

CMBI Credit Commentary

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

- *Markets were strong this morning and sentiment was boosted by new property policy. China properties overall rose and LGFV sector was also better buying, especially high beta names. SOE Perp/AT1 were relatively quiet compared to previous days.*
- **China Property:** *CSRC reopens the equity financing channel for property developers via five measures. COGARD/LNGFOR/VNKRLE/YUEXIU/SINOCE were up 0.5-4.5pts this morning. See below.*
- **PGASIJ:** *Perusahaan Gas Negara announced up to USD400mn tender offer for its USD1.35bn PGASIJ 5.125 05/16/24 at 100.55/99.95pts for early/normal tender offer consideration. The bonds were traded at c99.9 level currently.*

❖ **Trading desk comments 交易台市场观点**

Yesterday, China IG space opened 4-7bps wider in light of recent Covid uncertainties then the widening of spreads generally faded with better selling technical flows disappeared in the PM session. Financials space were roughly stable with T2s/leasing benchmarks like CCBs slightly tightened 2-6bps. In AMCs, CCAMCL/GRWALL curves were traded 0.5-1pt higher. In TMTs, MEITUA curve dropped 1-1.5pts back to 70 level, after popping 1-2.5pts higher yesterday. BIDU/TENCNT curve tightened another 2-7bps. IG properties performed mixed. After close, CSRC announced five new measures to support the property market and the economy, ending the 4-year ban on local share sales by listed property developers. LNGFOR curve once was marked 3-4pts lower but closed only 1-2pts lower on the day. VNKRLEs/CHJMAOs were unchanged. GEMDAL '24 was traded up 1.5pt to end at mid-60s amid Gemdale unit repurchased RMB190mn onshore bonds. China HY space had a roller coaster session on the day, with properties broadly lowered 1-5pts again. COGARDs once fell 7-8pts with both RMs/HFs hitting bids, but quickly recovered and closed 1.5-4pts lower than the last closes. Elsewhere, SINOCEs/FTLNHDs were up 1-2pts. Beaten names CIFIHG/CHINSCs were another 1-1.5pts higher. ROADKG 24-25s jumped 1.5-4pts. Elsewhere, HPDLF '24 was traded 1.5pts lower post S&P affirmed Hopson's B rating and changed the outlook to negative from stable on weakening sales. Away from properties, GLPCHIs were bid up 1pt with better buying flows from real money accounts. Industrial space was stable, FOSUNIs were traded unchanged to 2pts higher. GEELY 4 Perp was traded up 2.5pts. Macau gaming operators broadly jumped 2-6pts after the government granted the six incumbent the new 10-year concessions, where Genting was missed out. MPELs/WYNNMACs were marked 2-6pts higher and MGMCHIs/SANLTDs were up 1-2.5pts. In Indian HYs, VEDLNs dipped 0.25-0.5pt on HF selling. ADANEMs were up 0.5pt with better buying flows from retail accounts. Indonesian HYs closed unchanged against Friday as flows further slowed down on broadly cautious

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sentiment. Elsewhere, RAKUTN 5.125 Perp popped up by another 2pts to 75/76 handle with retail demand.

In the SOE Perp/AT1/LGFV spaces, sentiment was generally cautious with macro opening softer on Monday (China CDS higher, RMB weaker, equities weaker) despite late Fri's RRR cut. That said, the credit space remained generally stable thanks to thin offer liquidity into year-end, whilst demand remained supported by short covering in both absolute and relative terms. For instance, quality SOE Perps/low-beta AT1s remained sought-after at $\approx 6\%$ and mid-5% respectively, hardly cheap if not fairly rich already. But we reckon many market participants did not want to underweight in risk exposure when January comes, hence SOEs/AT1s spaces were under light better buying amid some short-covering flows to start the week. And with the usual EoY seasonality, we saw there is not an apparent catalyst to reverse the technicals in the near term, and market can continue to be peaceful into year-end. AT1 sector was 0.5-1pt higher post rates moved further higher and retail better buying. LGFVs were generally stable, with sporadic demand in selected quality names in the front end or at beaten levels. Among quality LGFVs, we saw costal names especially Shandong names continued to be sought-after, SDEXPR/SHUGRP/SHGUOH curves were generally traded up 0.25-0.5pt and CNSHAN was marked 0.5pt higher to close at 94 level. Among weaker names, GXFING '23 was slightly bid up 0.5pt and quoted at 88/90 level, amid Moody's affirmed Guangxi Financial Investment Group's rating at Ba1 with outlook stable. Other 10%-yield papers like GZINFU '24/BCDHGR '26 were still under better buying. Short dated paper with high cash became less loved, probably for position switching purpose.

