

CMBI Credit Commentary

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

- *LGFV sector were hit this morning, as Guangzhou LGFV received lawsuit of a defaulted USD234.8mn outstanding loan. The sector soon rebounded a bit with buying flow from onshore. AT1s also retreated from yesterday, ICBCAS 3.58/3.2 down 0.25/0.5 pt, respectively.*
- **Chinese Properties:** CHINSC, FUTLAN, HOPSON, LNGFOR, ROADKG and TPHL could be candidates for equity-related financing. See below for more discussions.
- **DEXICN:** Media reported that Dexin China proposes an exchange offer for its sole USD348mn bond DEXICN 9.95 12/03/22 to extend maturity for 2 years.

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❖ Trading desk comments 交易台市场观点

Yesterday, China IG spreads were generally 3-8bps wider as more profit takers came out amid a wave of onshore fund redemption. Financials space was a bit mixed. HRINTHs prices were 1-2pts lower especially on the belly and long end, under some profit taking mood while CCAMCL tightened 10-20bps. T2s/leasing outperformed on RM buying, with spreads tightened 5-10bps. CCB T2 continued to be 5-8bps tighter. TMTs spreads were 2-5bps wider, taking a breather after a relentless run up. MEITUA'30 stabilized to +0.5pt higher than last close after Wednesday's 1-2pt drop post TENCNT's divesting with special dividend announcement. High beta tech names like LENOVO/WB/XIAOMI tightened 4-6bps under better buying interests, and TENCNT 30/31 ended stable at T+195/T+192 level post Tencent's better than expected earnings. IG properties were broadly down 1-4pts and showed more profit taking flows. LNGFORs fell 4-5pts after LNGFOR's rating outlook being revised to negative outlook by Fitch on Wednesday night. VNKRLs were 1-2pt lower but still fluctuated at mid-90s, after having surged 3-19pts from prior 16-point levels. China HYs were weak with property bonds prices down 0.5-3pt on average. Early movers in high-beta benchmarks started to lose steam after the rally of the past few sessions, COGARDs were traded down 4-7pts though the whole curve was still traded at 20+ pts off the lows. COGARD '23 was indicated at 90/93 level and rest of the curve were traded from low-20s to high-30s. Among CBIC-back names, AGILEs were up 2-3.5pts as the upbeat momentum on equity replacement extended from Wednesday. AGILE 25-26s were now indicated at low-to-mid 40s. FUTLAN'23 was traded up 8pts to close at 72/75 level and rest of the FUTLANs/FTLNHDs moved 1.5-3.5pts lower due to lack of demand. However, there are some catch ups on low-cash names with some decent demand, CHINSCs/KWGPROs were up 2-4pts. Whilst CIFIHG 24-27s were still traded roughly stable at low-teens. In industrial space, FOSUNIs up 1-2.5pts on retail buying. WESCHI/VEYONG 26s moved about 1pt lower. CARINC '24 was traded up 4pts post investor call.

Macau gaming sector lowered 0.25-1pt in line with overnight macro weakness with clients flows skewed to better seller, amid thin liquidity. Ex-China had a small pull-back. In India HYs, VEDLNs lowered 0.5-1pt with dealer hitting street. In Indonesian HYs, LMRTSP/LPKRIJ were hit down 3-5pts with FM selling after Moody's downgraded Lippo Malls Indonesia Retail Trust (LMIRT) to B3.

The LGFV/SOE Perp/AT1 spaces had a largely stable day in the spaces, market was a touch firmer as overall flows were skewed to slightly better buying. Flow wise, Chinese accounts on and offshore continued to deploy from the cash balance they had held albeit in a less urgent fashion compared to earlier this week, whilst foreign accounts remained better seller of papers as the risk offloading/cleanup in the spaces went on. Specifically, in LGFV beaten 24s papers at low-90s cash prices and yielding high-single-digit or above were sought after, as the likes of CQNANA 4.66 24 remained offer-less. Meanwhile quality 24s/25s continued their way back to low-6% driven by cross border buying short covering. In SOE sector, perps were unchanged to 0.25pt higher with more buying from Chinese AM/ Prop. Oil names outperformed with SINOCH'30 tightened around 20bps, and we continued to see the Chinese accounts chasing beta names HAOHUA/SINOCH for higher yields. Quality SOE perps c23-25 had decent demand at 6% or above. Elsewhere, AT1s remained largely technical/ positioning driven amid continuous short covering in ICBCAS 3.2/ CINDBK 7.1 Perp/ BOCHKL 5.9 Perp etc.

