

CMBI Credit Commentary

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

- *Market flows were under better selling amid weak sentiment. IG benchmark names were unchanged to +/-2bps. HRINTH/GRWALL were unchanged post yesterday's rebound. LGFVs were two-way balanced and we saw buyers on NWDEVLs.*
- **COGARD:** 1H23 results bring no surprise; a holistic restructuring looks imminent. See below.
- **NWDEVL:** Media reported that New World Development may early redeem some perps to boost market confidence. NWDEVLs were unchanged to +0.5pt this morning.

❖ Trading desk comments 交易台市场观点

Asia IG space stabilized a bit as sentiment on AMCs improved. GRWALLs were traded 1-2pts higher. HRINTHs moved 0.5-1.5pts higher post its 1H23 results. CCAMCL/ORIEAS curves were unchanged to 4bps tighter, and the recent new CCAMCL 27s tightened 4bps into T+200 in spreads. Chinese SOE/TMT benchmarks edged 1-3bps tighter. Korea space was under better selling, and the recent new issues 5yr papers SHINFN/HATELE 28s edged 1-2bps wider. HK IGs such as CKHH/HKLSP 33s performed well to tighten 3-8bps from Tuesday wide. NWDEVL Perps recovered another 2.5-4.5pts. NWDEVL '27 was marked 7.5pts higher to close at 74. NWSZF 29/Perp were up 1.25pts. On the other hand, FWDGHD Perp lowered 2.5pts. LIFUNG/NANFUN Perps lowered 0.3-0.5pt. Chinese properties were higher. FUTLANs/FTLNHDs jumped 4.25-6.75pts. LNGFOR 27-32s gained 2-3pts. DALWANs/ROAKDGs were traded 1-5.5pts higher. COGARDs were up 0.5-1pt. Away from properties, AACTECs were down 0.5-1pt. CARINC '24 was marked 1.5pts lower at 98.875. Macau gaming papers such as MPELs/WYNMACs were up 0.5-0.75pt. In Indian space, VEDLNs declined 0.5-1pt. Indonesian space was quiet. Elsewhere, GLPCHI 24s/26s were traded 2-3pts higher.

LGFVs were quiet. On the primary front, HEFIND priced a 3-yr USD300mn bond at par to yield 5.8% (IPG at 6%), presumably only barely covering funding costs for many investors. The high-yielding names continued to be sought-after as yields compressed amid some short squeezing flows. There were some bidding interests in WFURCD/GSHIAV/CQLGST/CQNANA papers. CPDEV 25/26/Perp were marked 1-1.5pts higher. Whilst KMRLGP was quoted 0.6pt lower. Elsewhere, SOE perps such as RLCONS/CHALUM/MINMET Perps were better bid by AMs/Prop desks. Selected high-beta names such as FRESHK 4.25 '26/SUNSHG 4.5 '26 were marked 0.75-1.75pts lower despite some buying flows from AMs.

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❖ Last Trading Day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
NWDEVL 4 3/4 01/23/27	74.0	7.6	FWDGHD 6 3/8 PERP	86.4	-2.4
FTLNHD 4.8 12/15/24	33.5	6.7	FRESHK 4 1/4 10/26/26	81.0	-1.8
ROADKG 6.7 09/30/24	66.9	5.6	CARINC 9 3/4 03/31/24	98.9	-1.4
FUTLAN 6 08/12/24	46.3	5.6	VEDLN 6 1/8 08/09/24	63.8	-1.0
FTLNHD 4 5/8 10/15/25	25.9	4.9	LIFUNG 5 1/4 PERP	38.5	-0.9

❖ Marco News Recap 宏观新闻回顾

Macro – S&P (+0.38%), Dow (+0.11%) and Nasdaq (+0.54%) rallied on Wednesday as US economy seemed cool down. US 2Q23 GDP growth revised down to +2.1% yoy from +2.4% yoy. US Aug ADP jobs increase 177k, halved from +377k in Jul and was lower than expectation of +195k. China official Aug manufacturing PMI was 49.7, higher than expectation of 49.5. US treasury yields were unchanged to 2bps higher yesterday, 2/5/10/30 yield reached at 4.90%/4.27%/4.12%/4.23%, respectively.

❖ Desk analyst comments 分析员市场观点

➤ COGARD: 1H23 results bring no surprise; a holistic restructuring looks imminent

Country Garden recorded revenue of RMB226.3bn for 1H23, increase 39.4% from 1H22. The operating loss was RMB45.2bn, compared to an operating profit of RMB7.0bn in 1H22. The net impairment losses on property development increased substantially to RMB6.4bn in 1H23, from RMB0.3bn in 1H22. As at Jun'23, unrestricted cash was only RMB101.1bn, compared to short-term debts of RMB108.8bn. The net gearing ratio increased to 50.1% from 40.0% at Dec'22. In addition, COGARD has already invested or entered into contracts to invest in 3,103 property projects in total in mainland China as of 30 Jun'23. The 1H23 results are largely in line with our interpretation on the latest financial position of COGARD from the 2023YTD contract sales figures. For 7M23, its contract sales fell by 35% yoy to RMB140.8bn.

