

## CMBI Credit Commentary

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

- *Markets sentiment was overall weak this morning. Onshore AM tended to sell to raise money ahead of the long vacation. AT1/LGFV/SOE PERP widen to 5.3-5.5% (around T+100bps) and buying interests showed at 5.5% level.*
- **LZINVE:** *Lanzhou Construction redeemed its two onshore bonds (o/s RMB1.8bn in total) due on 26/27 Sep. Its next matured bond USD300mn LZINVE 4.15% 11/15/2022 up ~0.25pt and traded at 95 level this morning.*
- **FOSUNI:** *Media reported that ICBC is finalizing approvals to participate in the up to RMB15bn (cUSD2.1bn) syndicate loan issued by Fosun International. FOSUNIs rallied 3.5-6pts since this Monday.*

#### ❖ Trading desk comments 交易台市场观点

Yesterday, IG space opened lackluster with benchmarks moving 3-5bps wider, then the sell-off spread to all sectors throughout the day. Financials space was weak following global risk off and overnight rates surge. Spread products all widened, lower beta AT1s marked 5-10bps wider and higher beta AT1s like NANYAN Perp dropped as much as 1.5pts to 96 level. As UST yields were heading further up 15bps after lunch, a wave of FM selling dragged benchmark AT1s 0.5-0.75pt lower. BNKEA 5.875%'Perp notably fell 5pts after the bank's rumor denying in the afternoon. T2s finally had better selling and the five state bank names were quoted 2-3bps wider. BCHINA/CCB weakened 5bps led by FM selling, while still not significant selling from RM yet. Leasing names like BOCAVI widened 3-5bps. AMCs down 0.5-2pts. TMT benchmarks such as BABA/MEITUA widened 3-5bps. China HYs continued to be under pressure with non-property space outperformed. In industrial sector, FOSUNIs jumped 2.5-4.5pts across the curve after falling 3-6pts last week. HONGQI'24 slightly firmed up 0.5pt post upgraded one notch to Ba2. Gaming sector generally closed 3.5-4.5pts higher, after Macau government announced travel resumptions in the hopes of approximately 40,000 daily visitations over the weekend. SANLTDs/STCITYs/STDCTYs/WYNMACs were up 1.5-4pts and MPELs were traded 3-7pts higher. In property sector, survivor names were marginally lower with PB/RM remained in better selling momentum. COGARDs/CIFIHGs were down 0.5-1.5pts. ROADKG'25 was down 3pts. Elsewhere, GRNLGR/AGILE slightly bounced 0.5-1.5pts. Away from China, Indonesian HY space was down 0.25-1pt. India HYs were also down in line with macro weakness, with renewables traded 0.5-1pt lower under light selling in short-end to raise cash. VEDLNs were down 3.5-4.5pts on lower commodity prices.

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As expected, the LGFV/SOE Perps spaces ended with a very weak tone against a gloomy macro backdrop. Flows started off fairly cautiously but selling gradually picked up from offshore Chinese and non-Chinese asset managers in the afternoon. Bonds across LGFVs/SOE Perps dropped ~0.25-1pt as yields were being repriced to low-5% as a minimum. The modest selling has already sent marks down quickly, reflected how little support there was. Aside from covering on the remaining shorts, buying was in fact only seen in high-beta/ yielding 22 papers. LGFV secondary market was hit by higher rates. As front-end UST were reaching 4.34% in the afternoon, we found any remaining buyer's minimum yield hurdles are approaching these levels: 4.9%-5.0% for 24s; 5.0%-5.15% for 25s; 5.25% for 26s, whilst on the bid side everything was +100bps minimum in terms of implied credit spreads. CNSHAN was down 0.25-0.5pt. Only transportation infrastructure names remained more resilient against the yield move. In SOE space, HAOHUA brothers marked 10bps wider. All in all, market was bracing for a storm coming with quarter end ahead and potential rebalancing flows next week whilst onshore China will be out on National Day long holiday... We reckon the ongoing sell-off on front-end UST shall continue and keep forcing RM accounts to trim duration along the curve.

