

CMBI Credit Commentary

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

- *Markets focused on AMC sector this morning. GRWALL curve down 2-3pts, HRINTH curve down 1-2pts, CCAMCL/ORIEAS widened 5-10bps. HK names remained weak that CKHH/HKLSP widened 5bps. Benchmark TMTs were 2-4bps wider. LGFVs were stable with two-way flows from PBs.*
- *GRWALL: FY22 annual report not yet published after the end of grace period. GRWALLs dropped 2-3pts this morning post its failure to publish FY22 annual results. See below.*
- *YLLGSP: Moody's downgraded Yanlord's CFR to Ba3, S&P downgraded Yanlord to B+ and both agencies placed negative outlook on Yanlord. YLLGSPs were unchanged to +0.25pt this morning.*

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

Cyrena Ng, CPA 吳倩瑩
 (852) 3900 0801
 cyrenang@cmbi.com.hk

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

❖ Trading desk comments 交易台市场观点

UST yields tightened 1-3bps yesterday. Asia ex-JP IG had a quiet session with London out for holiday. HK Corp space had another choppy session. NWDEVL perps opened 1-2pts higher but retraced the early gains to close 1.5-3.5pts lower. NWDEVL '27 dropped 8.5pts and NWSZF perps declined 1.5pts. NANFUN 5 Perp/BNKEA 5.875 Perp were down 1pt. Other HK perps such as CKPH/CKINF/LIFUNG perps were traded 0.5pt lower under one-way selling. HYSAN 4.85 FFL Perp closed 3.5pts lower and marked below 70 level. Meanwhile SHUION 24-26s lowered 0.5-0.75pt. LASUDE 26s were marked 3.5pts lower. HK IG papers such as CKHH/HKLSP 33s were unchanged to 5bps tighter. Chinese TMT/SOE spreads were traded unchanged to 2bps tighter. In financials, HRINTH opened 0.5-1pt higher but closed unchanged to 0.25pt lower. In-house flows were heavy selling across the curve. CCAMCL curve was also traded heavily with 24s/27s under better selling. Chinese bank T2s/AT1s were supported with better demand on big-4 banks. In Korea space, DAESEC/LGCHM/KHFC/POHANG/KEBHNB/NACF papers were under better buying. Chinese properties were firm. DALWANs were marked 0.75-1.25pt higher. ROADKG 24-26s gained 1.75-4.75pts. Meanwhile, In industrials, WESCHI '26/HILOHO '24 were quoted 0.5pt higher. Macau gaming papers such as MPELs/SANLTDs were marked 0.25-0.75pt higher. In Indian space, ADSEZs/ADTINs were marked 0.5pt lower. Indonesian space was muted. Elsewhere, GLPCHI 4.974 '24 was traded 7pts higher to close at 85. MONMIN 24s were bid up 2.5pts, following the exchange offer for outstanding due-2024s and concurrent new issue.

LGFVs were stable amid decent two-way flows. The strength in the high-yielding/high-beta LGFV names persisted. The front-end of LGFV space was well-bid. KMRLGP '24/SHUGRP '24/GSHIAV '25 were quoted unchanged to 0.125pt higher, thanks to buying from Chinese accounts. CQNANA/CQLGST 24-26s were up 0.1pt. ZHHFGRs were indicated unchanged to 0.2pt higher.

Whilst CPDEV 25s/26s were down 0.5pt. Selected high-beta papers such as ZHONAN/FRESHK 25s/26s were marked 0.5-1pt lower. Meanwhile SOE perp space lowered a touch amid rates uncertainties, despite there were also some Chinese AMs picking up bonds. CHCOMU 3.65 Perp/CHSCOI 3.4 Perp were marked down 0.15-0.4pt.

❖ Last Trading Day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
GLPCHI 4.974 02/26/24	85.5	7.2	NWDEVL 5 7/8 06/16/27	68.3	-8.4
ROADKG 6 09/04/25	42.4	4.7	FWDGHD 6 3/8 PERP	89.2	-5.0
ROADKG 5.9 03/05/25	52.0	4.6	NWDEVL 6.15 PERP	60.0	-4.0
CHINSC 7 3/8 04/09/24	13.3	3.8	LASUDE 5 07/28/26	57.8	-3.6
ROADKG 6.7 09/30/24	58.4	2.6	NWDEVL 5 1/4 PERP	52.7	-3.6

❖ Marco News Recap 宏观新闻回顾

Macro – S&P (+0.63%), Dow (+0.62%) and Nasdaq (+0.84%) were led by tech sector to rally higher yesterday. Chinese commerce minister held talks with US commerce secretary in Beijing, a working group composed of deputy ministerial level officials was set up to seek solutions to specific business issues. US treasury yields retreated on Monday, 2/5/10/30 yield reached at 4.98%/4.38%/4.20%/4.29%, respectively.

