

CMBI Credit Commentary

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

- *Markets continued to be quiet this morning. LGFVs were overall two way flows balanced with some demands on due-23 notes. Financial sector slightly up with BOCHKL 5.9 PERP/GRWALL 3.95 PERP edged up 0.5pt.*
- **LIFUNG:** *Tender offer to repurchase up to USD250mn LIFUNG 4.5 08/18/25, the due-25 notes rose 2.5pt to 86 level and other LIFUNGS were stable post the announcement. See below.*
- **China Property:** *Media reported that PBOC intends to provide RMB200bn (cUSD28.1bn) new loan quotas to boost lending to developers with stalled projects. China property names were overall down 1pt to unchanged post the news.*

❖ **Trading desk comments 交易平台市场观点**

Yesterday, China IG space turned slightly weaker amid refreshed China Covid infections worries, and consolidated to a cautious tone post the strong rally for the past 2 weeks. Financials space were 3-5bps wider under better selling most RMs are sidelined in the bank seniors and capital bonds. T2/leasing names widened 2-5bps. AMCs were muted without much conviction. AT1 space softened a touch and were at most 0.25pt lower, more on the NC26/27 papers, while short-end NC23 papers even traded slightly higher on the support of real money cash allocation buying flows. In TMTs, BABA/TENCNT 10-year papers were roughly unchanged while better sellers were seen in the long-end part of the curve. IG properties were unchanged to 3pts lower, as we saw long-end papers also underperformed on the back of RM selling. LNGFORs/VNKRLEs retreated 1.5-4pts across the curve. China HYs had a quiet Monday session as investors were reluctant to add into beta positions before year-end. SINOCEs/COGARDs were traded down 1-3pts. Quality names slightly underperformed, with AGILEs fell 2-4pts and AGILE 25-26s were still traded from mid-30s to low-40s. FUTLANs/FTLNHDs lowered 0.5-1.5pts. Beaten down names CENCHIs/CHINSCs were 0.5-1pt lower. Elsewhere, HPDLF '24 jumped 7pts to close at mid-50s. In industrial space, FOSUNs grounded 0.5pt higher. ANTOIL '22 and CHIOIL '23 were quoted at 96 and 98.5 level, respectively, before into the evening CHIOIL outlook was changed to negative by Moody's. Later after Monday close, ANTOIL announced that it has further repurchased USD50.623mn of ANTOIL 7.5 '22. VEYONG '26/WESCHI '26 drifted about 1pt lower. Macau gaming names on average fell 2pts on the back of the worsening China COVID situation, with MPELs/SANLTDs/WYNMACs lowered 1-2.5pts. Away from China, Indian renewables like GRNKEN/RPVIN slightly dipped 0.5pt. The Caa1-rated mining conglomerate, VEDLNs first dropped 3-4pts and then ended at 1-2pts lower against last close after VRL surprisingly delayed its interim results release, "in view of the non-availability of Directors due to unforeseen circumstances". Indonesian quasi-sovereign benchmarks were largely unchanged skewed to better selling.

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In the LGFV/SOE Perp space, market was slightly weaker while the tone in LGFVs were rather mixed. GZINFU 4.75 '24 closed 1-2pts further lower in the AM session as Chinese RM continued to offload the exposure after Friday's headlines/noises, whilst GZINFU 2.85 '26 also retraced 1-2pts. We continued to see better buying interests in ZHHFGR/CNSHAN curves. Otherwise, rest of LGFV space was largely stable amid light two-way flows, with generally high-yielding short-dated papers supported by corp and PB buyers whereas institutional clients showed better selling interests overall. SOE Perps on the other hand were sought-after led by quality c23/c24 issues thanks to leveraged deployment flows that were looking to enhance carry. HAOHUA 10-year papers were roughly unchanged due to the support of RM buying on the HAOHUA 5-years and thus long end papers were not selected as the short target for the FM accounts. SINOPE slightly widened 3-5bps. Overall, we had a slow day perhaps as most set their sights on the World Cup.

❖ Last Trading Day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
HPDLF 7 05/18/24	54.8	6.8	AGILE 5 1/2 05/17/26	34.9	-4.0
GRNLHK 10.21 PERP	60.5	3.5	VNKRLE 3.975 11/09/27	73.6	-3.9
ANTOIL 8 3/4 01/26/25	55.5	3.2	LNGFOR 4 1/2 01/16/28	58.4	-3.7
COGO 2.45 02/09/26	71.5	2.9	LNGFOR 3.95 09/16/29	53.3	-3.4
CHEDRP 2 1/2 12/01/25	47.1	2.7	SINOCE 3.8 04/26/25	39.9	-3.2

Macro News Recap 宏观新闻回顾

Macro – U.S. stock markets were weak yesterday, the S&P (-0.39%), Dow (-0.13%) and Nasdaq (-1.09%) closed down as investors re-evaluated the Fed's following interest rate policy as there are some hawkish comments recently, though latest CPI/PPI were lower than the expectation. The U.S. treasury yields were divergent yesterday with short term yields up and long term yields slightly down, 2/5/10/30 yields reached 4.48%/3.97%/3.83%/3.91%, respectively.

