

CMBI Credit Commentary

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

- *Media reported that Guangxi Liuzhou city's LGFVs are set to swap some of their bonds due in next two years with cRMB30bn of bank loans. The government of Liuzhou provided cRMB50bn of state-owned assets as collateral to ask banks to grant the credit lines to its LGFV.*
- *Hopson: Businesses have been largely as usual. We maintain buy on HPDLFs. HPDLFs rose c0.5pt this morning. See below.*
- *AACTEC: Weak 1H23 results in line with profit warning while liquidity continued to improve. AACTECs moved -0.5 to +0.25pt post the 1H23 results. Maintain Buy on AACTECs. See below.*

❖ Trading desk comments 交易平台市场观点

UST 2y yields tightened 14bps to 4.9% yesterday, following lower-than-expected JOLTS data. Asia ex-JP IG space performed softly amid weak sentiment. AMC was the spotlight of the day. The market was concerned if Great Wall AMC failed to release its FY22 annual report by the end of grace period on 28th Aug. The GRWALL curve was traded down 2.5-4.5pts under heavy selling. GRWALL perp moved 2.75pts lower to close at 89.5. Among other AMCs, HRINTH curve was dragged down 1.5-2.5pts. CCAMCL/ORIEAS curves also widened 5-10bps. We see the price movement presented a good entry opportunity. See our comments on 29 Aug'23. Chinese SOE/TMT benchmarks such as HAOHUA/BABA/TENCNT papers edged 1-4bps wider. Meanwhile Chinese bank T2 space performed mixed with active two-way flows. BCHINA 24s/CCB 29s were better bid, supported by robust cash parking needs. Whilst CCB 30s/BOCOHK 31 were under better selling. In non-China space, LGCHM 25s were under better buying. SG bank T2 papers such as OCBCSP/UOBSP T2s were better bid. HK IG papers such as CKHH/HKLSP 33s widened 3-8bps. HK Corp perps performed mixed. NWDEVL perps recovered 3-4pts. NWSZF perp was up 0.5pt. NANFUN/REGH/FWDGHD Perps, on the other hand, declined 1.5-2pts. CKPH/CKINF/AIA/HSYAN Perps were marked 0.5-1pt lower. HK/Chinese properties were firm. HPDLF '24 was traded 3.5pts higher post strong 1H23 results. DALWAN 24-26s gained 1-3pts. AGILEs/GRNLGRs were bid up 0.75-1.5pts. In industrials, ANTOIL '25/AACTEC '31s were marked 0.5pt lower. Macau gaming names were muted. In Indian space, VEDLNs were quoted down 0.75pt. Indonesian space was quiet.

LGFV space was largely firm. The high-yielding (8%-10% or above) LGFVs continued to be sought-after by Chinese RMs. CQNANA 24s/GXFING 23s were indicated 0.1-0.15pt higher. CQLGST was better bid post the announcement of issuing 4-yr MTNs of RMB300mn (USD41.14mn). Elsewhere, SOE Perps were largely stable, with two-way flows among RMs primarily driven by month end rebalancing needs and cash management

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demands. CHSCOI/CHPWCN perps were well bid. Selected high-beta names such as CPDEV/CHOHIN remained weak amid better selling flows from RMs/PBs. FRESHK/SUNSHG 24-26s remained better offered to be quoted 0.25pt lower.

❖ Last Trading Day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
NWDEVL 5 1/4 PERP	56.8	4.0	GRWALL 2 3/8 08/18/30	63.1	-4.6
HPDLF 7 05/18/24	72.8	3.6	GRWALL 4 1/4 04/28/25	90.0	-3.9
NWDEVL 4.8 PERP	40.6	3.4	GRWALL 3 7/8 08/31/27	82.5	-3.7
DALWAN 7 1/4 01/29/24	53.4	3.1	GRWALL 3.95 PERP	89.8	-2.8
NWDEVL 6 1/4 PERP	46.8	3.1	GRWALL 2 7/8 11/23/26	82.7	-2.8

