

CMBI Credit Commentary

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

- *Sentiment was strong this morning post rates drop. Flows skewed to better buying on long term high-grade names such as SOE Perp and AT1. Longfor and Seazen issued CBICL-guaranteed onshore bonds, LNGFORs rose 2-3pts and FUTLANs/FTLNHDs were unchanged to 1pt higher.*
- **VEDLN:** *Extend the maturities of VEDLN'24-25s by 3-4 years. VEDLN 13.875'24 down 1.75pts while other VEDLNs increased up to 1.25pts this morning. See below.*
- **DALWAN:** *Media reported DWCM would receive net cash inflow of less than RMB30bn (cUSD4bn) from the new investment agreement with pre-IPO investors. DALWANs rose c2pts this morning.*

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❖ Trading desk comments 交易台市场观点

Yesterday, Asia IG space remained firm ahead of FOMC meeting. Chinese SOE/TMT benchmarks CNOOC/SINOPE/TENCNT 29-31s tightened 1-2bps. The high beta TMTs MEITUA/XIAOMI/WB 30-31s were unchanged to 2bps tighter. In financials, Chinese bank T2s CINDBK '33/BCHINA '30 remained under better buying and tightened 1-3bps. In AMCs, CCAMCL/ORIEAS 24-26s were 3-8bps tighter. Chinese AT1s ICBCAS 3.2 Perp/BOCOM 3.8 Perp were up 0.1pt. Chinese properties were mixed. DALWAN 24-26s were another 2.1-4.6pts higher after surging 10-16pts on Tue. Media reported that DWCM could receive net cash inflow of less than RMB30bn (cUSD4bn) from the new investment agreement with pre-IPO investors. GEMDAL '24 was up 5.5pts to close 7pts higher WTD. RDHGCL '24 was 3pts higher. CSCHCN 24s were up 1.1-2.6pts ahead of the extended consent deadline. GRNLGRs were 2.1-5.8pts higher. On the other hand, ROADKGs declined 0.7-3.2pts. LNGFORs were down 0.5pt. In industrials, WESCHI/FOSUNI 25-26s were up 0.4-0.5pt. Macau gaming names MPEL/SANLTD/STCITY/WYNMAC 25-30s were 0.5-1.1pts higher. In Indian space, VEDLN 24-26s were up 1.1-1.4pts. Vedanta announced the consent solicitation to extend the maturities of VEDLN 13.875'24, VEDLN 6.125'24, and VEDLN 8.95'25 for 3-4 years. The partial repayment will be funded with the loan facility of USD1.25bn. Indonesian names BUMAIJ '26/KIJAIJ '27 were up 0.3-0.5pt. LPKRIJ '25 was another 1.1pts higher while LMRTSP 24/26 closed unchanged to 0.2pt higher.

In LGFVs/Perp spaces, there were light two-way flows and the sentiment remained firm. CPDEV 25/26/Perp were 0.3-0.6pt higher. KMRLGP '24 was 0.5pt higher. The quality LGFVs JNHITE/GZGETH papers were up 0.1pt. In Shandong names, JMUDIV '25 were up 0.3pt and HKIQCL/SHUGRP 25s were 0.1pt higher. CQLGST 4.3 '24 closed 0.9pt higher while CQLGST 5.3 '24 was unchanged. In SOE perps, CHPWCN 3.08 Perp/CHSCOI 4

Perp/RLCONS 3.97 Perp were up 0.1-0.2pt. FRESHK 25-26s were 0.2-0.5pt higher.

❖ Last Trading Day's Top Movers

| Top Performers | Price | Change | Top Underperformers | Price | Change |
|-----------------------|-------|--------|---------------------|-------|--------|
| GRNLGR 6.9 02/12/29 | 15.3 | 5.8 | ROADKG 5.2 01/12/26 | 26.0 | -3.2 |
| GEMDAL 4.95 08/12/24 | 48.1 | 5.5 | CASHLD 4 PERP | 84.6 | -1.4 |
| DALWAN 11 02/13/26 | 58.1 | 4.6 | GZHRCB 5.9 PERP | 97.3 | -0.9 |
| GRNLGR 6.6 11/13/28 | 16.8 | 4.4 | ROADKG 7.95 PERP | 20.1 | -0.7 |
| DALWAN 7 1/4 01/29/24 | 80.0 | 4.0 | TYANLI 5 1/4 PERP | 90.9 | -0.6 |

❖ Marco News Recap 宏观新闻回顾

Macro – S&P (+1.37%), Dow (+1.40%) and Nasdaq (+1.38%) were strong on Wednesday post the Fed indicated to end this round of interest rate hike and cut rates by 75bps. US Nov PPI was unchanged, lower than the expectation of +0.1% yoy. UST yields decreased yesterday, 2/5/10/30 yield reached 4.46%/4.00%/4.04%/4.19%, respectively.

