

CMBI Credit Commentary

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

- *Another hectic morning in SOE perps/ AT1s as UST yields edged further higher. 4%-handle papers were 0.25pt lower by street hits as bid support continued to come from short covering only. RM buying had largely halted since Sept begins, flows were dealer-driven with more PB sellers emerged.*
- **China AT1s:** *Low-yielding AT1s down 0.375-0.5pt at EOD, with cUSD22mn of AT1s traded since yesterday. This morning, AT1s opened another 0.125pt lower after weak macro overnight, as structured flows unwinding continued. BOCOHK 3.725%/CIMWLB 6.5% were marked down 25c by mid-day.*
- *The average new home prices across 70 major Chinese cities dropped 1.3% YoY in August. New home prices in 49 out of 70 cities surveyed by the NBS reported a YoY drop.*

❖ Trading desk comments 交易台市场观点

Yesterday, IG space was mixed after consolidating the CPI shock. IG Corps ended mostly unchanged with light flows, but Financials felt a touch weaker. Notably AT1s started a wave of shuffling after post-CPI rates surge. In the AM session, low-yielding AT1s were being hit towards ~4.55%-4.6%, but bids remained supportive thanks to short positioning among dealers. Into the afternoon, AT1s further weakened a bit to close 0.375-0.5pt lower. At EOD, BCHINA 3.6%/BOCOM 3.8%/ICBCAS 3.2% were traded down 0.25-0.5pt as we saw structured flows unwinding. T2s tightened 2-3bps. AMCs firmed up 0.25pt amid two-ways. TMTs narrowed a bit, TENCNT tightened 2-5bps. Among IG properties, LNGFOR tightened 4-15bps across the curve amid boosted sentiment. China HYs were buoyed by the rally in property, amid chatters on housing policies' relaxation. COGARDs were up 1.5-3pts. ROADKG 24-26s were noticeably climbing 6-7pts and FUTLANs/FTLNHDs also 1.5-4pts higher. Beaten down names CENCHI/GRNLGR 24s up 1.5-2.5pts. Industrials sector bounced back a little from the lows with FOSUNIs up 3.5-5.5pts. Gaming sector was unchanged to 1pt lower. MPEL down 1-2pts. Away from China, India HY was generally better bid, renewable sector moved ~0.5pt higher with VEDLNs/GRNKENS up 1-2pts.

Flows continued to be active two-way in the spaces after the post-CPI rates surge, and were overall skewed to slight better selling as the repricing went on. AT1s under selling had yields now climbed towards 4.7%-4.8%, but still remained relatively rich, as compared to SOE perps that have already been traded down to 4.7%-5.0%. Considering most SOE perps callable 24s/25s had already required similar yields to sell, AT1s were still firmer in given the that most of the issues were callable in 25s/26s, slightly longer than SOE perps. In LGFV space, new issue JKDLKJ with the size of USD100mn was

Glenn Ko, CFA 高志和
(852) 3657 6235
glennko@cmbi.com.hk

CMBI Fixed Income
fis@cmbi.com.hk

priced at 4.8%. LGFVs theme was two-way skewed to small better selling, with cross-border NBRM still deploying selectively in better yielding papers. For LGFV flows, we saw offshore RM buying on better-yield picks in the front end, versus selling in AMs/Props on mid-to-high-4% papers and select 22s, as investors raised cash ahead of FOMC and primary deals. Despite the buying flows remained resilient across spaces, the prevailing levels offered little value beyond carry and could be fragile from a risk-reward point of view. As technical were so absolute-yield driven, traders also could hardly afford running negative carry be it on an absolute or relative basis.

➤ Last trading day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
ROADKG 6.7 09/30/24	67.5	7.0	MSFLCZ 3.15 03/10/24	90.7	-3.4
ROADKG 5.9 03/05/25	55.4	6.9	ZHLGHD 9 3/4 12/31/23	24.6	-3.3
ROADKG 6 09/04/25	53.2	6.6	MPEL 4 7/8 06/06/25	75.6	-1.9
ROADKG 5.2 01/12/26	48.8	6.1	DEXICN 9.95 12/03/22	54.3	-1.6
ROADKG 5 1/8 07/26/26	48.4	6.1	MPEL 5 3/8 12/04/29	64.5	-1.3

