

CMBI Credit Commentary

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

- *Markets returned to calm this morning from yesterday's active scene. LGFV/SOE Perp/AT1 sectors were overall two way flow balanced. Agile deferred 4 Dec distribution on its USD700mn 8.375 perps, AGILEs down 1.5-5.5pts post the deferral.*
- **DEXICN:** *Dexin China improves terms with faster amortization and payment of accrued interests. See below for details.*
- **GRNCH:** *Greentown China repurchased USD3.5mn of GRNCH 4.7 04/29/25, USD5.5mn of GRNCH 5.65 07/13/25 and the notes will be cancelled; The company plans to file application for RMB11bn (cUSD1.53bn) note offering. GRNCHs were unchanged to up 0.5pt this morning.*

❖ Trading desk comments 交易台市场观点

Yesterday, China IG space have another firm session with the China's reopening theme and real estate support theme going on. In financials, T2/leasing broadly tightened 3-5bps and AMCs outperformed by closing 10-20bps tighter. HRINTH/GRWALL curves popped 1pt higher on the back of the real estate support headlines. In TMTs, benchmark BABA/TENCNT were mostly unchanged in spreads, while high beta tech like MEITUA 30s gained around 1pt on the back of optimism towards the reopening. MEITUA curve kept up the squeezing momentum and tightened 30-40bps. Elsewhere, GWFOOD tightened 30bps amid Wens Foodstuff received NAFMII approval for RMB5bn bill offering. Market spotlight was on the 'third arrow'. IG properties benchmarks LNGFORs/VNKRLEs bounced 1-2pts under higher convictions among developers. LNGFORs/VNKRLEs were up 1-2pts. In China HYS, properties rallied after news hit that the regulator shall allow quality builders to privately place onshore shares again. Onshore listed names benefited the most from this policy relaxation: FUTLANs/FTLNHDs opened more than 20pts higher before giving back 8-12 pts, and still closed 7.5-12pts higher on the day. FUTLAN/FTLNHD 24-25s closed up 9-15pts at low-to-mid 60s, after slightly lowered 2-3pts on Monday. GEMDAL 24 was indicated 20pts higher to close at 80 level and then held its gains there as it is only listed onshore. COGARDs were first traded briefly 7-8pts higher, then PBs/HFs hit the curve back to only 1.5-3.5pts higher. SINOCEs jumped 3-7pts and ROADKGs were up 2.5-4.5pts. Beaten names CHINSCs/KWGPROs were traded up 2-3pts, with a bit of PB and HF buying in small sizes. Elsewhere, AGILEs performed mixed with the belly trading 2.5-4pts higher. AGILE Perps closed at low-20s and the rest of the curve stayed range-bound at low-to-mid 40s, and before close Agile deferred the distribution of 8.375% perp on 4 Dec'22. Industrial space were unchanged to slightly better buying. FOSUNIs were traded up 2.5-4pts across the curve with notably more inquiries on the 25-27s. FOSUNI 23s were all traded back to low-to-high 80s amid news that Fosun

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

Pharmaceutical stated to consider a sale of Indian drug-maker Gland Pharma (USD3.6bn market cap). The better buying in Macau gaming space post license settlement continued. MPELs/STCITYs/ STDCTYs were traded up 1.5-3.5pts whilst SANLTDs/SJMHOLs were unchanged. In non-China credit space, the buoyancy sentiment continued as regional equity/macro were in firm tone. The China-focused conglomerate GLPCHI 26/GLPSP 25 gained 6.5-8.5pts, boosted by one CSRC support measure on REITs. In Indian space, VEDLNs were 0.25-0.5pt higher and renewables like AZUPOEs/RPVINs were 0.5-0.75 higher with RM adding beta risks. In Indonesian space, most quality stuffs were largely 0.5-1pt higher, where the only underperformers were LMRTSP/LPRKIJ pair as LMIRT was downgraded one notch to B- by Fitch on Monday. Elsewhere, RAKUTN straight bonds were 0.25 higher with retail buying the old 24s and mixed two-way flows from HFs on the new 24s.