RMB mn (except otherwise stated)	1H22	1H23	% change
Contract sales (RMB mn)	185,100	128,760	-30.4%
Revenue	162,363	226,309	39.4%
Property sales	156,373	220,803	41.2%
Construction services	3,507	3,272	-6.7%
Rental income	425	497	16.9%
Others	2,058	1,737	-15.6%
Gross profit/ (loss)	17,210	-24,363	-241.6%
Profit/ (loss) before tax	5,358	-46,148	-961.3%
Attributable net profit/ (loss)	612	-48,932	-8095.4%
Recognized GFA (mn sqm)	23.48	16.46	-29.9%
Recognized ASP/sqm (RMB)	7,458	7,163	-4.0%
Gross margin	10.6%	-10.7%	
Net profit margin	1.2%	-22.7%	

Source: Company fillings.

COGARD is facing very tight liquidity pressure both offshore and onshore. It has been trying to put through the 3-year maturity extension of onshore private bond 16BiYuan05 of cRMB3.9bn, as well as adding 40-day grace period on the bond. The voting deadline is extended to today 10pm. For offshore bonds, COGARD has missed coupons on two USD bonds in early Aug, COGARD 4.2 02/06/26 and COGARD 4.8 08/06/2030. The 30-day

grace period of these two coupon payments will end on 5 Sep. Some offshore creditors are discussing to form a group and considering legal actions relating to the USD coupons miss, according to Reuters. On 30 Aug, COGARD announced a defacto debt to equity swap with Kingboard Holdings to partly offset loans of HKD318.8mn via new shares. No cash will be received by COGARD for the share issuance.

Recalled our comments on COGARD earlier, a holistic restructuring with maturity extension of 3 years or longer makes more sense for COGARD concerning the looming onshore and offshore maturities from now to 2026. Please refer to [COGARD: our reflections after COGARD's](#) for more detailed discussions.

➤ Offshore Asia New Issues (Priced)

Issuer/Guarantor	Size (USD mn)	Tenor	Coupon	Priced	Issue Rating (M/S/F)
Hefei Industry Investment	300	3yr	5.8%	5.8%	-/-/BBB

➤ Offshore Asia New Issues (Pipeline)

Issuer/Guarantor	Currency	Size (USD mn)	Tenor	Pricing	Issue Rating (M/S/F)
Taizhou Urban Construction	USD	-	3yr	6%	-/-/BBB

➤ News and market color

- Regarding onshore primary issuances, there were 77 credit bonds issued yesterday with an amount of RMB64bn. As for Month-to-date, 2,149 credit bonds were issued with a total amount of RMB1,875bn raised, representing a 7.9% yoy increase
- China's PBOC held a meeting yesterday to promote financial supports for private enterprise, Longfor and Seazen attended the meeting
- **[CIFIHG]** CIFI Holdings (Group) expected to turn to loss for RMB8.5-9.5bn in 1H23
- **[COGARD]** Media reported that some offshore creditors of COGARD approached law firm and considered options including legal actions
- **[DALWAN]** Wanda Group unit Beijing Wanda Investment terminated plan to sell up to 3% stake in Wanda Film Holding in view of the regulations of CSRC on regulating the selling of listed company share
- **[FOSUNI]** Fosun International 1H23 revenue rose 10.9% yoy to RMB97.1bn and profit down 40.5% yoy to RMB1.4bn
- **[FUTLAN]** Media reported that Seazen remitted funds to redeem fully put-back RMB1bn due-2025 20Xinkong04 on 1 Sep
- **[GLPSP]** GLP offered cUSD7bn of assets for China Logistics to pick from, the parties have not yet reached an agreement on the size of the potential deal
- **[NWDEVL]** Media reported that New World Development may early redeem some perps to boost market confidence

- **[SINOCE]** Sino-Ocean 1H23 revenue down 11% to RMB20.8bn and turned to loss of RMB18.3bn
- **[SUNAC]** Sunac 1H23 revenue rose 20.5% yoy to RMB58.5bn and loss narrowed to RMB3.1bn
- **[VEYONG]** ENN Natural Gas further repurchased USD42.5mn of VEYONG 3.375 05/12/26
- **[VNRLE]** Vanke 1H23 revenue down 2.9% yoy to RMB200.9bn and net profit down 16.3% yoy to RMB15.2bn

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