

CMBI Credit Commentary

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

- *Markets sentiment recovered and flows were two-way balanced this morning. IG benchmarks tightened 1-3bps. HRINTHs rebounded 0.5-1.5pts. We saw buying flows on short-term leasing names or SOE Perps with higher than 6% yield.*
- **Shui On Land:** *High quality IPs offer alternative liquidity. The current valuations offer good entry points. SHUIONs were 0.15-0.75 lower today.*
- **LNGFOR :** *Plans to issue third CBICL-guaranteed bonds. We maintain buy on LNGFORs. LNGFORs rebounded 4.5-5pts post the 1H23 results and rose 0.5-1.25pt this morning. See below.*

❖ Trading desk comments 交易平台市场观点

Asia ex-JP IG market rebounded from the recent weakness. The recent new issues such as CHILOV/BOCAVI/CKHH 33s edged 2-3bps tighter. Chinese SOE/TMT benchmark papers such as HAOHUA/TENCNT/BABA 30-31s were traded 3-8bps tighter on short covering and bottom fishing buying. The high beta LENOVO/MEITUA 30s closed 7-15bps tighter under short squeezing. In financials, HRINTH 25-30s bounced 2-3.5pts from the Monday lows. CCAMCL/ORIEAS 27s grinded 10-20bps tighter. Chinese bank T2s such as BCHINAs/CCBs/ICBCASs/CINDBKs were better bid. Chinese AT1s were unchanged to 0.125pt higher. European AT1s were under better buying interests from regional Prop desks/AMs/HFs. SG bank T2s grinded 2-5bps tighter. In Korea space, KORELE/DAESEC 26s were unchanged to 3bps tighter. Chinese properties were mixed. LNGFORs gained another 1.25-2.25pts to close 5pts higher WTD. SHUION 24s/26s moved 1.5pts higher. CHJMAOs were bid up 1pt. On the other hand, ROADKG perps dropped 3-4.25pts while rest of the ROADKGs were down 1-2.5pts. Industrials was quiet. FOSUNI '27/ANTOIL '25 were marked 0.25pt lower. Macau gaming papers such as MPELS/SANLTDs/STCITYs were traded 0.75-1.25pts higher. In Indian space, ADANEMs/ADGREGs gained 0.25-0.5pt. Indonesian space was muted. Elsewhere, GLPCHIs were indicated 0.5pt higher.

The LGFV/Perp spaces opened weaker as the recent gloomy sentiment carried over to Tuesday. However, buying from PBs and regional/global RMs emerged since late morning. FRESHK '24 was traded 0.25pt higher at 93.5. There were also some buying flows in ZHHFGR/CQLGST. That said, selling flows re-emerged at late afternoon as investors took the window to offload risks. CPDEV 25/26/Perp closed 1-2.5pts lower. There were RMs picking up =<1y LGFV papers. KMRLGP '24 were 0.75pt higher to 84.25, despite Moody's one notch downgrade to Ba1 last Friday. GSHIAV/GXFING 23s were traded 0.125-0.25pt higher. Chongqing/Shandong names such as CQLGST 24s/SHUGRP 24s/QDJZWD 25s were under better buying.

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Elsewhere, SOE perps such as HUADIA 4 Perp/CHCOMU 3.425 Perp were quoted 0.15-0.2pt lower. HK perps performed mixed. BNKEA perps were marked 2.5-3pts higher. Whilst on the other hand, CKPH/NWDEVL perps were traded 0.5-1.5pts lower. CKINF/HYSAN Perps were marked down 0.5-0.75pt.