❖ Desk analyst comments 分析员市场观点

➤ Li & Fung: Tender offer to repurchase LIFUNG 4.5 08/18/25

Li & Fung announced the tender offer for LIFUNG 4.5 08/18/25 on 21 Nov'22, following the offer for its LIFUNG 4.375 10/04/2024 announced at end-Oct'22. The company intends to purchase up to USD250mn out of its total USD600mn notes outstanding. It has the discretion over the final maximum acceptance amount, and will announce the amount after the early deadline on 6 Dec. Notes validly tendered on or prior to the early deadline will be accepted in priority to other notes after the early deadline. If the amount tendered on or prior to the early deadline result in exceeding the maximum acceptance amount, validly tendered notes will be accepted on prorated basis and no notes will be accepted after early deadline (unless the maximum acceptance amount is increased).

Given the latest price of LIFUNG 4.5 08/18/25 is 83.5, the offer price at 87.5 shall be attractive for holder to submit the tender. Assuming the maximum amount of USD250mn was accepted, together with the early tendered due-24 notes, these two rounds of tender offer would lower the total notes outstanding by USD627.7mn, representing a decrease of 35.9%.

Regarding the tender offer of LIFUNG 4.375 10/04/2024, Li & Fung has completed the early settlement of USD377.7mn tendered, and outstanding amount after the settlement is USD122.3mn. Indeed, after the early deadline of 10 Nov'22, the company increased the consideration for notes tendered after early deadline from 89

to 94 on 12 Nov'22, matching the consideration of early deadline. The expiration deadline of the tender offer for LIFUNG 4.375 10/04/2024 will be on 28 Nov'22.

Details of the tender

Notes	LIFUNG 4.5 08/18/25
Outstanding	USD600mn
Maximum acceptance amount	USD250mn
Consideration before early deadline	USD87.5
Consideration before expiration deadline	USD84.5
Early deadline	6 Dec'22
Expiration deadline	20 Dec'22

Notes (in USDmn)	Original principal	o/s amount as of 22 Nov'22	Assuming Max. amount is accepted	Current price
LIFUNG 4.375 10/04/2024	500	122.3	122.3	93.2
LIFUNG 4.5 08/18/2025	600	600	350	83.5
LIFUNG 5.25 perp (next callable 05/03/2023)	650	650	650	49.7
Total	1750	1372.3	1122.3	

➤ Offshore Asia New Issues (Priced)

Issuer/Guarantor	Size (USD mn)	Tenor	Coupon	Yield	Issue Rating (M/S/F)
Jinan Rail Transit Group Co.	USD200	364d	6.75%	6.75%	-/-A-

➤ Offshore Asia New Issues (Pipeline)

Issuer/Guarantor	Currency	Size (USD mn)	Tenor	Pricing	Issue Rating (M/S/F)
Zhongyuan Dayu International (BVI) Co., Ltd.	USD	-	2yr	7.5%	-/-BB+
Bank of Communications Co., Ltd. Hong Kong Branch	USD	-	3yr	T+100	-/A/-
Shangrao Investment Holdings International Company Limited	USD	-	3yr	8.0%	-/-BBB-

➤ News and market color

- Regarding onshore primary issuances, there were 35 credit bonds issued last Friday with an amount of RMB35bn. As for Month-to-date, 849 credit bonds were issued with a total amount of RMB976bn raised, representing a 31.5% yoy decrease
- [CCAMCL]** China Cinda Asset Management got CBIRC approval for issue of up to RMB10bn (cUSD1.4bn) financial bonds

- **[GZINFU]** Guangzhou Industrial Investment disputed its vehicle currently has obligations over defaulted HKD 234.8mn-outstanding Luso Bank loan despite top-up agreement
- **[HRINTH]** CBIRC agrees to CITIC Group accepting around 3% of company's shares held by China's MOF, CITIC Group will become the largest shareholder with 26.46% stake; Huarong commenced process for proposed disposal of certain non-performing assets via listing-for-sales
- **[KAISAG]** Media reported Kaisa Group postponed debt restructuring discussions with offshore creditors as it waits for uncertainty around property sector to subside
- **[LMRTSP]** LMIRT chose not to redeem SGD120mn 6.60% perps on 19 Dec, distribution rate to be reset as SDSW5+4.755%
- **[MOLAND]** Majority consenting creditors consent to further extension of longstop date of RSA to 25 Nov
- **[SUNAC]** Media reported that Sunac proposed to extend all RMB-denominated bonds to as far as 2027. The company's outstanding onshore bonds including ABS were RMB15.4bn (cUSD2.15bn)
- **[VEDLN]** Vedanta Resources delays announcement FY23 interim results in view of non-availability of directors

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