❖ Last Trading Day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
WYNMAC 5 1/2 10/01/27	81.1	6.0	ROADKG 5.2 01/12/26	42.0	-3.9
WYNMAC 5 5/8 08/26/28	79.0	5.3	COGARD 5 5/8 12/15/26	46.8	-3.7
MPEL 5 3/8 12/04/29	76.1	5.2	COGARD 2.7 07/12/26	47.1	-3.6
WYNMAC 5 1/8 12/15/29	76.0	5.1	COGARD 4.2 02/06/26	48.6	-3.5
WYNMAC 5 1/2 10/01/27	81.1	6.0	COGARD 6.15 09/17/25	50.1	-3.5

❖ Macro News Recap 宏观新闻回顾

Macro – U.S. stock markets overall down yesterday, the S&P (-1.54%), Dow (-1.45%) and Nasdaq (-1.58%) dropped as the Fed officials reiterate to subdue inflation with interest rate hike and there may be no rate cuts until 2024. U.S. Black Friday online sales reached record USD9bn despite high inflation. The long term U.S. treasury yields slightly up yesterday and 2/5/10/30 yields reached 4.46%/3.88%/3.69%/3.74%, respectively.

❖ Desk analyst comments 分析员市场观点

➤ China Property: CSRC reopens the equity financing channel for property developers

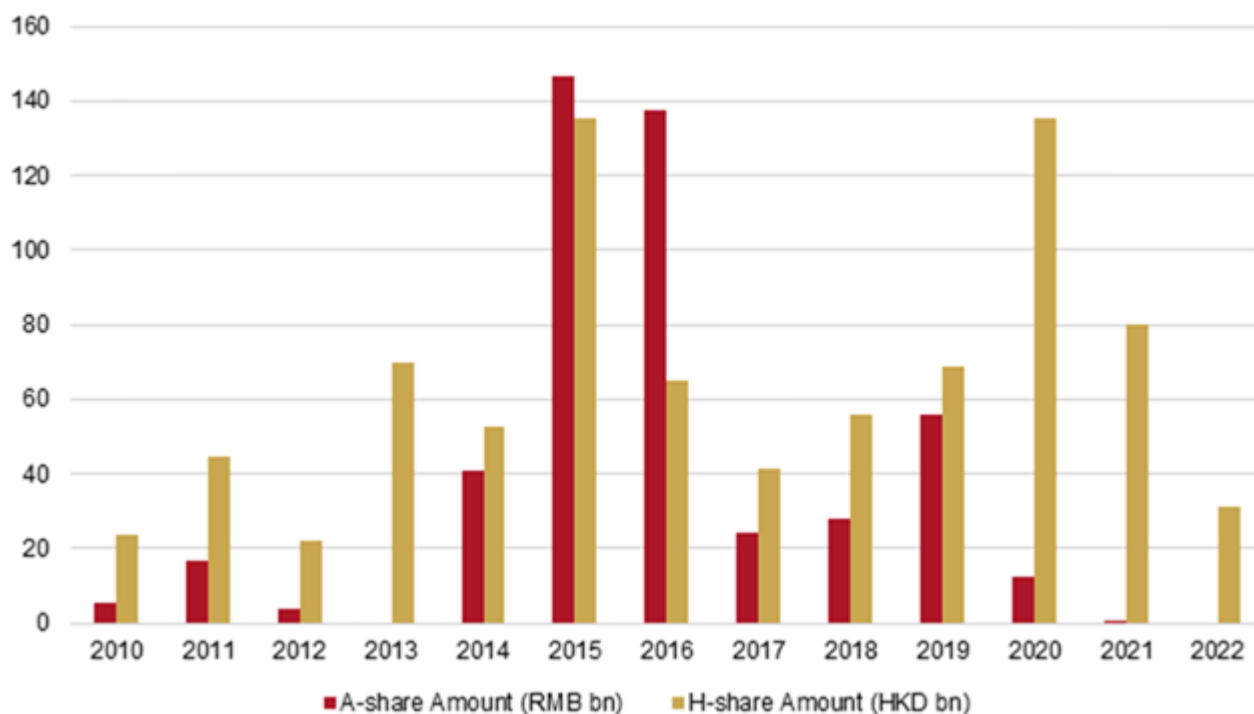
CSRC announced 5 measures to support the equity financing by property developers yesterday, namely 1) resumption of M&A and related financing activities by listed developers via share issuance; 2) allow non-public financing by listed developers mainly for the use of project completion and debt repayments; 3) align the H-share listing policies with A-share that to resume the offshore financing channel; 4) promote the use of REIT; and 5) allow qualified fund manager to set up private equity fund to invest in residential and commercial real estates.