❖ Last Trading Day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
HRINTH 4 5/8 06/03/26	81.9	3.4	ROADKG 7 3/4 PERP	14.6	-4.2
HRINTH 4 1/4 11/07/27	75.2	2.9	ROADKG 7.95 PERP	13.4	-2.9
HRINTH 4 1/2 05/29/29	73.2	2.8	ROADKG 6 09/04/25	29.7	-2.6
HRINTH 4 7/8 11/22/26	80.0	2.8	ROADKG 5.2 01/12/26	27.2	-2.6
HRINTH 4 3/4 04/27/27	77.9	2.7	CPDEV 3.85 07/14/25	75.2	-2.5

❖ Marco News Recap 宏观新闻回顾

Macro – S&P (-0.28%), Dow (-0.51%) and Nasdaq (+0.06%) remained weak on Tuesday. US Jul existing home sales was 4.07mn, down from 4.16mn in Jun and lower than expectation of 4.15mn. China MOF, State Taxation Administration and CSRC announced continuation of six tax incentives to boost China capital market. US treasury yields continued to rallied higher yesterday, 2/5/10/30 yield reached at 5.02%/4.49%/4.34%/4.42%, respectively.

❖ Desk analyst comments 分析员市场观点

➤ Shui On Land: High quality IPs offer alternative liquidity

	O/S (USD mn)	Maturity	Coupon	Offer price	YTM (%)
SHUION 5 3/4 11/12/23	500	11/12/2023	5.75%	88.805	64.22%
SHUION 6.15 08/24/24	500	8/24/2024	6.15%	62.859	61.21%
SHUION 5 1/2 03/03/25	489.9	3/3/2025	5.50%	48.877	62.06%
SHUION 5 1/2 06/29/26	400	6/29/2026	5.50%	40.642	44.04%

Source: Bloomberg.

Shui On Land (SOL) posted stronger 1H23 results as its operations and project deliveries 'normalized' from the lock-down in Shanghai and other major cities. The lower margin was somewhat attributable to the higher proportion of its revenue in 1H23 was derived from property sales, of which the margin is lower that of rental income.

Having said that, its total contract sales in 1H23 were only RMB4.6bn, 76% lower yoy and only c35% of its FY23 sales target of RMB13bn. The company remains confident to achieve FY23 sales target given its saleable resources of 212k sqm in Shanghai, Wuhan and Chongqing. In FY21 (FY22 was interrupted by lock-down), SOL completed 40% of its full year sales in 1H21. We consider achieving the full year sales target challenging given the difficult operating environment.

RMB mn	1H22	1H23	% change
Revenue	4,415.00	6,431.00	45.7%
Property sales	2,449.00	4,662.00	90.4%
Non property sales	1,966.00	1,769.00	-10.0%
Gross profit	2821	2949	4.5%
Profit before tax	1,027.00	1,870.00	82.1%

Gross margin	63.90%	45.86%	
Total recognized sales incl JV and associates			
Total recognized GFA (mn sqm)	2,618.0	34,706.0	1,225.7%
Recognized ASP/sqm	55,000	494,500	799.1%

Source: Company fillings.

SOL's credit profile remains largely stable. It did not provide a concrete refinancing plan for USD bonds due Nov'23 and other near-term maturities. That said, we take comfort from its high quality portfolio of IPs. The unencumbered value should provide a strong support to its liquidity profile. As at Jun'23, the book value of its IPs was RMB51.9bn. As per SOL, the LTV of its IPs was 17.5%, including the CMBS of RMB4.4bn issued against Shanghai Hongqiao Tiandi in Apr'23 with a coupon rate of 3.9%. Assuming a LTV of 50%, this represents a headroom of additional financing of cRMB17bn from its IPs. Put things into perspective, SOL has debt maturities of RMB5.3bn and RMB12.0bn in FY23 and FY24, respectively. As at Jun'23, it had cash and pledged deposits totaled RMB12.2bn, RMB7-8bn of these are unrestricted cash according to SOL.

RMB mn	Dec'22	Jun'23
Cash	11,176.0	9,525.0
Cash in escrow		7000-8000
ST debts	12,332.0	12,294.0
LT debts	22,008.0	23,892.0
Net debts	23,164.0	23,947.0
Net gearing	52.2%	54.2%
Cash/ST debts	0.9x	0.8x
Adj. liab/assets	55.4%	55.5%

Source: Company fillings.

