

CMBI Credit Commentary

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

- *Markets stayed quiet this morning. We saw demand on financials as BCHINA, ICBCAS. CHALUMs and shorter-dated HAOHUA, SINOPE continued to perform well and rose c0.25pt.*
- **COGARD:** 2nd share placement within a month to raise up to HKD4.81bn. COCARD raised cUSD1.5bn from 3 share placements since Jul'22. COGARDs were -2 to +1pts this morning. See below.
- **KWGPRO & CENCHI:** CENCHI announced that it had remitted funds to cure the missed coupon payment for CENCHI 7.9%'23 before the end of grace on 7 Dec'22. On the other hand, media reported that KWG was in process of remitting funds to cure missed 10 Nov coupon of KWGPRO 5.875 11/10/24; it also plans to issue RMB1.3bn CBICL-backed bonds soon.

❖ Trading desk comments 交易平台市场观点

Yesterday, China IG space continued to be firm with benchmark IG spreads broadly tightened 5bps. UST yields reversed to 3-10bps lower across the curve. Market largely sidelined as investors were gauging the impact of a hotter-than-expected US job market data on the pace of Fed's rate hikes. Financials space was largely stable, with AMCs widened 3-10bps. GRWALL were 10-15bps wider. Bank capital bonds were a muted tone with the space generally holding up well. T2s/Leasing quality names still found support despite being at expensive levels. TMT spreads kept narrowing given the RM support, with BIDU/JD tightened 2-7bps. IG properties were relatively quiet. LNGFORs were traded 1-2pts lower as more profit taking emerged at the elevated levels, after it went up 5-7pts throughout last week. VNKRLEs were traded 0.5pt higher amid positive news that China Vanke signed strategic collaboration agreement with CMB, along with the support from state banks earlier. DALWANs were up 1-4pts. China HYs broadly had a bit consolidation session, as properties traded 1-3pts lower across the board whilst industrials outperformed by closing 2-4pts higher. We saw the sentiment buoyed by the headlines that policymakers have pushed banks to provide more loans, and have allowed developers to tap more money held in pre-sale accounts. COGARDs retreated 3pts on HF's profit taking, after gaining 5-10pts yesterday. On Wednesday morning Country Garden announced to raise HKD4.8bn via share placement. KWG offshore and onshore bonds were traded in active two-ways boosted by its plan of issuing RMB1.3bn CBIC-back domestic interbank notes, which is its first such deal. Additionally, media reported that KWG readied funds to cure the missed 10 November coupon within 30-day grace period. KWGPROs were up 1-2.5pts to low-30s. CENCHIs, on the other hand, were traded 1-1.5pts higher to close at high-20s, after CCRE said it was to remit funds to cure missed coupon within grace period ending this Wednesday. ROADKGs were marked 1-2.5pts higher yesterday to be quoted from mid-70s to low-80s, after soaring 5-20pts

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across the curve last week. CSCHCNs were up 0.5-1.5pts. Lower cash price property bonds outperformed with front-end GRNLGRs jumped 2.5-7pts. In industrials space, EHICARs/GEELYs/WESCHIs were traded up 2.5-4pts. FOSUNIs moved another 0.5-2pts higher. Elsewhere, LEEMAN 5.5 Perp closed 9pts higher at 83.5/86 level, post the tender offer launched to buy back up to USD130mn of its USD300mn Perps. Away from China, Indian corp space was mixed. VEDLNs were up 0.5-1pt. GRNKENs were up 0.5pt whilst AZUPOEs were down 1pt. ADROIJ/INDYIJ were largely stable.

The LGFV/SOE Perp/AT1 space still had better buying flows across the spaces with participants digesting the positive headlines in properties and signals on Covid policy shifts from Chinese major cities, though upbeat momentum mildly slowed down. In SOE space, short-to-call papers especially quality names like HUANEN was liked by various accounts from onshore and offshore. We still saw Chinese banks and NBRM stepped in to pick up bonds. Benchmark papers HAOHUA/SINOPE tightened 4-12bps under active two-way flows. In LGFVs, higher quality and/or benchmark names remained in demand and traded firm. Shandong names outperformed again with SHUGRP/SHGUPH/QDHTCO curves gapping 0.25-0.5pt higher. SHDOIS was unchanged to 0.5pt higher to close at 94/95.5 level, and after close we saw Shandong Iron and Steel proposed to offer RMB1.5bn 270-day bills to repay debts. AT1s was stable with light volume. CHIYBK 8 Perp/ NANYAN 5 Perp were steady at current levels and showed some more demand from PBs.

