

## CMBI Credit Commentary

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

- *New issues DAHSIN'33 tightened c5bps, KHFC'26 widened c3bps. China IG space was weak and 2-5bps wider, we saw selling flows on HAOHUA/MEITUA/BABA. Non-China IG financials were firm.*
- **COGARD:** *Dots are not connected for PAI to take over. COGARDs rose 0.8 to 1.6pts post the news yesterday and were unchanged this morning. See below.*
- **VNKRLE:** *Media reported that China Vanke plans to use own funds, overseas loans to repay offshore bonds maturing in 2024. VNKRLEs moved -0.25 to +0.2pt this morning.*

#### ❖ Trading desk comments 交易台市场观点

Yesterday, KHFC priced a USD500m 3yr bond at T+79. DAHSIN priced a USD250m 10NC5 T2 bond at T+295. SOCGEN priced a USD1.25bn PerpNC5.5 AT1 at par to yield 10%. The new SOCGEN 10 Perp closed slightly below par. Chinese SOE/TMT benchmarks SINOCH/BABA 31s were unchanged to 1bp tighter. The front end of SOEs such as CNOOC/CNBG 24-25s were under small selling. The high beta TMT names MEITUA/XIAOMI/WB 30s tightened 10-15bps post the headline that S&P upgraded the ratings of Meituan to 'BBB' from 'BBB-'. XINAOG 27-30s tightened 10-20bps after the tender offer to purchase up to USD150mn of its o/s USD750mn XINAOG 30s. In financials, CCAMCL/ORIEAS 29-30s were 2-3bps tighter. Chinese bank T2s were traded in active two-way flows. BCHINA/NANYAN 29-30s were 4-10bps tighter with buying flows in block size, whilst BOCCHK 31s were better offered and closed 4bps wider. In AT1s, BCHINA/CINDBK/CHOHIN Perps were unchanged to 0.1pt higher. Korea security house papers were under better selling. DFHOLD/DAESEC 26s widened 4-5bps. HK Corp space were mixed. NWDEVL Perps were 0.7-1pt higher, but LIFUNG 5.25 Perp/CKINF 4 Perp were 0.5-0.7pt lower. SHUION 23-24s stayed range-bound and closed 0.8-1.8pts lower. Chinese properties continued to move higher. GRNCH 4.7 '25 jumped 6.5pts. PINGRE 24-26s bounced 2.3-5.9pts. LNGFOR 27-32s gained 4.9-5.6pts. VNRKLE 25-27s closed another 1.2-1.3pts higher. GEMDAL '24/CHJMAO '26 were up 2.7-2.9pts. DALWAN/FUTLAN/FTLNHD 24-26s were 1.5-3.9pts higher. COGARDs were up 0.8-1.5pts. See below comments. In industrials, AACTEC '31/WESCHI '26 were 1.2-1.5pts higher. In Macau gaming names, MPEL/SANLTD 25-30s were down 0.1-0.3pt. Indian space was quiet. GRNKEN 26-28s were up 0.1-0.3pt. Indonesian SOEs PLNIs/PERTIs were up 0.3-0.6pt.

In the Perp/LGFV spaces, new FUKOKU 6.8 Perp opened at 100.625 but was traded within the range of 100.15-100.35 amid profit taking and closed below par at 99.625/99.875. In Chinese SOE perps, CHPWCN 3.08

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Perp/CHSCOI 4 Perp were up 0.1pt. In LGFVs, the high-yielding papers were better bid by Chinese RMs, although the buying flows in these papers were gradually more selective. CQNANA 24s closed 0.1pt higher. In Shandong names, QDHTCO '24/SHGUOH '25 were up 0.1-0.2pt. CPDEV 25/26/Perp gained another 2-2.7pts to close around 10pts higher WTD. FRESHK 26s were another 0.3-0.5pt higher.

#### ❖ Last Trading Day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
GRNCH 4.7 04/29/25	81.0	6.5	SHUION 6.15 08/24/24	70.1	-1.8
PINGRE 3 1/4 06/23/25	67.0	5.9	SHUION 5 3/4 11/12/23	98.2	-0.8
LNGFOR 3.95 09/16/29	48.2	5.6	LIFUNG 5 1/4 PERP	36.2	-0.7
PINGRE 3.45 07/29/26	60.9	5.4	XINHUZ 11 06/06/25	98.3	-0.6
LNGFOR 4 1/2 01/16/28	53.8	5.2	CIFIHG 5 1/4 05/13/26	6.1	-0.6

#### ❖ Marco News Recap 宏观新闻回顾

**Macro** – S&P (+0.10%), Dow (-0.12%) and Nasdaq (+0.08%) were mixed on Wednesday. China Oct CPI was -0.2% yoy, same with the expectation. Chin Oct PPI was -2.6% yoy, higher than the expectation of -2.8% yoy. The UST yields retreated yesterday, the yield curve bull flattened that 2/5/10/30 yield reached 4.93%/4.51%/4.49%/4.64%, respectively.