➤ Macro News Recap 宏观新闻回顾

Macro – U.S. stock markets moved downward on Thursday. The S&P (-1.13%), Dow (-0.56%) and Nasdaq (-1.43%) fell as markets worried about the Fed's hawkish hikes may lead to recession. The U.S. weekly jobless claims declined to 213k, better than estimates and retail sales increase 0.3% in August which was also better than expectation, showing that the economic is still active. Offshore RMB dropped past 7 per USD yesterday and it is first time since 2020. The U.S. treasury yields rose significantly in short term yesterday, the 2/5/10/30 yield reaching 3.87%/3.66%/3.45%/3.48%, 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)
Jinko Power Technology Co., Ltd. (SBLC by CMB Shanghai Branch)	USD100	3yr	4.8%	4.8%	-/-/-

➤ Offshore Asia New Issues (Pipeline)

Issuer/Guarantor	Currency	Size (mn)	Tenor	IPG	Issue Rating (M/S/F)
Shaoxing Shangyu Sate-owned Capital Investment and Operation Co., Ltd.	USD	-	3yr	5.6%	-/-/BBB-
Hongkong Xiangyu Investment Co., Limited	USD	-	3yr	6.1%	-/-/-

➤ **Market conditions and color**

- Regarding onshore primary issuances, there were 89 credit bonds issued yesterday with an amount of RMB86bn. As for Month-to-date, 616 credit bonds were issued with a total amount of RMB646bn raised, representing a 16.3% yoy decrease
- **[CENCHI]** Central China plans to repurchase up to 296.4mn shares in open market. Based on the last close price of HKD0.36 per share, the repurchase will cost HKD106.7mn.
- **[CHINSC]** S&P downgraded China SCE Group's long-term issuer credit rating to B- from B+ and senior unsecured notes to CCC+ from B, outlook negative
- **[CIFIHG]** Moody's downgraded CIFI corporate family ratings to B1 from Ba3 and senior unsecured rating to B2 from B1, outlook changed to negative
- **[DEXIN]** Moody's downgraded Dexin's corporate family rating to Caa1 from B3 and senior unsecured rating to Caa2 from Caa1, outlook remains negative
- **[FOSUNI]** Media reported that Fosun International said the process for planned ICBC-led RMB10bn facility remains ongoing; the company paid HKD29.26mn for share repurchase
- **[KWGPRO]** KWG Group completed exchange offer for Sep'22 notes and issued Jan'24 new notes; It has also received the requisite consents necessary to effect the proposed waiver and amendment with respect to each and every series of the consent notes; Media reported that KWG repaid USD43.96mn stub of its 6% due 15 Sep USD notes remaining from the just-completed exchange offer
- **[LIANYU]** Lianyungang Port Group plans to call 17LianyungangMTN002 notes (o/s RMB500mn) on 20 Oct
- **[MEDCO]** Media reported that Medco Energi cuts 2022 capex to USD275mn from USD300m due to delay in mining equipment delivery
- **[MIANYA]** Fitch affirmed Mianyang Investment Holding's issuer default ratings at BB and gave stable outlook
- **[SINOCE]** Fitch downgraded Sino-Ocean Group's long-term foreign-currency issuer default rating and unsecured ratings to BB from BB+, on rating watch negative

CMB International Global Markets Limited

Fixed Income Department

Tel: 852 3761 8867/ 852 3657 6291

fis@cmbi.com.hk

CMB International Global Markets Limited ("CMBIGM") is a wholly owned subsidiary of CMB International Capital Corporation Limited (a wholly owned subsidiary of China Merchants Bank)

Author Certification

The author who is primary responsible for the content of this research report, in whole or in part, certifies that with respect to the securities or issuer that the author covered in this report: (1) all of the views expressed accurately reflect his or her personal views about the subject securities or issuer; and (2) no part of his or her compensation was, is, or will be, directly or indirectly, related to the specific views expressed by that author in this report.

Besides, the author confirms that neither the author nor his/her associates (as defined in the code of conduct issued by The Hong Kong Securities and Futures Commission) (1) have dealt in or traded in the stock(s) covered in this research report within 30 calendar days prior to the date of issue of this report; (2) will deal in or trade in the stock(s) covered in this research report 3 business days after the date of issue of this report; (3) serve as an officer of any of the Hong Kong listed companies covered in this report; and (4) have any financial interests in the Hong Kong listed companies covered in this report.

