

## 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. COGARs 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.

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

**Cyrena Ng, CPA** 吳蓓瑩  
(852) 3900 0801  
cyrenang@cmbi.com.hk

**Jerry Wang** 王世超  
(852) 3761 8919  
jerrywang@cmbi.com.hk

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:

	<b>Outstanding amt. (USD)</b>	<b>Last px</b>	<b>13'Oct Net chg.</b>
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	<b>GLP Pte</b>	<b>GLP China Holdings</b>
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:

	<b>Before the acquisition</b>	<b>After the acquisition</b>
<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

CMB International Global Markets Limited

*Fixed Income Department*

Tel: 852 3761 8867/ 852 3657 6291

[fis@cmbi.com.hk](mailto: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 (CMBISG) (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. CMBISG 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, CMBISG accepts legal responsibility for the contents of the report to such persons only to the extent required by law. Singapore recipients should contact CMBISG at +65 6350 4400 for matters arising from, or in connection with the report.