#### ❖ Desk analyst comments 分析员市场观点

##### ➤ COGARD: Dots are not connected for PAI to take over

Yesterday, media reported that Ping An Insurance (PAI) was asked by Chinese authorities to take a controlling stake in Country Garden (COGARD) and assume its debts. As per the report, the State Council instructed Guangdong province government to arrange a rescue plan of COGARD. PAI categorically denied the report. In its announcement last night, PAI reiterated that the report was completely untrue. It had never received any relevant proposals from authorities and has no transaction plan or discussion in connection therewith. We are not convinced that the rationale and willingness for PAI to orchestrate the rescue plan.

That said, we have a few discussions with clients who appeared to be convinced by PAI's take-over news even after PAI's denial. Let us summarize our rationale of why we do believe that PAI will take over COGARD:-

- As per PAI, it has cut its shareholding in COGARD to zero from 4.99% since 11 Aug'23. PAI was used to be the second largest shareholders of COGARD in Apr'15 with 9.9% shares.
- PAI was "burnt" in the saga of China Fortune Land (CFLD) with an impairment losses of RMB43.2bn booked in 2021. As at 30 Sep'23, Ping An is the largest shareholder of CFLD with 25.02% shares. On the other hand, PAI owns a 99.6% stake in Ping An Real Estate (PINGRE) which has been affected by weak real estate market. As at Jun'23, PINGRE had ST debts of RMB17.8bn compared with cash on hand of RMB10.1bn. PINGRE's USD bonds (due 24-26) are only traded at 60-high 80. We believe that PAI has more pressing tasks in dealing with its existing property operations than orchestrating a rescue plan for COGARD.
- We note PAI's involvement in restructuring plan of Peking University Founder (PKU Founder) in Jan'22. However, the commitment of taking over COGARD and assuming its debts will be way larger than the investments of RMB48.2bn in the restructuring of PKU Founder. The net assets of COGARD were RMB254.4bn as at Jun'23, c3.5x of that of PKU Founder. Even if PAI is taking over COGARD through a consortium, the commitments would still be very large. Additionally, we do not see that the controlling stakes

of COGARD will offer the same synergies for PAI as New Founder Group have been. If PAI has to invest in COGARD, PAI could simply “cherry-pick” COGARD’s profitable projects instead of acquiring a controlling stake in COGARD.

- So far, no state-owned developer and state-owned financial institution are asked to save large defaulted developers. We do not see the reasonableness or ground for the central government to “appoint” PAI to take over COGARD on non-commercial terms.

#### ➤ Offshore Asia New Issues (Priced)

Issuer/Guarantor	Size (USD mn)	Tenor	Coupon	Priced	Issue Rating (M/S/F)
Korea Housing Finance Corp	500	3yr	5.375%	T+79	Aa2/AA/-
Westpac Banking Corp	1000/1250/750	2/5/10yr	5.512%/5.535%/6.82%	T+58/103/233	Aa3/AA/-
Westpac Banking Corp	500	2yr	6.076%	SOFR+72	Aa3/AA/-

#### ➤ Offshore Asia New Issues (Pipeline)

Issuer/Guarantor	Currency	Size (USD mn)	Tenor	Pricing	Issue Rating (M/S/F)
Bank of China Sydney	USD	300	3yr	SOFR+105	A1/A/A

#### ➤ News and market color

- Regarding onshore primary issuances, there were 58 credit bonds issued yesterday with an amount of RMB58bn. As for Month-to-date, 370 credit bonds were issued with a total amount of RMB370bn raised, representing a 13.6% yoy decrease
- **[AGILE]** Agile Group announced to sell residential land plot in Malaysia for MYR310mn (USD66.4mn)
- **[DALWAN]** Media reported that Dalian Wanda Group, the parent of Dalian Wanda Commercial Management, made USD25mn instalments on the USD400mn due-Nov 2024 and due-Oct 2025 loans in accordance with amendments agreed last month
- **[LMIRT]** LMIRT renewed related party lease agreements at two malls and terminates one lease
- **[MGMCHI]** MGM China 3Q23 net revenue increased 829% yoy to USD812.5mn and adjusted property EBITDA turned to positive as USD226mn compared to 3Q22
- **[MPEL]** Melco Resorts 3Q23 revenue rose 321% yoy to USD1bn and adjusted property EBITDA was USD280.6mn
- **[SDEXPR]** Shandong Hi-Speed Group proposes to offer up to RMB2bn five-year corporate bonds to repay debts
- **[SHIMAO]** Shanghai Shimao's subsidiaries proposed to sell properties totaling RMB2.22bn to repay debts
- **[STCITY]** Studio City 3Q23 net revenue was USD137.6mn and adjusted property EBITDA was USD67.7mn

- **[VNKRLE]** Media reported that China Vanke plans to use own funds, overseas loans to repay offshore bonds maturing in 2024

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