

CMBI Credit Commentary

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

- *Markets were stable this morning. We saw more short covering on AT1 and short-dated to call SOE Perps while sellers were also trying to seize the liquidity window to offload. LGFV sector were largely stable, LZINVE/BEIPRO up 0.5pt by mid-day.*
- **SHINFN 5.875 Perp:** *The conviction is even higher after Heungkuk's u-turn on non-call. See below.*
- **LNGFOR:** *Ready to redeem LNGFOR'23 before year-end, and on market purchases to support longer-dated LNGFORs. LNGFOR'23 rebounded 7pts and other longer-dated LNGFORs up 15-19pts since 31 Oct. See below.*

❖ Trading desk comments 交易台市场观点

Yesterday, China IG space embraced a firmer session with some more short covering on financials/properties. Financials were initially under better selling, but sentiment significantly revived in the PM session post the headlines on Heungkuk Life's U-turn to exercise call as planned. HUKLFI jumped 25pts to 97/100 level before close. All lifers rebounded hard, TYANLI/KYOBOL Perps bounced off 7-10pts from the lows. In broader Korea financials, WOORIB/CITNAT/KEBHN Perps were all 4-5.5pts higher. SHINFN Perps recovered last week's loss by closing up 4.5-6pts yesterday. There were better buying flows on Bank T2s. AMCs remained under pressure, with CCAMCL/ORIEAS 0.5pt lower. AT1s space broadly bounced back by 1-3.5pts thanks to onshore RM buying c23 papers at 7%+, short covering in Big 5 names, and PB interests in high yielding papers like CHOHIN. Benchmark AT1s like BCHINA/ICBCAS were broadly up 0.5pt. HK-based bank Perps like BNKEA/NANYAN Perps also bounced back 4-5pts.

TMTs were unchanged to 2-3bps tighter. 20-30y BABA/TENCNT were still under better selling whilst 10y benchmarks were unchanged in spreads. IG properties notably outperformed with RM chasing. LNGFOR '27 jumped 10.5pts to low-40s, while LNGFOR 28-32s rebounded 4-8pts to end at mid-30s. YUEXIU/VNKRLE 23-27s were traded up 2-6.5pts with YUEXIU 26s/VNKRLE 24s were traded back to low-70s. CHJMAO 26/29s were also traded up at 55/45 level, respectively. China HY space opened a touch weaker as market on China reiterated its strict stance towards Covid Zero Policy over the weekend. COGARDs were up 0.5-1.5pts at low-teens, CIFIHGs were unchanged. Elsewhere, FUTLANs/GRNLGRs were up 1.5/2.5pts, respectively. Among HK names, CPDEV/HYSAN/NWDEVL Perps recovered 1-2pts. Non-properties space was mixed amid active two-way flows, In industrials space, FOSUNI 5.95 '23 was better bid by retail whilst ANTOIL was down 4pts. Macau gaming space was under better selling, MPELs/WYNMACs dipped 0.5pt and SANLTDs 30-31s down 3-5pts.

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Ex-China HY was mixed. India HY had a rather muted day. ADANIGs/VEDLNs were 0.5pt higher. Indonesian HY APLNJ'24 was down 4pts.

In the LGFV/SOE Perp space, we saw better buying from Chinese asset managers on SOE Perps, in particular papers callable 1Q/1H23 and, to a lesser extent, some of the beaten c24 papers. SOE spreads were unchanged with some core SOEs like CHALUM/SINOCH outperforming. LGFVs however remained better offered as global RM resumed the offloading of bonds, mainly on those 1-2y yieldy issues, whilst onshore RM were trying to switch out 3-4y papers at ~7% where buying interests would be fairly limited, as most marginal buyers now require low-to-mid-7% for papers maturing beyond 2022. Selective high-beta LGFVs outperformed, LZINVE '22 was up 2pts.

❖ Last Trading Day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
HUKLFI 4.475 PERP	97.5	25.5	HLINSU 4.7 PERP	80.0	-17.5
LNGFOR 3 3/8 04/13/27	41.5	10.5	GWFOOD 2.349 10/29/25	79.3	-6.0
TYANLI 5 1/4 PERP	67.4	10.3	APLNJ 5.95 06/02/24	39.8	-4.2
LNGFOR 4 1/2 01/16/28	38.8	7.6	ANTOIL 8 3/4 01/26/25	48.4	-4.1
YUEXIU 2.8 01/20/26	72.5	6.3	SANLTD 4 3/8 06/18/30	79.0	-3.1

❖ Macro News Recap 宏观新闻回顾

Macro – U.S. stock markets got another rebound yesterday, the S&P (+0.96%), Dow (+1.31%) and Nasdaq (+0.85%) closed higher and markets are waiting for midterm election result on Tuesday. October U.S. CPI will be published on Thursday and the market expectation is +7.9% yoy, slightly dropped from +8.2% yoy in Sep. China exports/imports declined by 0.3%/0.7% yoy in Oct due to USD appreciation. The U.S. treasury yields were overall up yesterday, the 2/5/10/30 yields reached 4.72%/4.39%/4.22%/4.34%, respectively.

❖ Desk analyst comments 分析员市场观点

➤ SHINFN 5.875 Perp: The conviction is even higher after Heungkuk's U-turn on non-call

Heungkuk Life's U-turn on non-call revealed Korean regulators' concerns of collateral damage to other Korean issuers. HUKLFI 4.45 PERP rebounded about 20pts after the news and moved another 2 pts higher this morning. As we discussed in our report: [Asian AT1s Part II – Picks on DM AT1s](#), Heungkuk Life is merely the 8th largest insurer in Korea (by premium income) with a market share of only 4%. The regulator's push for U-turn of non-call reinforced our belief that the non-call risk, especially for more systemic important financial institutions such as Shinhan Financial Group, to be low. We continue to view SHINFN 5.875 PERP (callable at Aug'23 at par) a high conviction trade with a YTC of 11.5% even after the perps moved 5-6pts since our report last Fri. We also see DBSSP 3.3 PERP and UOBSP 3.875 PERP offer good value.

