

CMBI Credit Commentary

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

- *Asian IG space widened 5-20bps amid weak sentiment this morning. Recent new issues like HKLSP, CICCHK were 5-10bps wider. High-beta TMTs widened 5-20bps. Besides, LGFV/SOE Perp/AT1 sectors all retreated.*
- **Longfor:** *How Longfor is different? LNGFOR rose 2.25-3.75pts post the 1H23 results. See below.*
- **COGARD:** *First maturity extension in onshore bond for 3 years. COGARs were unchanged this morning as lacking of liquidity. See below.*

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❖ Trading desk comments 交易台市场观点

Last Friday, UST curve tightened 4-8bps. Asia ex-JP IG space continued to be traded on a soft tone as selling pressure remained heavy. The recent new issues were under better selling. HKLSP/CHILOV 33s closed 2-5bps wider. CKHH/BOCAVI 28s widened 4-5bps. TMT/SOE benchmarks such as BABA/TENCNT/HAOHUA papers edged 2-4bps wider. The high beta TMTs such as MEITUA/WB/XIAOMI 30s were traded 5-12bps wider. In financials, AMC space remained weak. HRINTH curve was traded 1.5-3pts lower (50-250bps wider). CCAMCL curve widened 10-20bps with limited bid support. Chinese bank T2s were mixed with active two-way flows. The front end of BCHINA/CCB/ICBCAS papers were under better buying. Elsewhere, Chinese AT1s had a small round of short covering in the AM session but closed largely unchanged. ICBCAS 3.2 Perp/BCHINA 3.6 Perp were indicated 0.1-0.2pt higher. Thai/Korea AT1s were skewed to small better buying from RMs/PBs. Whereas European AT1s such as HSBC 8 Perp/STANLN 6 Perp were quoted down 0.5pt in light of rich valuations. Chinese properties performed mixed. DALWANs gained 1-2pts. On the other hand, CSCHCNs were marked down 4-5pts across the curve. ROADKs moved 1.25-2.75pts lower. LNGFORs/SHUIONs declined 1-2pts. Away from properties, AACTEC 24s/26s/31s were traded 0.5-1.5pts higher. EHICAR '24 was marked 0.5pt higher at mid-70s. Macau gaming papers such as MPELs/SANLTDs/STICTYs/ WYNMACs were traded 0.75-1.25pts lower. In Indian space, ADSEZs and GRNKENS were marked down 0.25-0.5pt. Indonesian space was quiet. GLPCHIs were marked down 0.5-1pt.

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The sentiment in the LGFV/Perp spaces was also fragile. Property-related names such as CPDEVs/ZHHFGRs were still subject to the spillover from the recent property turmoil. CPDEV 25s/26s were marked down 1-2pts with immense selling pressure. CPDEV 5.75 Perp moved 2pts lower. Flows in these names were skewed heavily to better selling from PBs/AMs despite some sporadic PB buying, and support was hardly found as potential Chinese buyers were yet to step in given the availability of cheap VNKRL/CHJMAO offers alternatively. However, flows in LGFVs were balanced two-way in decent sizes, with onshore generally inclined to buy whilst offshore offloading

low-yield papers. Shandong names such as SHDOIS '24/SHGUOH '25 were marked down 0.125pt. SOE perps were also weaker amid rates uncertainties. CHSCOI/CHPWCN perps were better offered. In HK Corp perps, NWDEVL 5.25 Perp/LEEMAN 5.5 Perp were traded 2.5-3pts lower. BNKEA perps lowered 1.25-2.75pts.

❖ Last Trading Day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
DALWAN 7 1/4 01/29/24	44.3	1.9	CSCHCN 9 04/12/24	52.6	-4.8
AACTEC 3 3/4 06/02/31	67.7	1.4	CSCHCN 9 12/11/24	41.5	-4.8
PLBIJ 5 3/8 05/05/45	93.4	1.2	CSCHCN 9 07/20/24	48.1	-4.3
CQNXCT 5.45 10/29/24	91.0	1.0	CSCHCN 9 06/26/24	48.1	-4.3
DALWAN 11 02/13/26	31.4	0.9	CSCHCN 9 10/09/24	44.1	-4.1

❖ Marco News Recap 宏观新闻回顾

Macro – S&P (-0.01%), Dow (-0.07%) and Nasdaq (-0.20%) continued to down amid weak sentiment on last Friday. PBOC cut 1yr LPR by 10bps to 3.45% and maintained 5yr LPR unchanged at 4.20%, compared with market expectation of 3.40%/4.05% for 1/5yr LPR, respectively. Eurozone Jul CPI was +5.3% yoy, down from +5.5% in Jun and same with market expectation. US treasury yields slightly retreated on Friday, 2/5/10/30 yield reached at 4.92%/4.38%/4.26%/4.38%, respectively.

❖ Desk analyst comments 分析员市场观点

➤ Longfor: How Longfor is different?