❖ Desk analyst comments 分析员市场观点

➤ VEDLN: Extend the maturities of VEDLN'24-25s by 3-4 years

Vedanta launches consent solicitation for bonds due in 2024-25 to extend the maturities to 2027-28. Upfront redemption of 53%, 6% and 16% will be given to bondholders of VEDLN 13.875'24, VEDLN 6.125'24, and VEDLN 8.95'25, respectively. The upfront redemption is to be funded by USD1.25bn proceeds from new financing facilities. There is no haircut on the principal, and the coupon will be increased to 13.875% for VEDLN 6.125'24 and VEDLN 8.95'25, same as VEDLN 13.875'24. The company provides early consent fee of 2pts and late consent fee of 0.25pts. In case VEDLN 9.25'26 is not refinanced by Dec'25, VEDLN'24-25s will have to be redeemed on 20 Apr'26 so as to retain tenor seniority over VEDLN 9.25'26.

Together with VEDLN 9.25'26, it is seeking consent to make changes to the covenants, and waivers to account for the proposed demerge of Vedanta Limited (VDL). On 29 Sep, VDL announced its plan to demerge its business units into six independent companies, namely Vedanta Aluminium Metal Limited, Malco Energy Limited, Talwandi Sabo Power Limited, Vedanta Iron and Steel Limited and Vedanta Base Metals Limited. The demerge plan was filed with BSE and National Stock Exchange of India on 20 Oct'23. The early consent fee for VEDLN 9.25'26 is 0.75pts and the late consent fee is 0.25pts.

Meanwhile, S&P downgraded Vedanta to CC from CCC on potential bond extensions. It remains on CreditWatch negative that S&P would downgrade it to SD if the company completes the transaction.

| Bond | VEDLN 13.875 01/21/24 | VEDLN 6.125 08/09/24 | VEDLN 8.95 03/11/25 | VEDLN 9.25 04/23/26 | Total |
|-------------------|--------------------------|-------------------------|------------------------|------------------------|---------|
| Amt o/s (USDmn) | 1,000 | 950.9 | 1,200 | 600 | 3,750.9 |
| Early consent fee | 2pts | 2pts | 2pts | 0.75pts | |
| Late consent fee | 0.25pts | 0.25pts | 0.25pts | 0.25pts | |

| | | | | | |
|------------------------------------|--|------------------------------|-------------------------------|-------------------------------|-------|
| Upfront redemption | 53% of principal, USD530mn | 6% of principal, USD57mn | 16% of principal, USD192mn | - | 779 |
| New notes principal (USDmn) | 470 | 894 | 1,008 | - | 2,372 |
| New coupon | 13.875% (unchanged) | 13.875% | 13.875% | - | |
| Seniority | Guaranteed (unchanged) | Guaranteed | Guaranteed (unchanged) | Non-guaranteed (unchanged) | |
| Amortization payment | - | 9 Aug'27: 33.33% USD298mn | 9 Aug'27: 33.33% USD336mn | - | |
| | - | 9 Aug'28: 33.33% USD298mn | 9 Aug'28: 33.33% USD336mn | - | |
| | - | 9 Dec'28: 33.34% USD298mn | 9 Dec'28: 33.34% USD336mn | - | |
| New maturity | 21 Jan'27 | 9 Dec'28 | 9 Dec'28 | - | |
| Early consent deadline | 27 Dec'23 | | | | |
| Voting deadline | 2 Jan'24 | | | | |
| Bondholders' meeting | 4 Jan'24 | | | | |
| Upfront redemption date | No later than 7 Jan'24 | | | | |
| Quorum threshold | Two or more persons holding or representing not less than two-thirds in principal amount of the bonds outstanding of each series | | | | |
| Passing threshold | Majority of not less than two-thirds of the votes cast are in favor of the extraordinary resolution | | | | |

Source: Bloomberg, Company's filing.

➤ China Policy – Credit growth continues to rebound into 2024

China's total social financing recovered to RMB2.45trn in Nov thanks to the acceleration in government bond issuance, a trend that has persisted over the past few months. Meanwhile, corporate confidence remained subdued as loans to enterprises edged down, especially the medium- and long-term loans. The share of M1 as % of M2 dropped to a historic low as business activity remained weak. On the bright side, household borrowing marginally recovered since both short-term and long-term loans rebounded. Looking forward, credit growth may gradually recover in 2024 with continuous easing monetary policy, more expansionary fiscal policies and slow improvement of business and consumer sentiment. We anticipate a mild increase of broad fiscal deficit and additional cuts in RRR, LPRs and deposit rates in 2024. We maintain our forecast of the GDP growth at 5.3% in 2023 and 4.8% in 2024.