The government tightened property developers' onshore equity (A-share) financing channel in 2010 and further toughened the control in 2013/2016. The relaxation of equity financing is positive but we are skeptical of whether there will be a large investors' appetite for the shares of property developers, especially for offshore

listed developers of which their access to equity financing has not been restricted. Our takes are these new policies could allow state-owned or quasi state-owned A-share developers (such as Poly Developments) to access the onshore equity market for M&A activities. Along this line, we expect to see more M&A activities in the property sector going forward. SOEs, quasi SOEs and potentially some larger developers with A-share platforms (such as Vanke and Seazen) could cherry-pick projects from distressed developers at discount to ensure the project completions. Indeed, some of the credit lines provided by the SOE banks to the developers last week also allow the use of funding for M&A purposes. If so, these measures, in our view, could benefit larger and non-distressed developers which may spearhead the M&A activities. In our view, the major policy objective is still to ensure timely project completions and deliveries. The new policies alone will not have significant impact on defaulted developers from a recovery perspective.

The significance of these measures are more on the signal of further policy relaxation. Nonetheless, even PBOC, CBIRC and CSRC implemented various measures (16-measures, lowered mortgage rate floor for first time buyer, etc.), we see reviving the economy and housing demand by unwinding lockdown policies are the keys for the survival of property developers.

Property sector equity financing amount



Source: Wind

Also click [here](#) for the comments from our sector research.

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

Issuer/Guarantor	Size (USD mn)	Tenor	Coupon	Yield	Issue Rating (M/S/F)
Bank of China, Dubai branch	USD300	3yr	4.75%	T+61	A1/A/A
Jingfa Overseas Investment Company Limited	USD82	3yr	7.5%	7.5%	-/-/-

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

Issuer/Guarantor	Currency	Size (USD mn)	Tenor	Pricing	Issue Rating (M/S/F)
TFI Overseas Investment Limited	USD	-	1.5yr	6.75%	-/-/-

➤ **News and market color**

- Regarding onshore primary issuances, there were 51 credit bonds issued yesterday with an amount of RMB45bn. As for Month-to-date, 1220 credit bonds were issued with a total amount of RMB1,329bn raised, representing a 34.3% yoy decrease
- **[CCAMCL]** Cinda Asset Management announced termination of RMB3.41bn stake sale of Huainan Mining Group to Huaihe Energy
- **[CNSHAN]** Shandong Hi-Speed unit received CSRC approval over up to RMB4.84bn six-year CB offering
- **[CSCHCN]** China South City announced 1H22 results that revenue down 47.1% yoy to HKD3.26bn and core net profit down 62.7% to HKD242.1mn
- **[DALWAN]** Dalian Wanda Commercial Management failed to resale and cancelled RMB2.17bn 20Wanda03 bonds; The company proposes to offer up to RMB6bn bond to repay debts
- **[FRESHK]** Far East Horizon unit proposes to offer RMB1bn three-year MTNs to repay bank loans
- **[GXFING]** Moody's affirmed Guangxi Financial Investment Group CFR at Ba1 and placed stable outlook
- **[LMRTSP]** Fitch downgraded Lippo Malls Indonesia Retail Trust to B- and placed negative outlook
- **[LVGEM]** LVGEM unit failed to resale and cancelled RMB509mn 21Lvjing01 bonds
- **[PGASIJ]** PT Perusahaan Gas Negara Tbk announced a up to USD400mn tender offer to repurchase its USD1.35bn PGASIJ 5.125 05/16/24 at 99.95pts. For early tender offer consideration, the price is 100.55pts with 0.6pt premium
- **[TYLCDI]** Taiyuan Longcheng Development Investment to call RMB500mn extendable notes on 24 December

- **[ZSHCCI]** Moody's affirmed Zhoushan City Investment Group's Baa3 rating and placed stable outlook

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