

CMBI Credit Commentary

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

- *Markets were overall stable this morning. Onshore RM showed buying interests on short end LGFVs. We saw active short coverings on HAOHUAs and other IG SOE names.*
- **SINOCL/SINOCE:** *Consent solicitation to extend one-year maturity for SINOCL 6 10/25/22 and remove keepwell deed provided by Sino-Ocean Group. SINOCLs were stable and SINOCes were divergent between -1-0.5pt this morning. See below.*
- **China IG Properties:** *Driven by onshore bonds drop (20JindiMTN006 slumped 43pts / 16Longhu06 down 5.5pts) and lacking buyers on offshore bonds yesterday, China IG properties overall down. GEMDAL'24/LNGFOR 27-32s slumped 8-12pts and VNKRL/YUEXIU down 0.5-3.5pts yesterday. See below for comments on LNGFOR.*

❖ Trading desk comments 交易台市场观点

Yesterday, China IG space continued the risk-off tone amid overnight front-end rates surge, and flows were paper-thin across all sectors. Financial space had a soft day, with leasing underperformed whilst T2s still held stable. Leasing widened for 5-15bps. T2s closed unchanged to 3bps wider amid onshore RM buying and dealer short covering. AT1s moved 0.125-0.25pt lower. Core AT1 names kept quiet and unchanged, while BOCHKL 5.9 Perp down 0.2pt. Peripheral bank names CINDBK/BNKEA Perps trended 0.5-1pt lower. AMCs widened 3-10bps in sympathy with broad credit space, though CCAMCL'37 price up 2.5pts. TMTs notably underperformed as buyers evaporated given rates volatility, with TENCNT 30s/BABA 31s widened 10-15bps to be traded at T+235/T+207 level respectively. IG properties down for another 2-7pts with long-end plunged amid thin liquidity. LNGFORs notably slumped 4-10pts despite CBICL emphasized to continue support new bond issuance for already-printed CBIC-back names, and exempted from scrutiny over single borrower concentration. VNKRLs were also down 1.5-3.5pts. China HY opened firm in the AM session with industrials led the rally with properties still softened into a more fragile sentiment. FOSUNI 5.95'23 outperformed, climbing back 7.5pts to 85 level, on the news that FOSUN sold 60% stakes in Nanjing Steel for about RMB15bn. Other tranches of FOSUNIs jumped 2.5-4.5pts across the curve. ANTOILs grinded another 1pt higher to 94/96 level. In property sector, GEMDAL 4.95'24 plunged 12pts to be traded low-40s, amid the onshore sell off. CIFIHGs were roughly unchanged, and Moody's downgraded CIFI's ratings to Ca/C from Ba3 with outlook negative into the evening. Front-end COGARDs closed up 0.5-1.5pts. Elsewhere, FUTLANs/FTLNHDs continued to drop 1-2pts further. HK properties CPDEV 4.65'26/NWDEVL 6.25'Perp also noticeably fell 6-7pts. Macau gaming space

PLEASE READ THE AUTHOR CERTIFICATION AND IMPORTANT DISCLOSURES ON LAST PAGE

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

extended the losing streak, MPELs/SANLTDs/ STCITYs dipped 0.5-1.5pts. Away from China, India HYs still a touch softer after a weak overnight session with small net selling across benchmarks. Indian renewables VEDLNs/ GRNKENS down 0.5-1.5pts.

In LGFV/SOE Perp space, market was fairly uneventful to start the week as risk off sentiment in broader markets persisted. We saw Chinese NBRM selectively picking up 1-2y papers in LGFVs/SOE Perps at high-5% to high-6% and as a result digesting some of the heavy loose bonds out last week, while also triggering some short covering interests at these levels. Otherwise, offshore accounts remained better seller of risk across low to high beta names and along the yield curve. LGFVs extended Friday's weaknesses, but flows were relatively quiet as compared to the general China credit sell-off. CQNANA'24/ZHANLO'25 remained under selling pressure. Whilst we saw some buying interests at LGFV 22-23s space on names like LZINVE'22/HZCOI'23/ZJBOXV 23. Flow wise, trading volume was low, as yield hunters turned more reluctant to take risks amid macro uncertainties. Elsewhere, central SOE 10y papers were 5-10bps wider. Off-the-run short-end SOE papers were slightly firmer, to close 3-5bps wider amid super thin liquidity.

➤ Last trading day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
FOSUNI 5.95 01/29/23	84.6	7.5	GEMDAL 4.95 08/12/24	42.8	-12.1
FOSUNI 6 3/4 07/02/23	56.3	4.5	LNGFOR 3.95 09/16/29	46.3	-10.2
FOSUNI 6.85 07/02/24	42.7	4.1	LNGFOR 3.85 01/13/32	44.1	-8.8
FOSUNI 5.05 01/27/27	32.6	2.8	LNGFOR 3 3/8 04/13/27	54.1	-8.5
CCAMCL 4 3/4 12/04/37	76.6	2.7	LNGFOR 4 1/2 01/16/28	54.4	-7.9

➤ Macro News Recap 宏观新闻回顾

Macro – U.S. stock markets rebounded on Monday. The S&P (+2.65%), Dow (+1.86%) and Nasdaq (+3.43%) technically bounced as there is no change of stubborn inflation, which may reinforce Fed's resolution to further lift interest rate. UK's new finance minister scraped most of PM's new economic policies including all tax deduction, GBP/USD appreciated to 1.14. The U.S. treasury yields were divergent yesterday, the long end yields slightly up and short end yields down, the 2/5/10/30 yields reached 4.45%/4.24%/4.02%/4.04%, respectively.

