

CMBI Credit Commentary

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

- *Markets were quiet this morning partly due to Japan holiday. New issue LYURBN'26 slightly down. CHILOV'33 tightened c5bps as rates rose. TMT sector was weak and AMCs were unchanged despite CSRC meeting with developers.*
- **COGARD:** *Our reflections after COGARD's. See below.*
- **CAPG:** *Extended RSA fee deadline to 31 Aug. See below.*

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❖ Trading desk comments 交易台市场观点

Asia ex-JP IG space was traded on a cautious and quiet tone as market awaited for US CPI data on Thursday night. The recent new CHILOV 33s opened lower at \$99.9 but then stayed at \$99.95/\$100 for the rest of the day. On secondary front, Chinese SOEs such as SINOCH/SINOPE 31s were unchanged to 2bps tighter. TMT benchmarks were unchanged to 1bp wider amid balanced mixed flows. Whilst the high-beta TMTs such as MEITUA/WB 30s grinded 2-3bps tighter. In financials, Chinese bank T2s such as ICBCAS/CCB were under better selling. BCHINA/CINDBK 29s widened 1-3bps. In AMC space, HRINTH curve was traded unchanged to 0.5pt lower (10-15bps wider). Chinese properties remained sluggish. FUTLANs/FTLNHDs dropped 3.25-6.25pts. COGARD 24s dropped 3-3.5pts to close at single-digit, while the rest of the COGARDs closed 1-3.5pts lower. Last night, COGARD announced that it expects to record a net loss of up to RMB55bn(USD7.63bn) for 1H23. Media also reported COGARD has arranged CICC as financial advisor for onshore bond restructuring. See below for comments. LNGFORs declined 2-3pts. CSCHCN 24s/GRNCH 25s were down 1-1.5pts. Whist SHUIONS were among the exception to be traded 1-2pts higher. In industrials, FOSUNIs/WESCHIs lowered 0.5-3.5pts. Macau gaming papers such as SANLTD/STCITY/WYNNMAC 28-30s gained 0.5-0.75pt. Indian space was quiet. VEDLN 24-26s were up 0.25pt. Indonesian names LPKRIJ/LMRTSP 24-26s were marked down 1-2pts. The long-end of ICBPIJs were marked 2pts higher. Elsewhere, GLPCHI 24s/26s edged 1.5pts lower.

The LGFV/Perp spaces were largely stable. In LGFVs, flows were light with market attention mostly on property weakness. There were some small better buying in high-yielding/high-beta papers. Shandong/Sichuan names such as CDCOMM/QDHTCO 24s were indicated around 0.125pt higher. KMRLGP 3.9 '24 was bid up 0.25pt. SOE perps such as CHSCOI 3.4 Perp/CHCOMU 3.425 Perp were marked 0.25pt higher. RLCONS/CHPWCN Perps grinded 0.125pt higher. In HK Corp perps, LIFUNG/PEAKRN Perps were traded 0.15-0.25pt higher.

❖ Last Trading Day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
SHUION 5 3/4 11/12/23	87.3	2.6	FTLNHD 4.8 12/15/24	35.6	-6.3
ICBPIJ 4.745 06/09/51	75.0	2.1	FUTLAN 6 08/12/24	48.9	-5.2
ICBPIJ 4.805 04/27/52	75.0	1.8	ROADKG 6 09/04/25	43.0	-5.1
SHUION 5 1/2 03/03/25	55.9	0.9	DALWAN 7 1/4 01/29/24	41.4	-4.9
SANLTD 4 3/8 06/18/30	88.7	0.7	FTLNHD 4 1/2 05/02/26	23.4	-4.0

❖ Marco News Recap 宏观新闻回顾

Macro – S&P (+0.03%), Dow (+0.15%) and Nasdaq (+0.12%) closed higher on Thursday as Jul CPI was +3.2% yoy and lower than expectation of +3.3% yoy, while the latest CPI rebounded from +3% yoy in Jun'23 and was first yoy increase since Jun'22. The latest initial jobless claim was 248k, higher than expectation of 230k and 227k in last week. The US treasury yields rallied higher yesterday, 2/5/10/30 yield reached at 4.82%/4.21%/4.09%/4.24%, respectively.

❖ Desk analyst comments 分析员市场观点

➤ COGARD: Our reflections after COGARD's

COGARD's "another" profit warning" and reflections

Last night, COAGRD issued a 4-page [press release](#) on profit warning and its reflections. Compared with the press release on 31 Jul'23, the profit warning last night was more specific with an expected net loss ranging from RMB45-55bn. COGARD also mentioned the self-rescue measures including the cumulative financial support of HKD6.6bn from controlling shareholder. Additionally, COGARD mentioned commitments including ensuring delivery, reflections such as excessive investments in lower tier cities, insufficient deleveraging, etc. and consideration of adopting various debt management measures.

