

## CMBI Credit Commentary

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

- *U.S treasury yields curves bear flattened post the higher than expectation CPI data. We saw buying interests on 24/25 callable SOE perp and 24s/25s LGFV from onshore buyers when the yields widen to 6.3-6.5% and 6%, respectively. Onshore buyers were overall cautious at this moment and waited for the end of offshore's sell-off.*
- **GLPCHI:** *Potential Hong Kong warehouse acquisition by GLP will have limited impact of its credit metrics. We see the better entry opportunities on GLPCHIs after drops in GLPCHI'24/26 9-10pts yesterday and another 0.5-2pts this morning. See comments below.*
- **ROADKG:** *Road King Infrastructure redeemed USD33mn of ROADKG 5.9 03/05/25, USD46mn of ROADKG 6 09/04/25, the redeemed notes will be cancelled. These two bonds up 0.25-1pt this morning.*

#### ❖ Trading desk comments 交易平台市场观点

Yesterday, China IG space had another soft session with accounts looking to trim all over the China space. Flow-wise, long-duration papers were extremely illiquid with buyers stood sideline for CPI number on Thursday night. Financials space was relatively quiet. AT1s remained fairly resilient perhaps thanks to 1) a more home-centric investor base, and 2) a clearer credit differentiation landscape where Big4 bank names were supported by short covering at mid-5% and high-beta names by absolute yield buyers at 8%. ICBCAS 3.2 Perp traded two way at around 92 level and CCB 32s widened 5bps to be traded at T+90. TMTs generally remained weak. MEITUA widened 10-15bps and BABA/XIAOMI were traded 10bps wider. IG property benchmarks VNKRL/LNGFOR were down 0.5-1.5pts. China HYs continued the losing streak as CIFIHGs down 1pt on official default notice. COGARDs lowered 1.5-2.5pts. Elsewhere, the logistic-real-estate company GLP's bonds encountered selling with GLPSP 4.5/4.6 Perps were traded down to low-50s, from the previous mid-60s level before the sell-off. GLPCHIs plunged another 9pts yesterday after dropping 3-5pts on Wednesday. See comments below. HK properties outperformed as CKINF/CKPH Perps were up 1.5-2pts. Industrial space broadly dipped 0.5-1pt. ANTOILs were down 8-9pts as Anton Oilfield Services' new orders dropped 33.2% YoY to around RMB74.4mn during 3Q22. SANLTDs/STCITYs/STDCTYs were down 1-2.5pts amid China's reinstatement of dynamic zero COVID policy. Ex-China HY, VEDLN 24-26s were slightly up 0.5-1pt. Indonesia HY BUMIJ 8%'22 climbed 9pts after the launch of a private placement of 200bn shares on 18 Oct for debt repayments.

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The LGFV/SOE Perp/AT1s had another rough day as sentiment remained fragile and prices all over the place. HAOHUA/CNBG had Chinese NBRM buying short dated perps at  $\geq 7\%$  and short end bullets at  $\geq 6\%$ , nonetheless despite this and thus signs of stabilizing prices the curves still felt rather heavy. Having said that, while HAOHUA's sharp plunge caught spotlight, current repriced levels do indeed align with market's usual view on the name as a high-beta SOE. Looking into this, nowadays we already have SINOPE/ CNOOC 23s close to 5% and HUADIA/HUANEN senior Perps c23/c24 at mid-5% to low-6% among 'real low-beta' single-A SOE papers. So from a RV perspective, HAOHUA's correction has so far arguably not been outrageous despite how fast and furious it happened. The correction has been driven by heavy rebalancing selling out of global RM in its high coupon issues even before the DoD news and quarter end. SOE Perps were otherwise still very heavy. As mentioned HUADIA 4 PERP (c24) was hit at low-6% among heavy selling in senior and sub perps c24 and beyond - CHSCOI/MINMET/CMHI to name a few - whilst the only non-short-covering buyers were limited at the front end of the curve in quality c23 papers. LGFVs were also generally heavy. Front end high-beta papers continued to see selling from RM yet they still managed to be digested alright, however  $>25s$  papers were pretty much one way selling especially for weaker names, with almost no bid beyond short covering. We saw it is also still a matter of price levels in LGFVs at the moment. As said when we already have low-beta SOEs yielding 5%-6%, it is only logical to think Bloomberg marks on most LGFVs are outdated and too high. Overall, against this backdrop of global RM offloading the space due to fund flows, we reckon most price marks still have to go further down until we see marginal buying from onshore again.

#### ➤ Last trading day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
BUMIJ 8 12/11/22	99.7	8.9	GLPCHI 4.974 02/26/24	76.6	-9.8
CHJMAO 4 1/4 07/23/29	71.4	5.1	GLPCHI 2.95 03/29/26	63.5	-9.3
CKINF 4.85 PERP	86.9	1.8	ANTOIL 7 1/2 12/02/22	89.2	-8.7
CKPH 3.8 PERP	74.7	1.6	ANTOIL 8 3/4 01/26/25	62.8	-8.4
BTSDf 5 5/8 10/24/24	78.8	1.5	GRNLGR 6 3/4 03/03/24	36.1	-3.7

#### ➤ Macro News Recap 宏观新闻回顾

**Macro** – U.S. stock markets technically rebounded yesterday. The S&P (+2.60%), Dow (+2.83%) and Nasdaq (+2.23%) jumped up by the mid-day after a slump due to the higher than expectation CPI data. U.S. September CPI stayed at plateau as +8.2% yoy/+0.4% mom, core CPI increase 6.6% yoy, higher than the expectation of 6.5%. The data concrete the probability that there is a 75bps hike in November. The U.S. treasury yields continued going up post CPI data, the yield curves bear flattened that the 2/5/10/30 yields reached 4.47%/4.21%/3.97%/3.97%, respectively.

