

CMBI Credit Commentary

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

- *Markets remained weak and selling flows continued from offshore on LGFVs/SOE perps. We saw fewer buying interests from onshore compared to yesterday, the buyer focus on short-term IG names. SJMHOL published weak 3Q22 results while China resumed e-Visa application to Macau nationwide from 1 Nov, SJMHOLs up c0.25pt this morning. See below.*
- **GRNLGR:** launches consent solicitation for 1-2 years maturity extension for all outstanding offshore bonds. GRNLGRs dropped sharply with the nearest maturity GRNLGR 5.6 11/13/22 fell 71pts, 23-24s also fell 14-34pts. See below.
- **China Economy:** Growth slowed as the epidemic resurged. Maintain our GDP forecast for 2022 at 3.5% and lower the forecast for 2023 from 5.5% to 5%. See below for comments from our economic research.

❖ Trading desk comments 交易台市场观点

Yesterday, performance of Chinese bonds was mixed as non-properties had a typical quiet month-end style after several volatile sessions, while properties notably performed weakest than ever. Financials weakened further with UST yields rebound and the negative macro. HRINTH 4.25' Perp had slightly better buying, and rebounded 3.5pts from the previous outlook changes. TMTs kept the recent weakening, with BIDU/BABA widened 5-12bps. IG properties took the hit from Longfor by broadly plunging 2-10pts with all well-regarded names being strictly examined. LNGFOR 23s/27s were 2-3pts lower, while LNGFOR 28-32s tumbled 5-12pts as the Chairperson Wu Yajun resigned sparking investor concerns about the company's operations in the long term. LNGFOR'23 was roughly stable at the high-80s, whilst rest of the LNGFORs were quoted at high-10s to mid-20s. Dragged by a wave RM panic selling led by LNGFOR and GRNLGR, VNKRLs were down 3-8.5pts and CHJMAOs/YUEXIUs dropped 2-6pts. Before close, market eyed that Greenland sought for consent solicitation to extend the maturity for all the offshore outstanding bonds for 2 years, except for GRNLGR 6.75 06/25/23 for 1 year. GRNLGRs free-fell by 15-35pts to low-10s, where GRNLGR'22 was notably repriced to high-teens from high-80s. COGARDs dropped 1-5pts across the curve amid news that Fitch downgraded Country Garden to BB- from BB+, with outlook negative. CIFIHGs were down another 1.5-2pts. Elsewhere, CENCHIs were down 1.5-4.5pts. Away from property, gaming sector was relatively firm. MPELs/SANLTDs/WYNMACs slightly marked 1-2pts higher. However, MGMCHI'24 was down 4pts after the announcement of several measures including temporarily locked down MGM Cotai over the weekend after a staff was tested positive. Industrials was holding unchanged. Ex-China HY was rather quiet, as most clients seemed distracted with month-end activities and moves in China credit. Indian

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renewables VEDLNs were down 1-4.5pts on the back of poor reported earnings. AZUPOEs were down 0.5-1pts. Azure Power told lenders that its delayed financial statements shall be released in early to mid November.

The LGFV/SOE Perp/AT1 space was slightly better seller with thin liquidity, as attention was on negative headlines of property, market had weak sentiment in these spaces regardless of macro theme/rates movements. Flows remained close to one-way selling with liquidity bids only, whilst onshore clients remained generally defensive in terms of bond pick and price target, as any reasonable bid would be hit promptly. LGFV were 0.5-3pts lower as stated prices continued to correct, whilst SOE Perps/AT1s were generally 0.5-1pt lower in light of rising rates again. In LGFVs, select names had small buying with JIMOTM 24-25s slightly up 2-3pts. As for SOE bullets, most of short end papers stayed unchanged during the session with RM buyers muted, but long end higher beta better selling still. In AT1s, ICBCAS 3.2' Perp showed active flows with daily range around 89.5/90 level. Flows in AT1s, sellers were mostly PB/FM, and buyers were short covering flows and limited structure notes buyers.

❖ Last Trading Day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
HRINTH 4 1/4 PERP	71.9	3.6	GRNLGR 5.6 11/13/22	18.2	-71.3
MGMCHI 5 1/4 06/18/25	84.2	3.0	GRNLGR 5.9 02/12/23	14.5	-34.0
JIMOTM 4 1/2 06/09/25	91.2	2.8	GRNLGR 6 1/8 04/22/23	14.7	-23.6
WYNMAC 5 1/8 12/15/29	59.6	2.8	GRNLGR 6 3/4 06/25/23	14.9	-15.4
JZHDIN 4.7 04/11/25	89.3	2.6	GRNLGR 5 7/8 07/03/24	12.3	-13.9

❖ Macro News Recap 宏观新闻回顾

Macro – U.S. stock markets closed down on Monday, the S&P (-0.75%), Dow (-0.39%) and Nasdaq (-1.03%) slightly dropped amid cautious sentiment and markets are waiting for this week's FOMC result. U.S. dollar index rose to above 110 level again. The Fed is widely expected to raise 75bps in this week but for the December meeting, the markets expect there is 55% change of a 50bps interest rate hike, down from 67% last week. The U.S. treasury yield curves bear steepened that the 2/5/10/30 yields reached 4.51%/4.27%/4.10%/4.22%, respectively.