❖ Desk analyst comments 分析员市场观点

➤ SINOCL: Consent solicitation to extend maturity of SINOCL 6 10/25/22 for one year

Sino-Ocean Capital, the investment company 49% owned by Sino-Ocean Group but operating independently, privately proposed a consent solicitation for its offshore bonds SINOCL 6 10/25/22 (o/s USD282.3mn, USD35.65mn owned by Sino-Ocean Capital) since 12 Oct'22. The company sought for one-year maturity extension and removing the keepwell deed provided by Sino-Ocean Group. It said that there would be a default on this bond without enough consent.

Its largest shareholder and keepwell agreement provider Sino-Ocean Group recorded RMB69.2bn contracted sales in 9M22, decreasing 22.7% from RMB89.5bn in 9M21. Yesterday, Sino-Ocean Group announced to sell 10% of China Life Financial Center (Beijing) for RMB233.17mn. See below for details of consent solicitation:

Commence ment Date	Bond	Upfront payment	Details
12 Oct'22	SINOCL 6 10/25/22	Opt	<ul style="list-style-type: none"> -Extend the maturity for one year -Remove the keepwell deed provided by Sino-Ocean Group -No upfront cash payment or other enhancement -Minimum acceptance level: 75% -Expiration deadline: 21 Oct'22

➤ **LNGFOR: LNGFOR 27-32s dropped 8-10pts, still traded better than its peers**

LNGFOR 27-32s dropped 8-10pts post the company's announcement on its Sep'22 contracted sales and land plots acquired. The reported contracted sales for the month at RMB19.2bn, decreased 27.9% yoy (but it represented an increase consecutively for 3 months since Jun'22); While for land acquisition, the company acquired 4 land parcels for RMB5.7bn in Beijing, Shanghai, Hefei and Kunming during Sep'22.

Regardless the weak sentiment, the company is still able to raise fund onshore via bonds and ABS, some of these are with guarantee by CBICL. The nearest offshore maturity LNGFOR 3.9'23, currently traded at 88.8. It shows the market's confidence on its ability to meet shorter tenor obligation.

Longfor is among the few privately-owned developer to bid for land parcel amid tightened liquidity environment. For the remaining 4 outstanding offshore bonds LNGFOR 27-32s, all dropped 8-10pts yesterday and traded at 44-54. Given it is the only investment grade rated privately-owned developer by the three rating agencies (Baa2/BBB/BBB), and no company-specified negative news coming up at this moment, it is still traded better than its peers COGARD/FUTLAN/ CIFIHG for all maturities.

Upcoming due:

Ticker	Principal (USD mn)
LNGFOR 3.9 04/16/23	300
LNGFOR 3 3/8 04/13/27	250
LNGFOR 4 1/2 01/16/28	500
LNGFOR 3.95 09/16/29	850
LNGFOR 3.85 01/13/32	400
Total offshore notes	2,300

➤ **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)
Industrial Bank of Korea	USD	-	2yr	T+85	Aa2/-/AA-

Chengdu Sino French Ecological Park Investment Development Co., Ltd.	USD	-	3yr	6.0%	-/-/-
AIA Group Ltd	USD	-	5yr	T+175	A1/A+/A+
Chiyu Banking Corporation Limited	USD	-	Perp	-	-/-/-

➤ News and market color

- Regarding onshore primary issuances, there were 70 credit bonds issued yesterday with an amount of RMB83bn. As for Month-to-date, 427 credit bonds were issued with a total amount of RMB492bn raised, representing a 13.2% yoy increase
- Media reported that SOE China Bond Insurance Corp will continue to provide credit enhancement to developers including Longfor Group Holdings, Country Garden Holding, Seazen Holdings, Midea Real Estate, and CIFI Holdings (Group); Radiance Group, New Hope and KWG also intend to issue such CBICL-guaranteed bonds
- **[BUMIJ]** Bumi Resources made USD127.2mn series B repayment and fully paid series A notes about USD37.3mn
- **[CHINSC]** China SCE unit's 20Zhongjun03 (o/s RMB2bn) bondholders exercise RMB1.44bn put option
- **[CIFIHG]** Moody's downgraded CIFI's ratings to Ca/C and placed negative outlook
- **[GCLNE]** GCL New Energy offers to purchase up to USD78.4m of GCLNE 10 01/30/24 (o/s USD420mn); The company's shareholders approved proposal over up to RMB4.5bn (cUSD625mn) CB offering
- **[KIJAIJ]** Fitch downgraded Jababeka to CC on heightened liquidity risk
- **[LIHHK]** Lifestyle International redeemed remaining outstanding USD200.4mn of 4.25% guaranteed bonds due 2022 upon maturity
- **[RSMACA]** S&P withdrawn Red Star Macalline B- rating at company's request
- **[SINOCE]** Sino-Ocean Group plans to sell 10% of China Life Financial Center (Beijing) for RMB233.17mn (cUSD32.4mn)
- **[SUNKWP]** Sunkwan Properties further extended expiration deadline of consent solicitation for 12.25% senior notes due 2023 to 31 Oct

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 (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.