There was also no update on the progress of bondholder identification. As discussed before, we understand the bondholder identification is on SHUION 5.75 11/12/23 and SHUION 6.15 08/24/24, the company's 2 largest o/s USD bonds and 2 nearest maturities. The bond identification reflects that SOL could explore options in dealing with the upcoming maturities. We continue to believe that SOL is not in a dire need for a distressed exchange given its potential funding access through collateralization of its high quality IPs. Besides, SOL is not under any rating pressure to have a ready refinancing plan ahead of debt maturities given its unrated status. Hence, even if the company goes for "bond exercise", we envisage this to be voluntarily, and similar to the one of H&H in Jun'23. Besides, any "maturity extension" will probably be limited to not beyond Mar'25, the next maturity of its USD bonds, after SHUION 5.75 11/12/23 and SHUION 6.15 08/24/24.

SHUIONs were 8-31pts lower than the levels in mid Jul'23, subsequent to news on bondholder identification and collateral damage from the sharp price movement of COGARDs. We consider the current valuations of SHUIONs offer good entry points. SHUIONs were 0.15 to 0.75 lower today.

➤ **LNGFOR: Plans to issue third CBICL-guaranteed bonds**

Media reported Longfor's plan to issue up to RMB1.1bn (cUSD152mn) CBICL-guaranteed 3-yr onshore bond. The indicative coupon range is 3-3.8%. This will be Longfor's third CBICL-guaranteed bonds after the issues in Aug and Nov'22. Longfor was reported to issue LNGHDV 3 11/30/25 in Nov'22 with a LTV of 80% of its pledged properties. Taking cues from its previous CBICL-backed issues, the new bonds could be priced at low-mid 3%.

[As discussed in our comments on Longfor on 21 Aug'23](#), we consider Longfor a survivor of China real estate sector as the company has 1) manageable near-term maturities, especially offshore maturities; 2) matured portfolio of investment properties (IPs) which 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

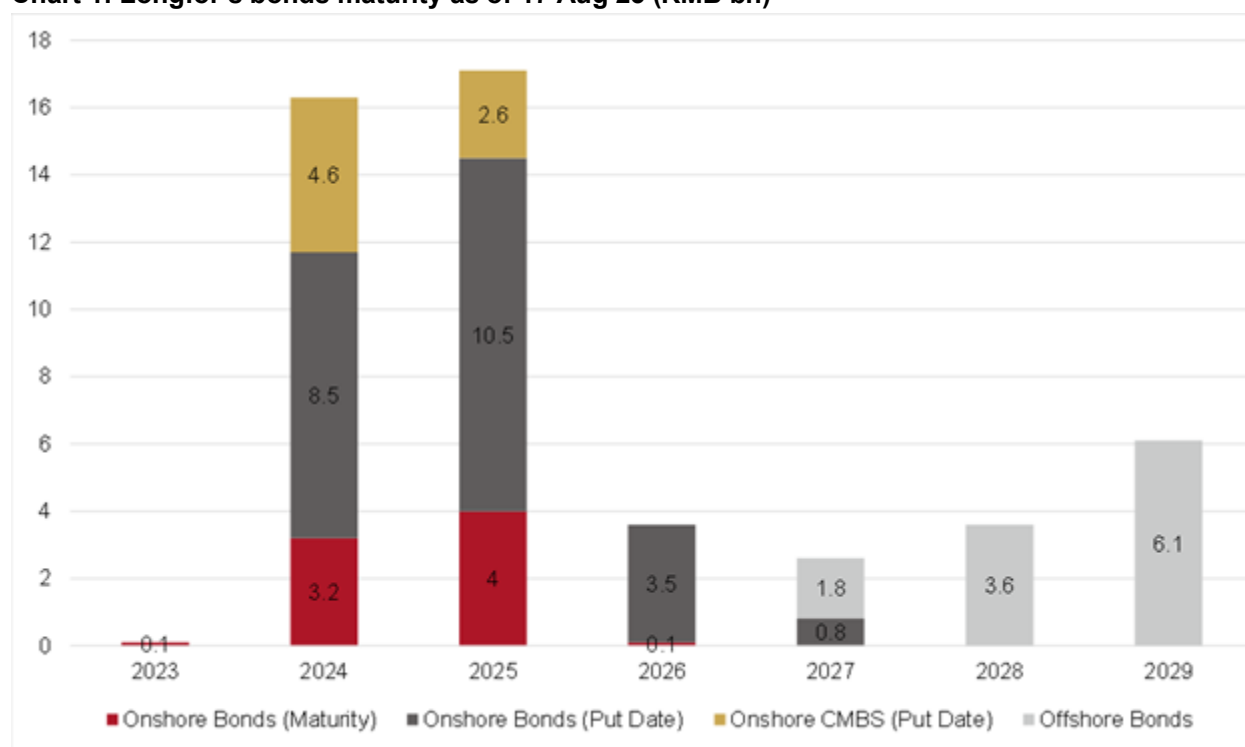
sales recovery; and 3) Longfor is major positioning in higher tier cities that 83% of its 54.89mn sqm land bank are in tier1/2 cities. Besides, Longfor is the only non-SOE developer under our radar among 35 developers to record yoy increased contracted sales in 7M23 with RMB73.24bn, representing a 7% yoy growth. We have buy recommendations on LNGFORs. LNGFORs rebounded 4.5-5pts post the 1H23 results and rose 0.5-1.25pt this morning.