❖ Marco News Recap 宏观新闻回顾

Macro – S&P (+1.45%), Dow (+0.85%) and Nasdaq (+1.74%) rallied as treasury yields retreated on Tuesday. US Aug consumer confidence index issued by The Conference Board was 106.1, down from 114 in Jul and lower than expectation of 116. US Jul JOLTs job opening fell to 8.82mn from 9.16mn in Jun and lower than expectation of 9.46mn. US treasury yields retreated yesterday, 2/5/10/30 yield reached at 4.87%/4.26%/4.12%/4.23%, respectively.

❖ Desk analyst comments 分析员市场观点

➤ Hopson: Businesses have been largely as usual

HPDLFs offer good value; maintain buy

Offered at 82.1 and 70.0, HPDLF'23 and '24 are trading at YTM of 73.7% and 65.7%, respectively. We continue to see Hopson a survivor for the sector and consider the current valuations of HPDLFs offer attractive risk-return profile. We maintain buy on HPDLFs in view of its solid operating performance in a very challenging environment, manageable debt maturities and adequate liquidity profile, supported by its offshore financial investments and high quality investment properties (IPs). As repeatedly discussed before, we are impressed with Hopson's proven track records in full repayments in tough funding environment. Recalled that it repaid, rather than refinanced, CBs of RMB1.8bn in Feb'10, straight bonds of USD350mn in Sep'12, USD300mn in Jan'18, HKD720mn in Jul'22 and CBs of USD250mn in Jan'23 in a challenging market environment.

	O/S (USD mn)	Maturity	Coupon	Offer price	YTM (%)
HPDLF 6.8 12/28/23	237.5	12/28/2023	6.80%	82.1	73.7%
HPDLF 7 05/18/24	300	5/18/2024	7.00%	70.0	65.7%

Source: Bloomberg.

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➤ AACTEC: Weak 1H23 results in line with profit warning while liquidity continued to improve

Security Name	o/s amount (USD mn)	Ask Price	YTM (Ask)	Rating (M/S/F)
AACTEC 3.75 06/02/31	350	67.6	9.82	Baa3/-/-

AACTEC 2.625 06/02/26	300	84.2	9.25	Baa3/-/
AACTEC 3 11/27/24	388	94.3	7.89	Baa3/-/

Source: Bloomberg.

AAC Tech's 1H23 revenue and EBITDA declined 2.0% and 23.1% yoy to RMB9.2bn and RMB1.5bn, respectively. Its profit attributable to owners of the company was down 57.1% yoy to RMB150mn. These were attributable to weak global consumer electronics market, in line with the profit warning. By segment, the revenue of Acoustics/ ED&PM/Optics/ MEMS were -19.7%/+23.5%/-4.4%/+3.2% yoy. As of Jun'23, AAC had RMB7.1bn cash on hand, increased from RMB6.8bn in Dec'22 while its short-term debts was RMB1.6bn in Jun'23. On the other hand, AAC continued to lighten its debts. As of Jun'23, the company's net debts were RMB2.7bn, declined from RMB3.6bn in Dec'22 although debt/LTM EBITDA increased to 3.0x in 1H23 from 2.7x in 1H22 on lower EBITDA. ACC Tech budgeted FY23 capex of RMB1.5bn, down 10% from that of FY22. The 2H23 capex will therefore be cRMB0.9bn. Capex for FY24 will be lower than that of FY23..

Regarding the acquisition of PSS. AAC Tech will purchase 100% shares of PSS in two tranches: 1). USD320mn (cRMB2.3bn) for 80% PSS shares to be paid around Dec'23 and 2). Up to USD204.6mn (cRMB1.5bn) for 20% PSS shares to be paid around mid-2025 or Apr'26/27 if the second tranche was postponed by mutual agreement. The specific transaction amount of second tranche will be calculated by PSS's future EBITDA and net debts. AAC Tech plans to use internal resources and facility obtained to fund the acquisition and expects to consolidate PSS into reports in 1H24. As per AAC Tech, PSS's revenue is cEUR450-500mn per year with 5-8% net profit margin.