In the LGFV/SOE Perp/AT1 space, there was a light risk-on session with the escalating expectations on an 'sooner than expected' loosening of Covid policies in China. High-beta LGFVs led the rally as onshore NBRM turned their eyes to them after the property rally, with GZINFU 24 notably gapping up by 2-3pts. And the beta names like CQNANA 24 and Shandong names HKIQCL/ SHGUOH/ QDJZWD 24s/25s were sought after too. Meanwhile, those who still held short positions continued to try cover names in the likes of ZHANLO 25/ CNSHAN 25/ QZSOAT 25. Later on, leveraged accounts also stepped in to pick up quality names, mainly 23s, at high-5% to 6%, in YWSOAO/ HZCONI/ YZHINV/ SDGOLD. Though ZHHFGR curve lowered 2-3.5pts to be indicated at the 75 level. News flow-wise, XIANGY was reported to raise RMB1.2bn via a five year bond to repay debts. Elsewhere, SOE Perps/AT1s remained well demanded by leveraged accounts again at =<6%, as some tried to chase after laggards still yielding mid-6% yet offer side liquidity was generally thin. Again valuation did not seem cheap here, but we reckon yesterday was another illustration of how investors generally wanted to avoid being caught underweight in January given how macro conditions were evolving lately, and hence the preemptive move before year-end seasonality in liquidity really kicks in. On the primary side, BCHINA priced another USD300mn 3y senior at CT2+36bp. TIANFS priced the 1.5y note was priced with FPG at 6.5%.

❖ Last Trading Day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
FUTLAN 6 08/12/24	66.1	14.9	ZHHFGR 4 1/4 PERP	74.6	-3.4
FTLNHD 4 5/8 10/15/25	61.2	11.9	GRNLGR 5.9 02/12/25	25.9	-2.8
FTLNHD 4.8 12/15/24	66.3	9.9	MDLNIJ 3 06/30/25	42.4	-2.6
FUTLAN 4.45 07/13/25	58.3	9.8	LYCDIN 5.2 06/24/25	96.0	-2.4
FTLNHD 4 1/2 05/02/26	55.7	9.3	PDSOAM 5 12/16/24	94.2	-2.0

❖ Macro News Recap 宏观新闻回顾

Macro – U.S. stock markets were weak on Tuesday, the S&P (-0.16%), Dow (+0.01%) and Nasdaq (-0.59%) fluctuated and markets await Fed chairman's speech on Wednesday to judge future interest rate policy. Chinese stocks listed in the U.S. markets performed better than average as markets expects Chinese quarantine policy will be further relaxed. The U.S. treasury yields edged higher yesterday and 2/5/10/30 yields were bear steepened to 4.48%/3.92%/3.75%/3.81%, respectively.

❖ Desk analyst comments 分析员市场观点

➤ Dexin China improves terms to seek for enough consent of proposed exchange offer

On 18 Nov, the company announced exchange offer for its only outstanding USD348.3mn (cRMB2.5bn) notes DEXICN 9.95 12/03/22, the minimum acceptance level is 90%. While media reported on 22 Nov that its USD bondholder ad-hoc group, with more than 25% principal of notes, reject the proposal as they believe that Dexin

have substantial assets to offer better terms. Though Dexin extended the consent fee deadline from 25 Nov to 30 Nov, reflected the struggle to secure 90% acceptance threshold.

As at Jun'22, Dexin had RMB10.6bn cash in hand and faced RMB10.5bn borrowing due within 1 year. Besides, the company acquired three land parcels for RMB1.3bn in 1H22.

In the amendment announced on 29 Nov, the company (1) adds mandatory principal redemption from 35% to 60% to be paid after 12 and 18 months post issuance of new notes; (2) speeds up the payment of 50% accrued and unpaid interest from 6 months after the settlement date, that around Jun'23 according to original terms, by 4 months to 15 Feb'23; (3) adds personal guarantee by the company's Chairman; and (4) further extends the consent/expiration deadline to 9 Dec'22. See below table for comparison.