Meanwhile, we believe that the near-term performance of Asian AT1 space will benefit from Heungkuk Life's u-turn, especially those with shorts such as BCHINA 3.6 PERP (callable Mar'25) and ICBCAS 3.58 PERP (callable Sep'25). See our report: [Asian AT1s Part I – Our picks on Chinese G-SIBs AT1s](#).

➤ LNGFOR: Ready to redeem LNGFOR'23 and on market purchases to support longer-dated LNGFORs

Longfor conducted an early repayment of offshore loan and a series of USD bonds on-market purchases by controlling shareholder and the company since 31 Oct'22 after former chairperson Wu's resignation. Longfor plans

to repay LNGFOR'23 and the remaining HKD5.1bn syndicated loan before the end of 2022. Since 31 Oct'22, Longfor and the controlling shareholder have purchased a total of USD32mn LNGFORs in principal amount. We understand that the purchases were mainly on LNGFORs'27 and other longer-dated bonds, the bonds purchased by the company is yet to be cancelled.

Date	Event	Size of early redemption/buy back (USD mn)	Remarks
31 Oct'22	Early repayment of syndicated loan of HKD5.1bn	649.7	Loan size of HKD10.21bn due 25 Jan'23
31 Oct'22	Controlling shareholder bought back LNGFOR 3.375% 2027	5	
1 Nov'22	Controlling shareholder bought back USD bonds	2.8	
2 Nov'22	Controlling shareholder bought back USD bonds	5	
2 Nov'22	Longfor bought back USD bonds	1	
3 Nov'22	Controlling shareholder bought back USD bonds	5.2	
3 Nov'22	Longfor bought back USD bonds	4	
4 Nov'22	Controlling shareholder bought back USD bonds	5	
4 Nov'22	Longfor bought back USD bonds	1	
7 Nov'22	Controlling shareholder bought back USD bonds	5	
7 Nov'22	Longfor bought back USD bonds	3	
Total: Early repayment of loan USD649.7mn; Repurchased USD28mn by controlling shareholder and USD9mn by the company			

As per our discussions with Longfor, it has prepared adequate funds to early redeem its LNGFOR 3.9 04/16/23 (o/s USD300mn) before the end of 2022. It has a manageable offshore bonds maturities as the next maturity will be USD250mn due Apr'27. As for onshore debt, the company will have up to RMB9.67bn (including put) repayment/redemption requirements in 2023. We expect Longfor to refinance these onshore. The company is working on the issuance of CBICL-guaranteed bonds and MTNs. YTD, Longfor has issued onshore bonds of RMB6.5bn, including CBICL-guaranteed bonds of RMB1.5bn.

See below table for details of Longfor bonds' maturity

Offshore (USD mn)

Year	2022	2023	2024	2025	2026	2027	2028	2029	2030	Thereafter	Total
Maturity amount		300				250	500	850		400	2,300

Onshore (RMB mn)

Year	2022	2023	2024	2025	2026	2027	2028	2029	2030	Thereafter	Total
Maturity amount		7166.4	5659.9	4500	9000	6300	7700		800	1000	42126.3
Puttable amount		2500	8500	10500	3500	800					25800
Earlier of put or maturity (RMB mn)		9666.4	14159.9	12500	5000	800					42126.3
Earlier of put or maturity (USD mn)		1338.1	1960.1	1730.4	692.1	110.7					5831.5

➤ Offshore Asia New Issues (Priced)

Issuer/Guarantor	Size (USD mn)	Tenor	Coupon	Yield	Issue Rating (M/S/F)
Heze City Investment Holdings International Co., Limited	USD121	364d	7.2%	7.2%	-/-/-

➤ Offshore Asia New Issues (Pipeline)

Issuer/Guarantor	Currency	Size (USD mn)	Tenor	Pricing	Issue Rating (M/S/F)
Jinan Hi-tech International (Cayman) Investment Development	USD	-	3yr	7.2%	-/-/BBB
Zhenjiang Cultural Tourism Industry Group Co., Ltd.	USD	-	3yr	7.1%	-/-/-

➤ News and market color

- Regarding onshore primary issuances, there were 42 credit bonds issued yesterday with an amount of RMB43bn. As for Month-to-date, 279 credit bonds were issued with a total amount of RMB285bn raised, representing a 25.8% yoy decrease
- [CSIPRO]** CSI Properties expected around 50% yoy drop in profit for 6 months ended 30 Sep due to absence of gain on disposal
- [EVERRE]** China Evergrande sold its Chengdu subsidiary to Minmetals International Trust
- [HLBCNH]** Helenbergh China completed offer to exchange outstanding USD350mn 11% senior notes due March 2023 with new 8% notes due November 2024; The company missed interest payment for 11% senior notes due 2023 within grace period
- [HUKLFI]** Heungkuk Life plans to redeem its USD500mn perps and seeks for supports from banks
- [LNGFOR]** Longfor Group controlling shareholder purchased USD5mn of senior notes and company purchased USD3mn of senior note from open market on 7 Nov
- [LOGPH]** Logan offshore-bondholder group has filed multi-jurisdictional winding-up petitions on 4 Nov
- [MONMIN]** Mongolian Mining offers to purchase up to USD100mn of outstanding USD440mn MONMIN 9.25 04/15/2024; S&P downgraded the company by four notches to CC
- [RISSUN]** RiseSun completed consent solicitation for 9.5% senior notes due 2023, 9.5% senior notes due 2024

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