Social financing continued to recover driven by government bond issuance. Social financing flow rose 23.5% YoY (all in YoY terms unless otherwise specified) to RMB2.45trn in Nov after increasing 102% in Oct, mostly in line with market expectation. The growth of social financing flow was mainly driven by the government bond financing, a trend that has persisted over the past few months. Net government bond financing grew 76.4% YoY to RMB1.15trn in Nov, thanks to the increase of fiscal deficit by RMB1trn for 2023 and the launch of provincial government refinancing bonds. Meanwhile, shadow financing continued to phase out, with almost no YoY increase this month. The new entrusted loans further dropped to -RMB38.6bn from -RMB8.8bn in the previous year, and -RMB4.29bn in the previous month. New trust loans grew by RMB19.7bn while new undiscounted banks' acceptance increased RMB20.3bn. New RMB loans to the real sector dropped 3% after rising 9.2% in Oct, as the lower base effect faded. The decline of new foreign currency narrowed from 121% to 45%, as renminbi rebounded against the US dollar. Corporate bond financing increased 120.2% in Nov. M2

grew by 10% in Nov while M1 slowed down to 1.3% from 1.9% in Oct. The continued drop of M1 as % of M2 indicates business activities remained weak.

New RMB loans softened as business and household confidence remained subdued. The growth of new RMB loans declined to 9.9% from 20% in Oct. New loans to business remained dampened as it slightly decreased to RMB822bn from year-ago level of RMB884bn. New medium- to long-term loans to enterprises further dropped 39.5% in Nov after dropping 17.2% in October. New short-term loans to enterprises reached RMB170.5bn, up from October's -RMB177bn and exceeding last year's -RMB41.6bn. The bill financing to enterprises increased 35.1% to RMB209.2bn. The continued decline of medium- and long-term loans indicates business confidence and capex demand remained weak. On the bright side, new loans to households recovered as short-term loans to households rebounded to RMB59.4bn from -RMB105.3bn in Oct. New medium-and long-term loans to households also resurged to RMB233.1bn from RMB70.7bn in Oct with 10.8% YoY growth. The marginal improvement in mortgage loans may be mainly due to an improvement in the second-hand housing sales.

We expect a mild recovery in credit growth in 2024 with continuous loosening monetary policy. We expect social financing and new RMB loans to respectively increase 11% and 14% in 2024 thanks to continuous monetary policy loosening. The PBOC may cut RRR by 50bps, 1-year LPR by 10bps and 5-year LPR by 20bps in 2024. Due to base effects and a decline in the propensity to save, there will be a deceleration in M2 growth. We maintain our forecast of the GDP growth at 5.3% in 2023 and 4.8% in 2024.

Click [here](#) for full report

➤ Offshore Asia New Issues (Priced)

| Issuer/Guarantor | Size (USD mn) | Tenor | Coupon | Priced | Issue Rating (M/S/F) |
|--|---------------|-------|--------|--------|----------------------|
| No Offshore Asia New Issues Pipeline 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 79 credit bonds issued yesterday with an amount of RMB75bn. As for Month-to-date, 696 credit bonds were issued with a total amount of RMB612bn raised, representing a 2% yoy decrease
- **[ADEIN]** Adani Group said its portfolio companies will invest USD100bn over the next 10 years in energy transition
- **[CHINSC]** Media reported that China SCE plans to sell commercial property in Shanghai for RMB1.5bn (cUSD209mn)

- **[COGARD]** Country Garden has remitted funds to full repay a RMB800mn onshore bonds; it unit sold 1.79% stake of Zhuhai Wanda Commercial Management for cRMB3.1bn
- **[DALWAN]** Media reported that Dalian Wanda Commercial Management raised cRMB30bn from the new re-investment agreement with PAG; the company is in talks with lenders to refi two 364-day loans totaled USD522mn which will due in Jan'24 and Jun'24; it obtained requisite majority of votes for consent solicitation for USD600m due 2024 bonds
- **[FUTLAN]** Seazen Holdings issued RMB850mn CBICL-guaranteed bonds with 4.48% coupon rate
- **[LMRTSP]** Lippo Mall Indonesia Retail Trust has lined up two loan facilities totaled USD256mn for debt refinancing
- **[LNGFOR]** Longfor unit proposes to offer up to RMB1.2bn MTNs with guarantee from CBICL
- **[LYURBN]** Linyi City Construction Investment Group announced to issue RMB500mn 3.75% due 2026 bonds
- **[VEDLN]** Media reported that Vedanta Resources signed USD1.25bn loan at 18% cost with private credit funds

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