Table 1: Longfor's CBICL-guaranteed bonds

	Issue Date	o/s amount (RMB mn)	Indicative coupon range	Coupon
LNGHDV 3 11/30/25	11/29/22	2,000	3-3.8%	3%
LNGHDV 3.3 08/26/25	08/25/22	1,500	3-4.3%	3.3%

Source: WIND.

Chart 1: Longfor's bonds maturity as of 17 Aug'23 (RMB bn)



Source: Company presentation.

➤ Offshore Asia New Issues (Priced)

Issuer/Guarantor	Size (USD mn)	Tenor	Coupon	Priced	Issue Rating (M/S/F)
Hangzhou Shangcheng District Urban Development	200	3yr	5.85%	5.85%	-/-/BBB-

➤ Offshore Asia New Issues (Pipeline)

Issuer/Guarantor	Currency	Size (USD mn)	Tenor	Pricing	Issue Rating (M/S/F)
Bank of Communications HK	USD	-	3yr	SOFR+105	A2/-/-

➤ News and market color

- Regarding onshore primary issuances, there were 97 credit bonds issued yesterday with an amount of RMB75bn. As for Month-to-date, 1,334 credit bonds were issued with a total amount of RMB1,105bn raised, representing a 2.4% yoy increase
- **[AGILE]** Agile Group expected to record up to RMB3.7bn net loss for 1H23
- **[CHALUM]** Chalieceo 1H23 revenue dropped 8.5% yoy to USD1.3bn and operating income turned to negative USD130mn from USD38.3mn profit in 1H22
- **[CNFORE]** China Forestry Group issued RMB700mn 270-day bills at a coupon rate of 4.50%
- **[COGARD]** Media reported that Country Garden paid on time the 21 Aug interest on USD846mn-equivalent dual-tranche offshore refinancing facility closed in July
- **[SINOCE]** Sino-Ocean Group unit SOG China does not expect to settle principal amount of corporate bonds in full within 30-day grace period; its 18Yuanyang01 bonds will resume trading from 23 Aug
- **[SOFTBK]** Media reported that SoftBank started to sell some Latin American investments at a profit
- **[YNPOWE]** Yunnan Provincial Energy Investment redeemed all outstanding USD150mn guaranteed perps on 20 Aug; it proposes to offer up to RMB2bn one-year bills to repay debts

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