❖ Desk analyst comments 分析员市场观点

➤ SJMHOL: 3Q22 results published

SJM Holdings published 3Q22 result and its performance dragged by Covid-19 severely. The net gaming revenue was HKD913mn, down 60% yoy compared to HKD2.28bn in 3Q21. Adjusted EBITDA in 3Q22 was negative HKD968mn, compared with a negative HKD460mn in 3Q21. The loss attributable to owners in 3Q22 was HKD1.9bn, as compared with a loss of HKD1.25 million in Q3 2021.

As for liquidity, SJM had liquidity of cHKD9.4bn as at 30 Sep'22, including HKD4.5bn cash on hand, HKD2.9bn undrawn facility and HKD2bn shareholder loans vs daily OPEX was HKD16.7mn in 3Q22, annualized to HKD6.1bn. The daily opex in 3Q22 declined 3% yoy but 7.7% higher qoq, reflected the higher was OPEX of self-promoted satellites after SJM took over the operations of some of its satellites.

Relaxing policy will help Macau gaming to recover. After package tour from mainland China (only four province and Shanghai) was resumed in late Sep, SJM recorded double digits increase of visitors in Oct. Now China government further resumed the electronic applications for individual and group travel visas to Macau in nationwide started from 1 Nov'22, it will simplify application procedures and shorten time significantly. That said,

the recovery may be delayed by recent Covid-19 cases in Macau and mainland China. We maintain Buy on SJMHOLs.

➤ Greenland launches consent solicitation for 1-2 years maturity extension

The Shanghai Government-backed developer seeks for consent solicitation to extend the maturity for all the offshore outstanding bonds for 2 years, except for GRNLGR 6.75 06/25/23 for 1 year given it was extended for 1 year in Jun'22 already. They held an investor call on 31 Oct evening to explain the detail.

The company plans to make 5% partial redemption on GRNLGR 5.6 11/13/22 on no later than 25 Nov'22, and the same 5% partial redemption treatment for all other existing notes on their original maturity date. All the coupons will remain the same. Below are the key terms the company plans to insert:

- a new specified asset sale to be applied towards payment of principal and interests
- call option for the company to redeem in whole or in part any time prior to the new maturity date
- allow grace period of 7 days for principal and 30 days for interest payment
- carve out the cross default or cross acceleration clauses

Outstanding bonds	Outstanding amount (USDmn)	Original new coupon	and Original maturity	Extension	New maturity
GRNLGR 5.6 11/13/22	361.89	5.60%	11/13/22	2yr	11/13/24
GRNLGR 6.25 12/16/22	26.88	6.25%	12/16/22	2yr	12/16/24
GRNLGR 5.9 02/12/23	270.45	5.9%	02/12/23	2yr	02/12/25
GRNLGR 6.125 04/22/23	398.5	6.125%	04/22/23	2yr	04/22/25
GRNLGR 6.75 06/25/23	479.78	6.75%	06/25/23	1yr	06/25/24
GRNLGR 6.75 09/26/23	500	6.75%	09/26/23	2yr	09/26/25
GRNLGR 6.75 03/03/24	299.35	6.75%	03/03/24	2yr	03/03/26
GRNLGR 7.25 01/22/25	246	7.25%	01/22/25	2yr	01/22/27
GRNLGR 5.875 07/03/24	599	5.875%	07/03/24	2yr	07/03/26
Total	3181.85				
Upfront payment on GRNLGR 5.6 11/13/22	5% of notes redemption and accrued and unpaid interest at 5.6% to be paid on the payment date, calculated from and including 13 May'22 to but excluding the payment date				
Early consent fee	0.5pts				
Early consent deadline	11 Nov'22				
Base consent fee	0.25pts				
Base consent deadline	18 Nov'22				
Holders meetings	22 Nov'22				
Payment date	No later than 25 Nov'22				
Minimum quorum	66% of holder of each of the bond				
Minimum acceptance level	50% of holders at the meeting				

➤ China Economy – Growth slowed as the epidemic resurged

China's PMI in both manufacturing and service slid to the contraction territory, indicating a slowdown of growth in October. The epidemic resurged as some local governments further tightened the zero covid policy. The

indexes in retail trade, air transportation, hotel, catering and tourism services declined. Meanwhile, housing market resumption was slow, as PMI in furniture and construction & decoration materials remained weak. Looking forward, China will maintain moderate easing policy and may gradually reopen its economy in 2023. We expect housing market and household consumption may slowly resume next year. We maintain our GDP forecast for 2022 at 3.5% and lower the forecast for 2023 from 5.5% to 5%.