❖ Last Trading Day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
LEEMAN 5 1/2 PERP	84.6	9.1	SINOCE 6.876 PERP	21.7	-5.2
GRNLGR 6 1/8 04/22/25	38.5	7.0	CHJMAO 7 1/8 PERP	84.5	-3.9
NANFUN 5 PERP	68.9	4.3	COGARD 2.7 07/12/26	53.9	-3.1
DALWAN 7 1/4 01/29/24	88.4	4.1	COGARD 3 1/8 10/22/25	57.7	-3.0
CPDEV 5 3/4 PERP	74.8	4.1	COGARD 6.15 09/17/25	58.4	-2.9

❖ Macro News Recap 宏观新闻回顾

Macro – U.S. stock markets continued to down on Tuesday, the S&P (-1.44%), Dow (-1.03%) and Nasdaq (-2.00%) were weak and almost all sectors dropped as the markets worried about Fed's hawkish interest rate hike and following recession. U.S. trade deficit rose 5.4% to USD78.2bn in Oct from Sep, exports fell 0.7% and imports increased 0.6%. The U.S. treasury yields overall down on Tuesday and 2/5/10/30 yields bull flattened to 4.34%/3.73%/3.51%/3.52%, respectively.

❖ Desk analyst comments 分析员市场观点

➤ **COGARD: Second share placement within a month to raise HKD4.81bn**

Country Garden announced another share placement plan to raise HKD4.81bn on 7 Dec'22. It is its second share placement plan within one month. COGARD raised cUSD1.5bn from the three share placements since Jul'22. We understand that COAGRD has offshore loans cUSD395mn due before FYE22, and cUSD1.3bn offshore loans due FY23, including cUSD290mn due in 1H23. At the same time, COGARD faces USD617mn bonds due in Jan'23. The recent fund raising exercises have notably relieved its near-term refinancing pressure.

Since the China regulator relaxed the restriction on equity financing of A-share real estate company on last Monday, there are six A-share companies announced share placement plans to raise up to USD4.9bn. The proceeds will be used for completing projects or repaying debts. Albeit the regulators has released 'three arrows' to expand financing channels for developers in order to stabilize real estate market, keys for the industry's recovery, in our view, is the demand. See below chart for sources of funds of developers, deposits and advance

receipts (from purchasing) have similar weight with self-raising funds and accounts for more than 30% of total funds for a long time. 'Two legs' is necessary for the sector to walk steadily while it may need more time to see recovery of demands.

Date	Ticker	Size (HKD bn)	Size (USD mn)	USD bonds maturities (USD mn)					Total
				2023	2024	2025	2026	2027+	
6-Dec-22	COGARD	4.8	612						
15-Nov-22	COGARD	3.9	493	617	1550	2794	2874	2700	10535
27-Jul-22	COGARD	2.8	348						
Total		11.5	1453						