Important Disclosures

There are risks involved in transacting in any securities. The information contained in this report may not be suitable for the purposes of all investors. CMBIGM does not provide individually tailored investment advice. This report has been prepared without regard to the individual investment objectives, financial position or special requirements. Past performance has no indication of future performance, and actual events may differ materially from that which is contained in the report. The value of, and returns from, any investments are uncertain and are not guaranteed and may fluctuate as a result of their dependence on the performance of underlying assets or other variable market factors. CMBIGM recommends that investors should independently evaluate particular investments and strategies, and encourages investors to consult with a professional financial advisor in order to make their own investment decisions.

This report or any information contained herein, have been prepared by the CMBIGM, solely for the purpose of supplying information to the clients of CMBIGM and/or its affiliate(s) to whom it is distributed. This report is not and should not be construed as an offer or solicitation to buy or sell any security or any interest in securities or enter into any transaction. Neither CMBIGM nor any of its affiliates, shareholders, agents, consultants, directors, officers or employees shall be liable for any loss, damage or expense whatsoever, whether direct or consequential, incurred in relying on the information contained in this report. Anyone making use of the information contained in this report does so entirely at their own risk.

The information and contents contained in this report are based on the analyses and interpretations of information believed to be publicly available and reliable. CMBIGM has exerted every effort in its capacity to ensure, but not to guarantee, their accuracy, completeness, timeliness or correctness. CMBIGM provides the information, advices and forecasts on an "AS IS" basis. The information and contents are subject to change without notice. CMBIGM may issue other publications having information and/ or conclusions different from this report. These publications reflect different assumption, point-of-view and analytical methods when compiling. CMBIGM may make investment decisions or take proprietary positions that are inconsistent with the recommendations or views in this report.

CMBIGM may have a position, make markets or act as principal or engage in transactions in securities of companies referred to in this report for itself and/or on behalf of its clients from time to time. Investors should assume that CMBIGM does or seeks to have investment banking or other business relationships with the companies in this report. As a result, recipients should be aware that CMBIGM may have a conflict of interest that could affect the objectivity of this report and CMBIGM will not assume any responsibility in respect thereof. This report is for the use of intended recipients only and this publication, may not be reproduced, reprinted, sold, redistributed or published in whole or in part for any purpose without prior written consent of CMBIGM.

Additional information on recommended securities is available upon request.

Disclaimer:

For recipients of this document in the United Kingdom

This report has been provided only to persons (I) falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended from time to time) ("The Order") or (II) are persons falling within Article 49(2) (a) to (d) ("High Net Worth Companies, Unincorporated Associations, etc.") of the Order, and may not be provided to any other person without the prior written consent of CMBIGM.

For recipients of this document in the United States

CMBIGM is not a registered broker-dealer in the United States. As a result, CMBIGM is not subject to U.S. rules regarding the preparation of research reports and the independence of research analysts. The research analyst who is primary responsible for the content of this research report is not registered or qualified as a research analyst with the Financial Industry Regulatory Authority ("FINRA"). The analyst is not subject to applicable restrictions under FINRA Rules intended to ensure that the analyst is not affected by potential conflicts of interest that could bear upon the reliability of the research report. This report is intended for distribution in the United States solely to "major US institutional investors", as defined in Rule 15a-6 under the US, Securities Exchange Act of 1934, as amended, and may not be furnished to any other person in the United States. Each major US institutional investor that receives a copy of this report by its acceptance hereof represents and agrees that it shall not distribute or provide this report to any other person. Any U.S. recipient of this report wishing to effect any transaction to buy or sell securities based on the information provided in this report should do so only through a U.S.-registered broker-dealer.

For recipients of this document in Singapore

This report is distributed in Singapore by CMBI (Singapore) Pte. Limited (CMBIGMG) (Company Regn. No. 201731928D), an Exempt Financial Adviser as defined in the Financial Advisers Act (Cap. 110) of Singapore and regulated by the Monetary Authority of Singapore. CMBIGMG may distribute reports produced by its respective foreign entities, affiliates or other foreign research houses pursuant to an arrangement under Regulation 32C of the Financial Advisers Regulations. Where the report is distributed in Singapore to a person who is not an Accredited Investor, Expert Investor or an Institutional Investor, as defined in the Securities and Futures Act (Cap. 289) of Singapore, CMBIGMG accepts legal responsibility for the contents of the report to such persons only to the extent required by law. Singapore recipients should contact CMBIGMG at +65 6350 4400 for matters arising from, or in connection with the report.