

CMBI Credit Commentary

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

- *Flows were active two-way this morning. Buying flows on SOE Perps/AT1 were active post rates down. LGFVs were under better buying while real estate related names were weak. IG space was relatively stable with buying interests on front-end bonds.*
- **CAPG:** *Count hearings to convene scheme meetings on 31 Oct'23. CAPGs were unchanged to 0.1pt lower this morning. See below.*
- **COGARD:** *Offshore holistic debt restructuring is on the way. COGARs were unchanged this morning. See below.*

❖ Trading desk comments 交易台市场观点

Yesterday, Asia ex-JP IG space had a quiet session due to HK typhoon and US/JP/KR holiday, and spreads were largely unchanged. The front-end of IGs were sought after by cash parking demand on 23s papers. In Chinese financials, AMCs were mixed. CCAMCL 24s/25s were traded in active mixed two-way flows. HRINTH 25s/29s were under better selling, but the rest of the curve was unchanged to 0.5pts higher. Chinese AT1s were firm whilst Thai/European AT1s remained under selling from PBs. Chinese SOEs/TMTs were stable. BABA/TENCNT 24s were better bid. In HK IGs, CKHH/HKAA 33s tightened 3-5bps. HK Corp perp space performed mixed. NWDEVL Perps were 1-2.4pts higher. NWS announced on last Friday that all the pre-conditions under the HKD 9.15/share conditional voluntary general cash offer from CTFE have been satisfied. CKINF Perps were 0.5-1pt lower. HK/Chinese properties were firm. YLLGSP 24s/SHUION 23s were up 0.5pt. DALWAN 26/CHJMAO 29s were up 1.4-1.9pts. LNGFOR 27-29s closed around 1.5pts higher. COGARs/ROADKGs were unchanged to 0.2pt higher. On the other hand, CSCHCN 24s/AGILE 25s were among the exceptions to be marked down 1.5-2.5pts. In industrials, AACTECs were up 0.5pt. However, WESCHI 26s were down 0.3pt. Moody's downgraded the ratings of WESCHI to Ba3 from Ba2, and maintained the negative outlook. Macau gaming names were muted. In Indian space, VEDLNs were down 0.5pt. Indonesian names LMRTSP 24s/26s were 0.5-1pt higher. Elsewhere, GLPCHI 26s were down 1.75pts. Before close, MONMIN announced that it will redeem all outstanding of its due-2024s in full at 102.313% on 8 Nov. MONMIN '24 closed unchanged to a touch higher.

The LGFV/Perp spaces had a less eventful session than expected upon onshore Chinese clients' return from long holiday. We saw the flows skewed to better buying in SOE perps while loose bonds were roughly digested. CHPWCN 4.25 Perp/HUADIA 4 Perp/CHSCOI 3.4 Perp were 0.1pt higher. The LGFV flows were mixed, the 6%-handle papers were traded in two-way flows skewed to better selling while the LGFV bonds yielding 7% or above

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remained better sought-after. In the higher-yielding LGFVs, KMRLGP/GSHIAV 24s were up 0.3-0.6pt. Shandong names SHGUOH 25s/SHDOIS 24s were down 0.1-0.3pt. ZHONAN/SUNSHG 26s were 0.5pt higher. FRESHK 25s were up 0.3pt.

❖ Last Trading Day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
NWDEVL 5 1/4 PERP	66.9	2.4	CSCHCN 9 06/26/24	45.9	-2.3
DALWAN 11 02/13/26	36.9	1.9	GLPCHI 2.95 03/29/26	61.6	-1.8
NWDEVL 6 1/4 PERP	55.0	1.6	AGILE 5 1/2 04/21/25	12.8	-1.4
LNGFOR 3.95 09/16/29	49.6	1.5	CKINF 4.85 PERP	73.6	-0.9
CHJMAO 4 1/4 07/23/29	63.4	1.4	CKINF 4 PERP	61.0	-0.8

❖ Marco News Recap 宏观新闻回顾

Macro – S&P (+0.63%), Dow (+0.59%) and Nasdaq (+0.39%) reversed the initial drop on Monday. Crude oil prices rebounded c5% since middle east conflict escalated, WTI/Brent crude oil prices reached USD86.2/88.0 per barrel. The UST yields were changed yesterday due to US holiday, 2/5/10/30 yield stayed at 5.08%/4.75%/4.78%/4.95%, respectively.