LNGFORs offer good risk and return profile

LNGFORs dropped 20pts over the past 3 weeks, due mainly to the collateral damage of the sharp downturn of COGARDs. As we discussed in [our comments on 15 Aug'23](#), Longfor is facing a very different situation than what COGARD is. We have been arguing that survivors of the sectors will be those 1) with manageable near-term maturities, especially offshore maturities; 2) a matured portfolio of investment properties (IPs) such that the unencumbered value of IPs can be monetized or collateralized to obtain operating loans, CMBS or issue CBICL-guaranteed bonds. The IPs will be an alternative source of liquidity prior to a meaningful sales recovery; and 3) major positioning in higher tier cities to benefit from more speedy sales recovery. We consider Longfor a survivor of the sector. Its next USD bond maturity will be in Apr'27, 3 year and 8 months from now, and Longfor is in good progress in early prepayment of offshore syndicated loans due FY24. Its matured investment portfolio offers a headroom of RMB50bn as alternative liquidity sources. Additionally, it is the only non state-owned developers under our radar with yoy contract sales growth in 7M23. 95% of its sales in 1H23 were from T1/2 cities. At current valuation, we consider LNGFORs offer good risk and return profile and maintain buy on LNGFORs.

	O/S (USD mn)	Maturity	Coupon	Offer price	YTM (%)
LNGFOR 3 3/8 04/13/27	250	4/13/2027	3.38%	57.385	20.57%
LNGFOR 4 1/2 01/16/28	500	1/16/2028	4.50%	56.619	19.69%
LNGFOR 3.95 09/16/29	850	9/16/2029	3.95%	51.206	17.23%
LNGFOR 3.85 01/13/32	400	1/13/2032	3.85%	46.438	15.45%

Source: Bloomberg.

Click [here](#) for full report.

➤ **COGARD: First maturity extension in onshore bond for 3 years**

Country Garden announced its first extension in maturity of onshore private bond 16BiYuan05, after the trading suspension of its 11 onshore bonds since 14 Aug. The outstanding amount of 16BiYuan05 is cRMB3.9bn, and COGARD proposes to extend the maturity for 3 years from 2 Sep. Interests accrued will be paid according to the original schedule on 2 Sep, and COGARD also offers RMB100k principal repayment for each of the bondholder before 2 Oct. A bondholders' meeting will be held on 23-25 Aug.

The principal will be repaid in instalments: 2% on 2 Oct'23 (1st month after the extension), 2% on 2 Nov'23 (2nd month), 2% on 2 Dec'23 (3rd month), 10% on 2 Sep'24 (12th month), 15% on 2 Sep'25 (24th month), 25% on 2 Mar'26 (30th month) and 44% on 2 Sep'26 (36th month). Interest will be paid annually on 2 Sep in cash. COGARD also provides credit enhancement to 16BiYuan05; five project companies in Fujian Longyan, Shandong Yantai, and Jiangsu Shuyang, Huaian, Xinghua are pledged.

There are cUSD3.7bn equivalent public onshore and offshore bonds maturities/ redemption till the end of Jan'24, the successful 3-year extension of 16BiYuan05 may help to set a precedent for COGARD in managing the upcoming bond dues. As we mentioned in our comment 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.

On the other hand, COGARD has delivered 278k units of properties in 1H23, and it targets to deliver 422k units in 2H23 to meet its target of 700k units for 2023. Media reported that COGARD's cash in hand is just sufficient to ensure delivery of properties. Due to very tight liquidity condition, debt repayment may dry up the funding reserved for finishing property projects. For 7M23, COGARD recorded -35% decline yoy in contract sales, ranked 17th among 35 developers under our radar in terms of growth rate.

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

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

➤ **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 82 credit bonds issued last Friday with an amount of RMB79bn. As for Month-to-date, 1,236 credit bonds were issued with a total amount of RMB1,031bn raised, representing a 0.3% yoy increase
- **[ADANEM]** Adani Power denied being in discussion with TAQA for investment
- **[DALWAN]** Media reported that Dalian Wanda Commercial Management has prepared funds for Sep interest payment of RMB3.8bn 5.58% 20Wanda01 bonds
- **[EVERRE]** China Evergrande announced Chapter 15 application in US is normal procedure for offshore debt restructuring and it does not involve bankruptcy petition
- **[FRESHK]** Far East Horizon mandated banks for EUR150mn equivalent three-year green loan
- **[GEMDAL]** Media reported that Gemdale denied the news that it is uncertain or unwilling to repay puttable or due in 1Q24 debts
- **[KMRLGP]** Moody's downgraded Kunming Rail Transit to Ba1 from Baa3 with negative outlook
- **[SINOCE]** Sino-Ocean Group reported RMB20.8bn revenue and RMB18.3bn net loss in 1H23
- **[SUNAC]** Sunac China expects up to RMB16bn loss for 1H23, compared with RMB18.8bn net loss in 1H22
- **[TPHL]** Times China expects up to RMB2bn net loss for 1H23
- **[VEDLN]** Media reported that Vedanta Resources may consider extending its outstanding US dollar bonds to mitigate the repayment stress in FY24/25
- **[YUZHOU]** Yuzhou Group expects revenue to increase 0.8% yoy to RMB12.5bn but to turn to loss of RMB6-7bn for 1H23

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