods to drop 6.5% in June after decreasing 7.5% in May. The value added industrial output is expected to rise 1% in June, down from the growth of 3.5% in May, with a slight pick-up in term of 2Y CAGR.

**Inflation trend:** Commodity prices slightly rebounded, but downside pressure remains as the US Fed may keep its policy rate high for longer and China economy needs more time to gradually resume. The YoY growth of CPI may slightly climb while the PPI is expected to further decline in June. As service sector continues to recover, there should be some mild reflation in 2H23-1H24.

**Monetary policy:** liquidity condition further eased as the PBOC further loosened monetary policy by cutting refinancing rates and LPRs while credit demand of private businesses and households remained weak. The LPR cut indicates further moderate easing of credit policy in China. However, policymakers seemed reluctant to launch strong policy loosening as they still considered high-quality development as the priority. We expect the central bank would maintain accommodative credit policy as the economic growth remains below potential growth with limited reflation risk.

**RMB Exchange Rates:** renminbi continued to weaken against US dollar as the US economy remained strong while China's economy further deteriorated. Renminbi may further depreciate against US dollar in near term and mildly rebound in 2H23-1H24 thanks to improvement of China economy and slowdown of US economy in next few quarters. We expect US\$/RMB spot rates to reach 7.10 at end-2023 and 7.05 at end-2024.

Click [here](#) for full report.

#### ➤ 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)
Jinan Licheng Holding Group	USD	-	-	7.6%	-

#### ➤ News and market color

- Onshore primary issuances suspend during the public holiday last Friday. As for Month-to-date, 1,462 credit bonds were issued with a total amount of RMB1,355bn raised, representing a 6.6% yoy increase
- Media reported that China has launched national campaign to uncover hidden government debt at all levels

- **[CENCHI]** Central China Real Estate announced it has not been able to make interest payment on CENCHI 7.75 05/24/24 before the end of grace period, it will suspend payments to all offshore creditors and explore holistic solution
- **[GLPSP]** GLP and GLP China BBB- rating affirmed by S&P on accelerated asset monetization plan, outlook remains negative
- **[JIAZHO]** Jiangsu Zhongnan Construction signed restructuring term sheets with holders of JIAZHO 11.5 04/07/24
- **[LEAHOL]** Leading Holdings announced it has not paid the LEAHOL 06/23/23 and considers holistic solution to address the offshore debts situation
- **[NWDEVL/NWSZF]** The shares trading of New World Development and NWS Holdings have been halted on Friday, pending the release of an announcement in relation to certain inside information
- **[PWRLNG]** Media reported that Powerlong is seeking one year extension on RMB bonds
- **[ROADKG]** Road King made timely final repayment on the remaining of originally cHKD2.538bn loan due on 20 Jun
- **[SHGUOH]** Shandong Guohui Investment is seeking USD250mn loan to refinance USD200mn bond due on 19 Aug
- **[SINOCL]** Sino-Ocean Capital launch a new consent solicitation on SINOCL 6.25 06/22/23, voting deadline is 12 Jul
- **[YXREIT]** Yuexiu REIT signed up to RMB4bn (cUSD557mn) three-year loan facility agreement with China Merchants Bank for refinancing

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