#### ❖ Desk analyst comments 分析员市场观点

##### ➤ GLPCHI: Sharply lower bond prices offer better entry opportunities

GLP's acquisition of a Hong Kong warehouse at HKD1.08bn (cUSD138mn) from Swire will mark its entrance into the city. The asset to be acquired is a 5-storey building, DSL Warehouse, is leased to a logistics provider DB Schenker at monthly rent of HKD3mn. On a pro-forma basis, we estimate that the acquisition, if goes ahead, will have limited impact on GLP's and GLPCHI's key leverage ratios. See table below. S&P forecasts GLP's CAPEX to be cUSD8bn in 2022. As per our discussions with S&P, the USD138mn acquisition in Hong Kong is not significant, and therefore, the rating impact is limited.

Moreover, the acquisition could help the EBITDA mix going forward, by adding recurring rental income to the mix. S&P expects the development EBITDA to trend down to 50-55% of adjusted EBITDA in 2022 and 30-35% in 2023, after peaking at 65% in 2021.

GLPCHI'24 and GLPCHI'26 dropped 9-10pts yesterday and another 0.5-2pts this morning. We see the recent drops in GLPCHIs entry opportunities and recommend buy on GLPCHIs. We prefer GLPCHIs over GLPSPs in view of the formers' shorter tenor.

Outstanding bonds of GLP:

	Outstanding amt. (USD)	Last px	13'Oct Net chg.
GLPCHI 4.974 02/26/24	500mn	76.6	-9.8
GLPCHI 2.95 03/29/26	700mn	63.5	-9.3
GLPSP 4.6 PERP	300mn	56.5	-8.1
GLPSP 3 7/8 06/04/25	1bn	65.5	-7.1
GLPSP 4 1/2 PERP	850mn	50.8	-5.6
GLPCHI 2.6 02/09/24	126mn	83.2	-1.6

Source: Bloomberg.

Key financial of GLP Pte and GLP China Holdings at Jun'22:

Jun'22	GLP Pte	GLP China Holdings
Total Cash	USD1.97bn	USD0.91bn
Total Debt	USD14.37bn	USD9.89bn
Operating cash flow	USD0.69bn	USD0.61bn
FY21, S&P reported		
Revenue	USD2.20bn	USD1.71bn
EBITDA	USD3.27bn	USD3.03bn
Funds from operations (FFO)	USD2.37bn	USD2.25bn

Source: S&P Capital IQ on 14 Oct'22.

Pro-forma ratios after the acquisition:

	Before the acquisition	After the acquisition
<b>GLP Pte</b>		
Total debt/ EBITDA	4.40x	
FFO to debt	16.5%	
All-cash scenario		
Cash level		USD1.83bn
All-debt scenario		
Total debt		USD14.5bn
Total debt/ EBITDA		4.44x
FFO to debt		16.3%
<b>GLP China Holdings</b>		
Total debt/ EBITDA	3.27x	
FFO to debt	22.8%	
All-cash scenario		
Cash level		USD0.77bn

All-debt scenario	
Total debt	USD10.0bn
Total debt/ EBITDA	3.31x
FFO to debt	22.5%

*Note: Calculations based on Jun'22/ Dec'21 financials on S&P Capital IQ on 14 Oct'22.*

#### ➤ 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	IPG	Issue Rating (M/S/F)
No Offshore Asia New Issues Pipeline Today					

#### ➤ News and market color

- Regarding onshore primary issuances, there were 75 credit bonds issued yesterday with an amount of RMB98bn. As for Month-to-date, 287 credit bonds were issued with a total amount of RMB331bn raised, representing a 36.6% yoy increase
- China September CPI was +2.8% yoy, +0.3% mom; PPI was +0.9% yoy, -0.1% mom.
- [AACTEC]** AAC Technologies completed tender offer for AACTEC 3 11/27/24 (o/s USD276.8mn) and AACTEC 2.625 06/02/26 (o/s USD252.6mn), repurchased USD111.2mn and USD47.4mn respectively
- [ASRIIJ]** Moody's changed Alam Sutera's ratings outlook to negative following tender offer announcement
- [BUMIJJ]** Moody's upgraded Bumi's series B notes to Caa3 and placed all ratings on review for upgrade
- [CHFOTN]** China Fortune Land announced to extend the deadline of RSA's cash prepayment fee to 10 Nov from 13 Oct
- [CHINSC]** Fitch withdrawn China SCE's rating as the company chose to stop participating in the rating process
- [CHMEDA]** Mengniu's tender offer for 5% Milkground stake (cRMB800mn) starts on 18 Oct till 16 Nov
- [GEMDAL]** Gemdale unit repurchased cRMB164.5mn onshore bonds; The company remitted RMB2.84bn fund for redemption of 15Jindi01 bonds
- [ROADKG]** Road King Infrastructure redeemed USD33mn of ROADKG 5.9 03/05/25, USD46mn of ROADKG 6 09/04/25, the redeemed notes will be cancelled
- [SFHOLD]** S.F. Holding forecasts RMB4.42bn-4.57bn in net profit for 9M22; up 146%-154% YoY

- **[SUNAC]** Sunac denied market news of framework agreement with Huarong to collaborate on Shanghai project and acquire up to RMB8bn liquidity support
- **[YANGOG]** Yango Group disclosed it is unable to make the payment of 20Yangcheng04, which was exercised RMB500.6mn put option by holders and should be paid before 14 Oct; The company was involved in lawsuits and arbitration cases with claims totaling RMB599m as of 13 October

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