PMI declined as the epidemic resurged and housing market remained weak. PMI in manufacturing dropped from 50.1% in September to 49.2% in October, indicating a contraction of factory activity. Meanwhile, PMI in construction declined from 60.2% to 58.2%, but remained at the expansionary territory thanks to strong infrastructure investment. The gauge in service further decreased from 48.9% to 47% as the resurgence of the epidemic hurt population mobility and service business. By sector, indexes in agricultural product processing, energy, medicine, auto, financial service, post service and internet & information technology service remained in the expansionary range.

Demand weakened in most sectors. New order index in manufacturing & construction respectively dropped from 49.8% and 51.8% in September to 48.1% and 48.9% in October. New order index in service remained low at 41.7% in October. Business expectation index in manufacturing slid from 53.4% in September to 52.6% in October. However, the sentiment index in construction and service respectively rebounded from 62.7% and 56.1% in September to 64.2% and 56.7% in October.

Material cost rebounded while ex-factory prices remained weak. Material cost index in manufacturing and service respectively rose from 51.3% and 49.6% in September to 53.3% and 50.8% in October. Ex-factory price index in the above two sectors climbed from 47.1% and 47.5% to 48.7% and 47.8%, but remained weak.

Unemployment pressure further increased. Employment indexes in manufacturing, construction and service respectively dropped from 49%, 48.3% and 46.3% in September to 48.3%, 47.8% and 45.8% in October.

China economy should slowly resume in 2023. Three key factors will determine China's economic prospect in 2023: the zero covid policy dynamics, economic and property policy condition and overseas recession risk. In base scenario, we expect China will gradually reopen its economy and maintain moderate easing economic policies in 2023. Both housing market and household consumption will slowly resume next year. We maintain our GDP forecast for 2022 at 3.5% and lower the forecast for 2023 from 5.5% to 5%.

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➤ Offshore Asia New Issues (Priced)

Issuer/Guarantor	Size (USD mn)	Tenor	Coupon	Yield	Issue Rating (M/S/F)
Shengzhou Investment Holdings Co., Ltd.	USD100	3yr	6.0%	6.0%	-/-/-

➤ Offshore Asia New Issues (Pipeline)

Issuer/Guarantor	Currency	Size (USD mn)	Tenor	Pricing	Issue Rating (M/S/F)
No Offshore Asia New Issues Pipeline Today					

➤ **News and market color**

- Regarding onshore primary issuances, there were 40 credit bonds issued yesterday with an amount of RMB37bn. As for Month-to-date, 1299 credit bonds were issued with a total amount of RMB1519bn raised, representing a 16.8% yoy increase
- **[CIFIHG]** CIFI suspended payments (cUSD414mn) to offshore creditors as discussions terminated without agreement
- **[COGARD]** Fitch downgraded Country Garden to BB- and placed negative outlook
- **[CSCHCN]** China South City considers external financing and asset disposal in light of deferred payment of HKD0.3 per share final dividend
- **[GWFOOD]** Fitch affirmed Wens Foodstuff at BB+ and placed negative outlook
- **[JIAYUA]** Jiayuan further extended (7th) exchange offer deadline to 5 Dec'22 from 28 Nov'22
- **[LNGFOR]** Longfor's controlling shareholder Charm Talent International purchased USD 5mn of LNGFOR 3.375 04/13/27 (o/s USD250mn) on open market ;The company has made half early repayment of its HKD10.21bn syndicated loan due 2023 and plans to repay the rest by the end of 2022
- **[LOGPH]** Logan Group hires CICC as financial advisor to propose holistic restructuring of onshore public and private bonds
- **[ROADKG]** Road King Infrastructure further redeemed USD30.67mn of ROADKG 6 09/04/25
- **[SHIMAO]** Shimao's unit Shimao Jianshe announced that it is unable to publish 3Q22 result before 31 Oct; Shimao service unit fully redeemed its HKD3.11bn CBs SHIMHD 2.25 10/31/22
- **[SINOCE]** Sino-Ocean Group domestic unit redeemed RMB334mn ABS due 31 Oct'22
- **[SUNKWP]** Sunkwan Properties announced termination of consent solicitation for SUNKWP 12.25 07/17/23
- **[VEDLN]** Moody's downgraded Vedanta Resources's CFR to B3 and kept negative outlook

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