❖ Desk analyst comments 分析员市场观点

➤ GRWALL: FY22 annual report not yet published after the end of grace period

Great Wall AMC and its subsidiaries (including Great Wall International) has not yet published the FY22 annual reports on Shanghai Clearing House. Among the outstanding bonds, Great Wall AMC only serves as the keepwell provider for GRWALL 3.875 03/31/27. According to the bond covenants, the issuer and guarantor have to publish the audited results within 180 days after the financial year-end, and there are 60 days grace period following the 180-day timeframe. The end of grace period supposed to be 28 Aug (yesterday). Recalled that Great Wall AMC has delayed the publication of FY21 results, yet it managed to publish on 26 Aug'22 that was before the end of grace period. For FY18 and FY19 results, Great Wall AMC also published late in Jun'19 and Jun'20 respectively.

We are not too concerned on the delay in publication of financial statements of AMCs as the delay appears to have not much bearing on the repayment ability of AMCs. Recalled that Huarong delayed the publication of FY20 annual results for 5 months to Aug'21 from Mar'21 when it had a hard time in the year of 2020. It published its results on time since its Hong Kong listing in 2015. Huarong made full repayment of offshore bonds of USD1.9bn from May- Jul'21. Huarong also called the HRINTH 2.875 perp on Sep'21 on the first call date.

We do not see immediate impact on Great Wall's repayment ability solely due to the publication delay. Indeed, we saw trading value in the curve and continue to recommend GRWALL 3.95 Perp as a short-tenor play. At 89.9, GRWALL 3.95 Perp is trading at YTC of 16.1%. The perp, callable in Jul'24, also offers yield pickup of 680bps over GRWALL 3 ½ 07/31/24. GRWALLs dropped 3-4pts this morning post its failure to publish FY22 annual results.

➤ Offshore Asia New Issues (Priced)

Issuer/Guarantor	Size (USD mn)	Tenor	Coupon	Priced	Issue Rating (M/S/F)
Shandong Marine Group	200	3yr	7.25%	7.25%	-/-/-

➤ Offshore Asia New Issues (Pipeline)

Issuer/Guarantor	Currency	Size (USD mn)	Tenor	Pricing	Issue Rating (M/S/F)
Aozora Bank Ltd	USD	-	3yr	-	-/BBB+/-
LG Energy Solution Ltd	USD	-	3/5yr	-	-/-/-
Haiyan County State-owned Assets Management	USD	-	3yr	6.3%	-/-/BBB-

➤ News and market color

- Regarding onshore primary issuances, there were 86 credit bonds issued yesterday with an amount of RMB118bn. As for Month-to-date, 1,930 credit bonds were issued with a total amount of RMB1,738bn raised, representing a 11.2% yoy increase
- [ABMMIJ]** Fitch affirmed ABM Investama at B+ and placed stable outlook
- [AGILE]** Media reported that Agile has paid first quarterly amortization on USD719.2mn-equivalent loan closed in May
- [BTSDf]** S&P affirmed Health And Happiness (H&H) BB+ rating and revised outlook to stable
- [CAPG]** China Aoyuan Group expects it is unable to disclose 1H23 results scheduled on 31 Aug
- [GEMDAL]** Moody's downgraded Gemdale CFR to Ba3, the senior unsecured rating on the bonds to B1 and put the ratings on reviews for further downgrade
- [LNGFOR]** Longfor onshore unit's shareholder announced to buy up to RMB500mn domestic bonds; Longfor unit proposes to offer up to RMB1.1bn three-year CBICL-backed MTNs on 30 Aug
- [MONMIN]** Fitch placed Mongolian Mining on RWN and assigned B to proposed exchange and new notes
- [OCTOWN]** Overseas Chinese Town (Asia) completed redemption of USD300mn OCTOWN 4.5 PERP
- [SINOPE]** Media reported that Sinopec denied plans to buy Shell's refinery assets in Singapore
- [SUNHKC]** Sun Hung Kai & Co repurchased USD37.525mn of SUNHKC 5.75 11/15/24 in open market
- [YLLGSP]** Moody's downgraded Yanlord's CFR to Ba3, the backed senior unsecured rating on the bonds issued by Yanlord Land (HK) to B1 and placed negative outlook; S&P downgraded Yanlord to B+, guaranteed notes to B and placed negative outlook

- [YXREIT] Moody's affirmed Yuexiu REIT's Ba1 rating and revised outlook to negative from stable

Fixed Income Department

Tel: 852 3657 6235/ 852 3900 0801

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.