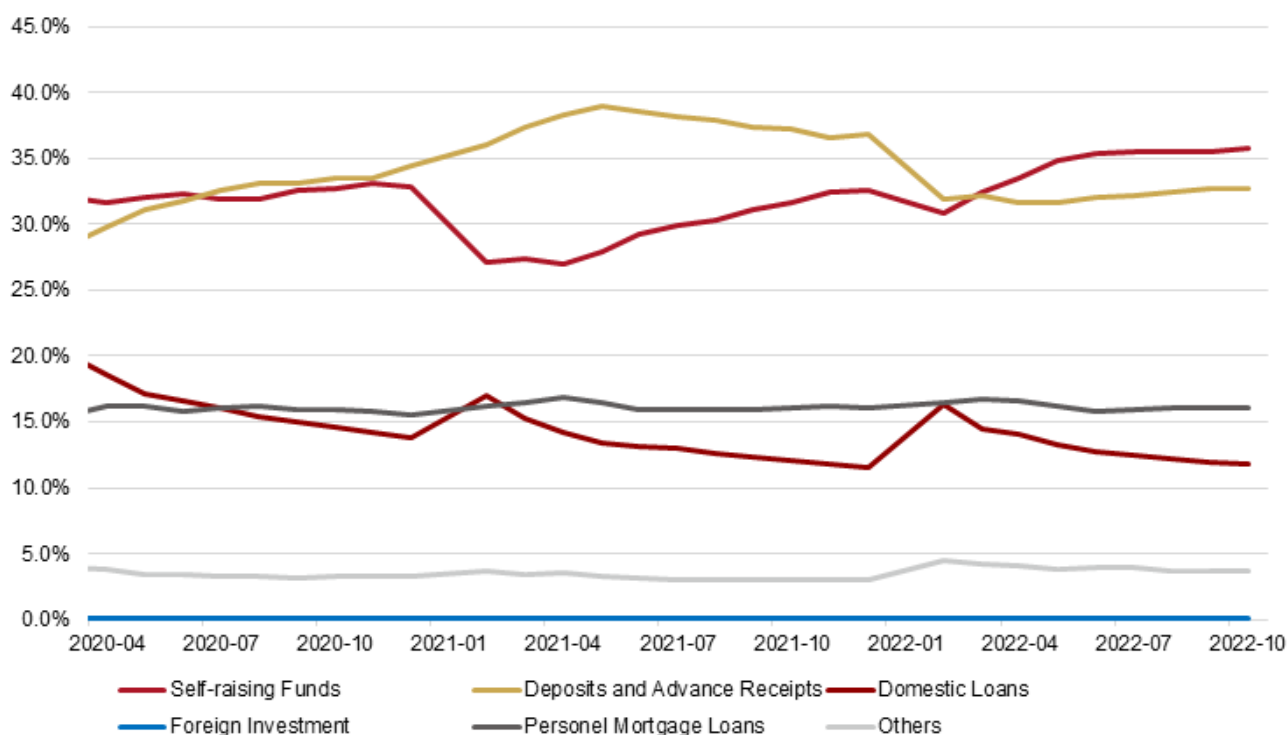
Source: Bloomberg

Other developers' share placement plans:

Date	Ticker	Maximum Issue Percentage	Market Value on 6 Dec'22 (RMB bn)	Maximum Size (RMB bn)	Maximum Size (USD mn)
30-Nov-22	SHIMAO	30%	9.8	2.9	420
1-Dec-22	XINHUZ	20%	23.5	4.7	671
2-Dec-22	CHFOTN	30%	10.9	3.3	468
5-Dec-22	JINKE	30%	12.0	3.6	515
5-Dec-22	ZHHFGR	30%	21.6	6.0	857
7-Dec-22	GRNLGR	30%	46.2	13.9	1982
Total					4912

Source: Bloomberg

Sources of Funds of Enterprises for Real Estate



Source: NBS, Wind

➤ Offshore Asia New Issues (Priced)

Issuer/Guarantor	Size (USD mn)	Tenor	Coupon	Yield	Issue Rating (M/S/F)
No Offshore Asia New Issues Priced Today					

➤ Offshore Asia New Issues (Pipeline)

Issuer/Guarantor	Currency	Size (USD mn)	Tenor	Pricing	Issue Rating (M/S/F)
ICBC Macau Branch	USD	-	2yr	SOFR+120	-/-/A

➤ News and market color

- Regarding onshore primary issuances, there were 61 credit bonds issued yesterday with an amount of RMB64bn. As for Month-to-date, 242 credit bonds were issued with a total amount of RMB253bn raised, representing a 42.7% yoy decrease
- [BUMIJ]** Bumi Resources issues 27.48bn shares via private placement for its mandatory CBs. The shares can convert IDR2.2tn (cUSD142.4mn) of MCBs
- [CAPG]** China Aoyuan plans to sell 29.9% stake in Aoyuan Healthy Life Group via public tender
- [CHIOLI]** China Overseas Land & Investment acquired two land parcels for RMB6bn in Nov
- [GRNLGR]** Greenland announced that it plans private placement of new shares, it can raise up to cRMB14bn (cUSD2bn) based on current regulation and its market value
- [KWGPRO]** Media reported that KWG said it is in process of remitting funds to cure missed 10 Nov coupon of its USD625mn bonds; it also plans to issue RMB1.3bn CBICL-backed bonds soon
- [LIFUNG]** Li & Fung accepted USD76.16mn valid tender offer for early settlement, raised subsequent tender consideration to 87.5 from 84.5
- [LOGPH]** Logan underwriter said the company has obtained sufficient consents for domestic bonds holistic restructuring
- [MIDEAP]** Midea Real Estate plans to raise up to RMB1.5bn (cUSD215.4mn) onshore bonds partially backed by CRMWs
- [PACBAS]** Pacific Basin Shipping repurchases USD12.82mn of PACBAS 3 12/10/25
- [VEDLN]** Vedanta proposes to issue NCDs aggregating up to INR5bn (cUSD60.7mn) and plans to hold directors' committee meeting on 9 Dec

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