Moody's affirmed AAC Tech's Baa3 rating while revised the outlook to negative from stable post the acquisition announcement and may downgrade AAC Tech if its sales/EBITDA weakens or liquidity deteriorates such as adjusted debt/EBITDA exceeds 3.5x in next 12-18 months. On a proforma basis, we estimate AAC Tech's debt/EBITDA to be 3.3x (vs downgrade trigger of 3.5x) after the payment of first tranche and consolidating PSS operations. We expect AAC Tech's revenue and profit will be improved along with the recovery of global consumer electronics market. We maintain Buy on AACTECs. AACTECs moved -0.5 to +0.25pt post the 1H23 results.

➤ Offshore Asia New Issues (Priced)

Issuer/Guarantor	Size (USD mn)	Tenor	Coupon	Priced	Issue Rating (M/S/F)
Haiyan County State-owned Assets Management	122	3yr	5.9%	5.9%	-/-/BBB-

➤ Offshore Asia New Issues (Pipeline)

Issuer/Guarantor	Currency	Size (USD mn)	Tenor	Pricing	Issue Rating (M/S/F)
Aozora Bank Ltd	USD	-	3yr	T+160	-/BBB+/-
Hefei Industry Investment	USD	-	3yr	6%	-/-/BBB

➤ News and market color

- Regarding onshore primary issuances, there were 84 credit bonds issued yesterday with an amount of RMB118bn. As for Month-to-date, 1,940 credit bonds were issued with a total amount of RMB1,742bn raised, representing a 11.5% yoy increase

- **[AGILE]** Agile Group's subsidiary, Guangzhou Panyu Agile Realty Development delayed the disclosure and expected to disclose 1H23 results by 30 Sep
- **[CCAMCL]** China Cinda AMC 1H23 revenue down 16.9% yoy to USD4.7bn and pre-tax profit down 23.9% yoy to USD734.3mn
- **[CHINSC]** China SCE Group 1H23 revenue fell 38.4% yoy to USD1.3bn and pre-tax loss narrowed to USD144mn from USD300.6mn in 1H22
- **[COGARD]** Country Garden sold 1.25% stake at HKD0.77 per share for HKD270mn to repay a HKD318.8mn loan, an effective debt to equity swap for Kingboard; COGARD proposed extra 10-day grace period for due-2 Sep panda bonds while trying to push through contentious term-out.
- **[CRHZCH]** China Resources Land 1H23 revenue up 0.1% yoy to USD10bn and pre-tax profit up 16.4% yoy to USD3.2bn
- **[GCLNE]** GCL New Energy dropped 24.2% yoy to RMB422.8mn in 1H23 and loss narrowed to RMB115.7mn from RMB410.4mn in 1H22
- **[GRNCH]** Greentown said it obtained bank's approval to refinance its USD200mn loan due at year end and got existing banks' approval for refinancing USD240mn for USD600mn offshore loan due in 1H24; the company proposed to offer up to RMB1bn three-year MTNs to repay debts
- **[HAIDIL]** Haidilao 1H23 revenue up 24.6% yoy to USD2.6bn and pre-tax profit rose 13.9x to USD386mn
- **[HRINTH]** China Huarong AMC 1H23 revenue rose 143% yoy to USD4.9bn and operating loss narrowed to USD822mn from USD2.9bn in 1H22
- **[KMRLGP]** Fitch withdrawn Kunming Rail Transit Group's BBB- ratings as the company has chosen to stop participating in the rating process
- **[MONMIN]** Mongolian Mining set 12.5% coupon rate for new notes in connection with exchange offer for outstanding 9.25% due-2024s
- **[PDD]** PDD 2Q23 revenue rose 66.3% yoy to USD7.1bn and net profit increased 47.3% to USD1.8bn

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