❖ Desk analyst comments 分析员市场观点

➤ CAPG: Count hearings to convene scheme meetings on 31 Oct'23

Aoyuan finally provided updates on the next steps and consent levels for the debt restructuring plan since the RSA extended RSA deadline on 31 Aug'23. Overnight, Aoyuan sent the Practice Statement Letter to inform creditors on its intention to formally propose the debt restructure plan ([See our detailed discussions in our comment on 3 Jul'23](#)), the court hearings on 31 Oct'23, mainly to seek the permission to convene scheme meetings. As at 9 Oct'23, over 72% of holders of ICA debts in value and over 22% holders of non-ICA debts in value have acceded to the RSA.

Recalled that the requisite approval thresholds for both Add Hero and Aoyuan schemes are 75% in value. In the Add Hero scheme meeting, only ICA holders will be eligible to vote. In the Aoyuan scheme meeting, both ICA and non-ICA holders will be eligible to vote. ICA holders account for c2/3 of the total claims in the Aoyuan scheme. Hence the creditors of the Aoyuan scheme have acceded to RSA is c55%. Both schemes are conditional upon each other.

Despite the consenting level of Aoyuan scheme remains 20% short of the threshold, we believe the room for material "sweetening" of the debt restructuring plan to be small given the weak property sales. Additionally, Aoyuan has fulfilled the conditions for share trading resumption such as filing of audited financials and was able to resume the trading of its share on 25 Sep'23. Aoyuan is no longer under delisting pressure in the near-term.

➤ COGARD: Offshore holistic debt restructuring is on the way

Country Garden has not paid the principal amount of HKD470mn under certain of its indebtedness, and expects that it will not be able to meet all of its offshore payment obligations when due or within the relevant grace periods. In addition, it has engaged financial and legal advisors to formulate a holistic solution. The outstanding

principal amount of 15 offshore bonds is USD9.9bn. Currently, COGARD has two overdue USD bond coupons totaled USD55.4mn. It has another two USD bond coupons totaled USD66.8mn due next week. The last coupon payment was made on 5 Sep relating to the two USD coupons missed in Aug. On the other hand, COGARD has completed the maturity extensions of 9 onshore bonds for three years, totaled RMB14.7bn (cUSD2.0bn) on 20 Sep.

COGARD expressed that it is facing significant uncertainty regarding asset disposals while obtaining new financing is extremely difficult. Its contract sales, at the same time, showed 43.9% decline in 9M23 compared with 9M22 to RMB155bn. Detailed in our comments [COGARD: our reflections after COGARD's](#) published in early Aug, we believe the liquidity pressure of COGARD will not be notably improved in the near-term and expecting a holistic liability exercise to deal with the maturity extensions.

With COGARD and China SCE exploring holistic debt management, there are only a few non-state owned property developers remain current on its debt obligations, including Longfor, Hopson, Seazen, and Yanlord. As of 8M23, Longfor is the only non-state owned developer with contract sales largely comparable with those of 8M22. Longfor's contract sales were RMB81.8bn, down 1% yoy and ranked 7th among the 35 developers under our radar.

➤ Offshore Asia New Issues (Priced)

Issuer/Guarantor	Size (USD mn)	Tenor	Coupon	Priced	Issue Rating (M/S/F)
No Offshore Asia New Issues priced Today					

➤ 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 41 credit bonds issued yesterday with an amount of RMB32bn. As for Month-to-date, 52 credit bonds were issued with a total amount of RMB42bn raised, representing a 54.7% yoy increase
- [CQLGST]** Chongqing International Logistics Hub Park Construction proposed to offer RMB2.5bn (cUSD342.9mn) corporate bonds via private placement
- [DALWAN]** Media reported that Dalian Wanda Commercial Management has sold Shanghai Wanda Plaza Property to Dajia Insurance
- [GLPSP]** GLP Capital Partners raised RMB1.75 bn for China logistics portfolio
- [GXFING]** Fitch assigned Guangxi Financial Investment Group long-term issuer rating of BBB- and placed stable outlook
- [MONMIN]** Mongolian Mining announced to redeem all outstanding USD84.2mn MONMIN9.25/04/15/24 on 8 Nov

- **[SKYFAM]** Skyfame Realty winding up petition hearing adjourned to 2 Feb'24
- **[WESCHI]** Moody's downgraded West China Cement CFR to Ba3 and maintained negative outlook
- **[ZZCITY]** Zhuzhou City Construction Development proposed to offer up to RMB1bn three-year MTNs to repay debts

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