❖ Last Trading Day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
CARINC 9 3/4 03/31/24	82.2	4.3	COGARD 8 01/27/24	41.6	-7.0
GRNLGR 7 1/4 01/22/25	17.4	2.9	COGARD 6 1/2 04/08/24	38.4	-6.7
JINCHU 4 02/10/24	90.0	2.5	FUTLAN 4.45 07/13/25	43.5	-5.9
GLPCHI 2.6 02/09/24	65.0	2.0	LNGFOR 3.85 01/13/32	53.7	-5.7
CCAMCL 4 3/4 02/21/29	89.0	2.0	LNGFOR 4 1/2 01/16/28	63.4	-5.6

❖ Macro News Recap 宏观新闻回顾

Macro – U.S. stock markets slightly down yesterday, the S&P (-0.31%), Dow (-0.02%) and Nasdaq (-0.35%) were affected by several Fed officials hawkish comments about interest hikes, the markets expect that interest rate peak will be higher than the interval of 4.75% to 5%. U.S. latest initial claims of unemployment were 222k, dropped 4k compared to last week. The U.S. treasury yields edged higher yesterday, the 2/5/10/30 yields reached 4.43%/3.93%/3.77%/3.89%, respectively.

❖ Desk analyst comments 分析员市场观点

- CHINSC, FUTLAN, HOPSON, LNGFOR, ROADKG and TPHL could be candidates for equity-related financing

Company	BBG Ticker	Stock Code	Lowest Price since 30 Sep'22	Close Price on 17 Nov'22	Increase
CIFI Holdings	CIFIHG	0884.HK	0.39	1.19	205%
Logan Property	LOGPH	3380.HK	0.32	0.96	200%
Country Garden	COGARD	2007.HK	1.01	2.79	176%
Times China	TPHL	1233.HK	0.49	1.18	143%
KWG Property	KWGPRO	1813.HK	0.76	1.82	139%
Dafa Properties	DAFAPG	6111.HK	0.06	0.13	135%
Future Land	FUTLAN/FTLNHD	1030.HK	1.26	2.88	129%
Redsun	REDSUN/HONGSL	1996.HK	0.25	0.56	127%
Zhongliang	ZHLGHD	2772.HK	0.34	0.70	106%
Longfor	LNGFOR	0960.HK	10.00	20.40	104%

Dexin China	DEXICN	2019.HK	0.50	0.96	92%
Jiayuan	JIAYUA	2768.HK	0.13	0.24	90%
Guangzhou R&F	GZRFPR	2777.HK	1.07	2.00	87%
Zhenro Properties	ZHPRHK	6158.HK	0.21	0.39	87%
Sino-Ocean	SINOCE	3377.HK	0.51	0.94	84%
Powerlong	PWRLNG	1238.HK	0.64	1.17	83%
China SCE	CHINSC	1966.HK	0.41	0.74	83%
Ronshine China	RONXIN	3301.HK	0.44	0.78	79%
Yuzhou Properties	YUZHOU	1628.HK	0.20	0.36	75%
Agile	AGILE	3383.HK	1.49	2.59	74%
Roadking	ROADKG	1098.HK	2.22	3.57	61%
Greentown	GRNCH	3900.HK	7.47	11.60	55%
Central China Real Estate	CENCHI	0832.HK	0.21	0.32	53%
Hopson	HPDLF	0754.HK	6.00	8.50	42%
China Overseas	CHIOLI	0688.HK	14.70	20.00	36%
China Resources Land	CRHZCH	1109.HK	24.60	33.05	34%
Gemdale	GEMDAL	600383.SH	7.68	10.30	34%
Yuexiu Property	YUEXIU	0123.HK	6.49	8.62	33%
China Vanke	VNKRLE	2202.HK	10.08	13.34	32%
Radiance	JNHUIG/RDHGCL	9993.HK	3.02	3.84	27%
Greenland Holding	GRNLGR	600606.SH	2.62	3.03	16%
Poly Real Estate	POLYRE	600048.SH	13.61	15.70	15%
Redco Properties	REDPRO	1622.HK	1.63	1.72	6%
Aoyuan Property	CAPG	3883.HK		Suspension	
Jingrui Holdings	JINGRU	1862.HK		Suspension	
Shimao	SHIMAO	0813.HK		Suspension	
Sunac China	SUNAC	1918.HK		Suspension	

Source: WIND

COGARD announced to raise HKD3.92bn (cUSD500mn) via share placement on 15 Nov'22, while AGILE followed suit with a private placement of HKD790.6mn (cUSD101mn) on 16 Nov'22. We believe that developers with a strong recent equity performance and are not in default or pending on holistic debt restructuring plans are candidates to shore up their liquidity through equity or equity-related financing. In our view, candidates for equity or equity-related financing are CHINSC, FUTLAN, HOPSON, LNGFOR, ROADKG and TPHL. We ruled out some outperformers in this rally such as CIFI and Logan as we believe as any equity or equity-related financing will only come along with the holistic debt restructuring plans.