### ➤ Last trading day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
MPEL 5 3/8 12/04/29	66.3	6.9	BNKEA 5 7/8 PERP	90.6	-5.1
MGMCHI 5 1/4 06/18/25	86.1	5.6	VEDLN 6 1/8 08/09/24	61.3	-4.2
CHNAAR 5 1/2 03/08/24	90.5	5.2	VEDLN 9 1/4 04/23/26	61.5	-3.7
MPEL 5 3/4 07/21/28	68.5	4.5	ADSEZ 5 08/02/41	74.8	-3.4
MPEL 5 5/8 07/17/27	71.6	4.4	ROADKG 6 09/04/25	51.3	-3.3

### ➤ Macro News Recap 宏观新闻回顾

**Macro** – U.S. stock markets recorded another fall on Monday. The S&P (-1.03%), Dow (-1.11%) and Nasdaq (-0.50%) closed lower and S&P, Dow down to the lowest level in 2022. The violent fluctuation in FX markets further increased the volatility of equity and debt markets, the exchange rate of GBP to USD once slumped by c3% to 1.038 on Monday. The PBOC raised FX Risk Reserve Ratio to 20% from 0 yesterday to stable the exchange rate while RMB to USD still down to 7.17 after a slight rebound. The U.S. treasury yields kept ascending and the yields curves bear steepened that 2/5/10/30 yield reaching 4.27%/4.15%/3.88%/3.72%, respectively.

### ❖ Desk analyst comments 分析员市场观点

#### ➤ Offshore Asia New Issues (Priced)

Issuer/Guarantor	Size (mn)	Tenor	Coupon	Yield	Issue Rating (M/S/F)
Jiangning Jingkai Overseas Investment Co., Ltd. (SBLC by Jiangsu Bank)	USD120	364d	5.35%	5.35%	-/-/-

#### ➤ Offshore Asia New Issues (Pipeline)

Issuer/Guarantor	Currency	Size (mn)	Tenor	IPG	Issue Rating (M/S/F)
Komatsu Finance America Inc.	USD	-	5yr	-	A2/A/-

➤ **Market conditions and color**

- Regarding onshore primary issuances, there were 87 credit bonds issued yesterday with an amount of RMB81bn. As for Month-to-date, 1231 credit bonds were issued with a total amount of RMB1246bn raised, representing a 5.1% yoy decrease
- **[BUMIJ]** Bumi Resources said it is likely to raise up to USD1.6bn via private placement on 18 Oct
- **[FOSUNI]** Media reported that ICBC has approved to participate in the up to RMB15bn syndicate loan issued by Fosun
- **[GRNKEN]** Media reported that Brookfield Asset Management is in active talks to invest a minimum of USD1bn in Greenko; Brookfield could even invest up to USD1.25bn at a possible USD9bn-USD10bn valuation either at the level of the parent entity, Greenko Energy Holdings, or its subsidiary Greenko Zero C
- **[GZRFPR]** Media reported that Guangzhou R&F has obtained the requisite consents to extend the repayment term of all eight of its domestic bonds (total o/s RMB13.5bn), the three previously extended tranches will be further termed out about two years, while the remaining notes will be extended by 4-5 years
- **[HRINTH]** Huarong International Financial renewed a USD100mn loan facility with limit reduced to USD80mn
- **[LZINVE]** Lanzhou Construction Investment Group has redeemed its RMB1.2bn(cUSD167.6mn) 5.5% bond due 27 Sep and RMB600mn(cUSD83.8mn) 6.5% bond due 26 Sep; The next matured bond is USD300mn LZINVE 4.15% 11/15/2022
- **[RDHGCL]** Fitch affirmed Radiance Group's Long-Term Issuer Default Rating at B+ and changed the outlook to negative
- **[SUNAC]** Media reported that Sunac is seeking to postpone the due date and third time repayment date of its RMB4bn 4.78% bond, which is originally due on 1 Apr, for 6 months
- **[YUEXIU]** Yuexiu Property issued RMB2.59bn onshore bonds including RMB1.5bn 2.78% 5NP3 and RMB1.09bn 3.09% 7NP5 bonds

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