DEXICN 9.95 12/03/22	Original terms on 18 Nov'22	Amended terms on 30 Nov'22
Outstanding amount	USD348.3mn (cRMB2.5bn)	- (unchanged)
Exchange offer		
Original coupon	9.95%	-
New coupon	7.95%	-
Maturity extension	2yr	-
Accrued and unpaid interest	50% payable on the settlement date, 50% payable 6 months after the settlement date	50% payable on the settlement date, 50% payable on 15 Feb'23
Mandatory redemption for new notes	10%-12month after issuance 25%-18month after issuance	20%-12month after issuance 40%-18month after issuance
Principal repayment	2.5pts	-
Consent fee	0.5pt	-
Consent deadline	30 Nov'22 (Extended from 25 Nov'22)	9 Dec'22
Expiration deadline	30 Nov'22	9 Dec'22
Settlement date	On or about 2 Dec'22	-
Minimum acceptance amount	90%	-
Scheme (if exchange offer is not consummated)		
Cash prepayment fee	2.5pts	-
Instruction fee	0.5pt	-
Approval level	75%	-
Cash prepayment fee deadline	1 Dec'22	12 Dec'22
Guarantee		
Personal guarantee	No	Mr. Hu Yiping, company's executive director and Chairman of the BoD

➤ Offshore Asia New Issues (Priced)

Issuer/Guarantor	Size (USD mn)	Tenor	Coupon	Yield	Issue Rating (M/S/F)
TFI Overseas Investment Limited	USD240	1.5yr	6.5%	6.5%	-/-/-

➤ Offshore Asia New Issues (Pipeline)

Issuer/Guarantor	Currency	Size (USD mn)	Tenor	Pricing	Issue Rating (M/S/F)
Deyang Development Holding Group Co., Ltd.	USD	-	-	-	-/-/BBB-

➤ News and market color

- Regarding onshore primary issuances, there were 69 credit bonds issued yesterday with an amount of RMB82bn. As for Month-to-date, 1,289 credit bonds were issued with a total amount of RMB1,410bn raised, representing a 32.3% yoy decrease China official Nov manufacturing PMI was 48, lower than the expectation of 49 and 49.2 in Oct
- China Guangfa Bank signed agreements to provide RMB30bn (cUSD4.2bn) of intended credit lines to Country Garden and Midea Real Estate
- **[AGILE]** Agile chooses to defer 4 December distribution on its USD700mn 8.375 senior perps
- **[COGARD]** Country Garden plans to issue up to RMB1bn CBICL-guaranteed bonds in late December; guarantee to be backed by Foshan LGFV
- **[DALWAN]** Media reported that Dalian Wanda expects to get CSRC approval for Zhuhai Wanda Commercial's HK IPO by year-end
- **[FOSUNI]** Media reported that Fosun International's unit Shanghai Fosun Pharmaceutical is considering to sale Gland Pharma; The company proposes to acquire Phixen S.A.S. for up to USD219mn
- **[GRNCH]** Greentown China repurchases USD3.5mn of GRNCH 4.7 04/29/25, USD5.5mn of GRNCH 5.65 07/13/25 from open market and the notes will be cancelled; The company plans to file application for RMB11bn (cUSD1.53bn) note offering
- **[GWFOOD]** Wens Foodstuff received NAFMII approval for RMB5bn bill offering
- **[JINKE]** Jinke Property controlling shareholders sold 1.68% stake with 14.08% left
- **[LIFUNG]** Li & Fung further accepted USD18.63mn validly tendered notes of LIFUNG 4.375 10/04/24, USD396.29mn notes were accepted in total
- **[LNGFOR]** Longfor issued RMB2bn 3-year MTNs with 3% coupon, the notes were guaranteed by CBICL

- **[PWRLNG]** Powerlong has cured its missed 30 Oct coupon of USD535mn PWRLNG 5.95 04/30/25, aims to cure 13 Nov coupon also within grace period
- **[SHIMAO]** Shanghai Shimaao announced that it plans private placement of new shares, the proceeds will be used for repaying debts and completing property projects
- **[SUNAC]** Sunac China expects FY21 profit to drop around 207% yoy
- **[YLLGSP]** Media reported that Yanlord will be provided with RMB20bn (cUSD2.78bn) intended credit line from Bank of Shanghai

CMB International Global Markets Limited

Fixed Income Department

Tel: 852 3761 8867/ 852 3657 6291

fis@cmbi.com.hk

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