We acknowledge that COGARD is amongst one of the developers which have done a lot so far in honouring repayments. As we discussed in [our daily on 26 Jul'23](#), we believe that COGARD has refinanced most of the offshore loan maturities and redemption due FY23. That said, the road ahead remains bumpy as its refinancing pressure remains high.

Name	Outstanding amount (USD mn)	Maturity	Next Put date
COGARD 5.65 09/02/23	546.0	9/2/2023	-
CGREGC 4.33 09/14/25	200.7	9/14/2025	9/14/2023
CGREGC 4.38 09/24/25	279.7	9/24/2025	9/24/2023
GLCONS 4 1/2 10/21/23	68.8	10/21/2023	-
CGREGC 4.15 11/03/25	248.7	11/3/2025	11/3/2023
CGREGC 4.98 11/20/23	138.8	11/20/2023	-
COGARD 4 1/2 12/05/23	382.2	12/5/2023	-
CGREGC 4.88 12/13/24	111.9	12/13/2024	12/13/2023
CGREGC 4 12/13/24	28.0	12/13/2024	12/13/2023

CGREGC 6.3 12/17/25	139.9	12/17/2025	12/17/2023
COGARD 8 01/27/24	1000.0	1/27/2024	-
COGARD 4.95 07/28/26	496.8	7/28/2026	1/28/2024
Total	3641.5		

Source: Bloomberg.

Click [here](#) for full report

➤ CAPG: Extended RSA fee deadline to 31 Aug

China Aoyuan announced on 10 Aug that it has got approvals from bondholders of 75.89% of the outstanding principal amount of its existing bonds for the proposed RSA. Besides, the company decided to further extend the RSA fee deadline from 10 Aug to 31 Aug as it received requests from both ICA and non-ICA creditors for more time to consider the RSA. There are [two different schemes](#) in Aoyuan's RSA, Add Hero scheme (ICA creditors) and Aoyuan Scheme (ICA and non-ICA creditors), and approval threshold is 75% for each scheme. Recalled that on 31 Jul, there were 64.35% of existing bondholders had acceded to the RSA. As the claims of USD bonds account for c83% of the ICA scheme, that means approval of c70% of non USD bondholders in principal amount will be sufficient for the ICA scheme to secure the approval threshold of 75%. We can envisage the priority of Aoyuan is to persuade bank creditors to accede to the RSA over the coming 2 weeks. As ICA claims, accounted for c66% of total claims of ICA and non-ICA, will also vote in the Aoyuan Scheme, securing the approval threshold in ICA scheme would mean a good chance of securing the approval for Aoyuan Scheme, as well as the whole restructuring plan.

As per CAPG's restructuring timetable, the deadline to resume stock trading of China Aoyuan (3883.HK) is 30 Sep and before that, the company has to file schemes then convene hearing of approved schemes for Hong Kong, BVI and Cayman. The time table is tight but we believe that Aoyuan could be able to extend the deadline on the back of progresses in debt restructuring.

Table: Timeline of CAPG's offshore restructuring

Date	Event
In or around Aug 2023	Drafting and filing resumption application or request an extension of the deadline
In or around mid to late-Aug 2023	Application for the schemes to be filed with the Hong Kong, BVI and Cayman Courts
In or around Sep 2023 (depending on court availability)	Convening hearing on the schemes for Hong Kong, BVI and Cayman Schemes
29 Sep'23	Deadline for addressing HKEx issues relating to the approval of Aoyuan and Healthy Life resumption applications

Source: Company presentation file

➤ Offshore Asia New Issues (Priced)

Issuer/Guarantor	Size (USD mn)	Tenor	Coupon	Priced	Issue Rating (M/S/F)
Linyi City Construction Investment Group Co., Ltd.	310	3yr	7.4%	7.4%	Baa3/-/-

➤ Offshore Asia New Issues (Pipeline)

Issuer/Guarantor	Currency	Size (USD mn)	Tenor	Pricing	Issue Rating (M/S/F)
No Offshore Asia New Issues Pipeline Today					

➤ News and market color

- Regarding onshore primary issuances, there were 117 credit bonds issued yesterday with an amount of RMB89bn. As for Month-to-date, 665 credit bonds were issued with a total amount of RMB501bn raised, representing a 15.8% yoy decrease
- Media reported that CSRC will hold a meeting on 11 Aug with property companies and investors to discuss the real estate market
- **[BABA]** Alibaba 1Q24 revenue up 14% yoy to USD32.5bn and EBITDA up 27% yoy to USD7.2bn
- **[COGARD]** Moody's downgraded Country Garden's CFR to Caa1, senior unsecured rating to Caa2 and placed negative outlook
- **[LMRTSP]** Lippo Mall said it is in talks with existing local lenders for facilities to refinance due-Nov'23 SGD130mn loans
- **[SINOCE]** Sino-Ocean Group extended voting deadline of USD600mn SINOCE 4.75 08/05/29 to 15 Aug
- **[ZHPRHK]** Zhenro Properties expects to loss USD220mn in 1H23; it commenced discussion with AHG on key terms of proposal on offshore holistic liability management solutions

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