Amongst names we highlighted, Hopson appears to be the one with the strongest incentive for equity and equity-related funding in view of its CBs of USD250mn due Jan'23. See table below of the maturity profiles of names we highlighted.

On the other hand, there are various supportive measures announced by the government to boost the liquidity in the property market: The 16 measures issued by PBOC and CBIRC to encourage financial institutions to extend liquidity to both state-owned and privately-owned developers; and a joint notice issued by CBIRC, PBOC and MOHURD to encourage commercial banks to issue guarantee letters to support developer. While there is not too much concrete details on these measures, we envisage that commercial banks are likely to extend credit lines to higher quality names to start with, distressed developers and offshore creditors of these developers may not be benefited much from these measures in the near-term.

Offshore (USDmn)	2022	2023	2024	2025	2026	2027+	Total
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CHINSC 7.25 04/19/23	500					
CHINSC 7.375 04/09/24		500				
CHINSC 5.95 09/29/24		450				
CHINSC 7 05/02/25			500			
CHINSC 6 02/04/26				350		
						2300
FUTLAN 6.15 04/15/23	200					
FUTLAN 6 08/12/24		250				
FUTLAN 4.45 07/13/25			300			
FTLNHD 7.95 06/01/23	100					
FTLNHD 6.8 08/05/23	350					
FTLNHD 4.8 12/15/24		450				
FTLNHD 4.625 10/15/25			300			
FTLNHD 4.5 05/02/26				404		
						2354
HPDLF 8 01/06/23	250					
HPDLF 6.8 12/28/23	237.5					
HPDLF 7 05/18/24		300				
						787.5
LNGFOR 3.85 01/13/32					400	
LNGFOR 3.375 04/13/27					245	
LNGFOR 3.95 09/16/29					850	
LNGFOR 4.5 01/16/28					500	
						1995
ROADKG 5.125 07/26/26					500	
ROADKG 5.2 01/12/26					500	
ROADKG 6 09/04/25			339			
ROADKG 5.9 03/05/25			267			
ROADKG 7.75 PERP		300(callable)				
ROADKG 6.7 09/30/24		480				
ROADKG 7.875 02/01/23	400					
ROADKG 7 PERP	300(callable)					
ROADKG 7.95 PERP	300(callable)					
						3386
TPHL 6.6 03/02/23	300					
TPHL 6.75 07/16/23	500					
TPHL 5.5 06/04/24		500				
TPHL 6.75 07/08/25			550			
TPHL 6.2 03/22/26				450		
TPHL 5.75 01/14/27					350	
						2650

Source: Bloomberg

➤ Offshore Asia New Issues (Priced)

Issuer/Guarantor	Size (USD mn)	Tenor	Coupon	Yield	Issue Rating (M/S/F)
Bank of China Limited, Luxembourg Branch	USD500	3yr	SOFR+95	SOFR+95	A1/A/A
Chengfa Industrial (BVI) Company Limited	USD105	364d	6.5%	6.5%	-/-/-

➤ Offshore Asia New Issues (Pipeline)

Issuer/Guarantor	Currency	Size (USD mn)	Tenor	Pricing	Issue Rating (M/S/F)
Shaanxi Yushen Energy Development and Construction Group	USD	85	3yr	7.0%	-/-/-
DoubleDragon Corporation	USD	160	2.7yr	7.25%	-/-/-

➤ News and market color

- Regarding onshore primary issuances, there were 44 credit bonds issued yesterday with an amount of RMB36bn. As for Month-to-date, 803 credit bonds were issued with a total amount of RMB935bn raised, representing a 27.5% yoy decrease
- [DEXICN]** Media reported that Dexin China proposes an exchange offer for its sole USD348mn bond DEXICN 9.95 12/03/22 to extend maturity for 2 years
- [EVERRE]** Media reported that China Evergrande to kick off talks on debt restructures next month; to use onshore assets as additional credit enhancement
- [FOSUNI]** Fosun expects to receive remaining up to RMB8bn from Nanjing Iron sale early next year
- [FTLNHD]** Seazen Group announced that NAFMII has accepted its application to issue up to RMB15bn MTNs
- [KWGPRO]** Media reported that holders of KWG Group USD625mn KWGPRO 5.875 11/10/24 have not received the 10 Nov coupon yet
- [SHNSUN]** Shinsun Holdings expected around RMB5.6mn profit from disposal of property development projects in Zhejiang
- [SINOCE]** Sino-Ocean unit completed redemption of RMB1bn, 4.29% due-21 Nov bonds
- [SOFTBK]** S&P changed SoftBank Group outlook on BB+ rating to negative from stable

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