

CMBI Credit Commentary

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

- *Asian IG space recovered post Fed official's dovish comments on interest rate. TENCNT/BABA/SINOCH tightened 1-2bps and high-beta names tightened 5-10bps. LGFV space was also under better buying with improved sentiment.*
- *LGfV: Another 5 local governments issue cRMB320bn special refinancing bonds to swap hidden debts. See below.*
- *GLPSP: GLP raised USD240mn in new capital for four China logistics industrial parks. GLPSPs moved -0.1 to +0.75pt this morning.*

❖ Trading desk comments 交易台市场观点

Yesterday, UST 5/10/30yr tightened 17/15/13bps from Friday wides, respectively, on the back of the dovish comments of FED and Israel geopolitical issues. Chinese SOE/TMT benchmarks were unchanged to 2bps wider. HAOHUA/ TENCNT 30s were better-sold. The long-end of SOE papers were firm whilst the front-end papers were under profit taking. The high-beta TMTs MEITUA/WB 30s were 5bps tighter. In financials, HRINTH curve was traded 0.25-1pt higher. CCAMCLs were under better selling on the front end. Chinese bank T2s were unchanged in spreads despite rates volatility. There were better selling flows in NANYAN 29s. In Chinese benchmark AT1s, BCHINA/ICBCAS Perps closed 0.1-0.25pt higher. Thai/European AT1s closed 0.25-0.75pt higher on the back of the rates move amid two-way flows among PBs. In the non-China space, BBLTB 28s/33s grinded 2-3bps tighter. SG T2s were subdued. DBSSP/UOBSP/OCBCSP papers were under better selling. In Korea space, EIBKOR curve was better bid and DAESec 26s tightened 2bps. HK Corp space perform mixed. NWDEVL 27s gained another 1.1-1.6pts. On the other hand, NWDEVL/CKINF Perps declined 0.5-0.7pt. CKPH 3.5 Perp dropped 2pts. HK/Chinese properties performed softly. GEMDAL 24s dropped 4.7pts. LNGFOR 27-32s were down 1.2-2.2pts. DALWAN 24s/26s declined 0.9-1.4pts. AGILE 25s were down 0.8-1.2pts. YLLGSP 24s/26s were down 0.5pt. COGARDs lowered 0.5pt. COGARD failed to make HKD470mn due payment, and expects not to meet offshore obligations when due. It has engaged financial/legal advisors to formulate a holistic offshore debt restructuring. In industrials, EHICARs were up 0.25pt. In Macau gaming names, SANLTD/STCITY/WYNMAC 28-30s were 0.8-1pt higher. Indian renewables GRNKENS/RPVINs were 0.3-0.5pt higher. Whilst VEDLN 26s were down 0.5pt. Indonesian names MEDCIJ 27s/28s were 0.7pt higher. LMRTSP 24s/26s were up 0.2pt to close at high-60s. Elsewhere, MONMIN/GLPCHI 26s were 0.2pt higher.

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The LGFV/Perp spaces had a hectic day, as UST curve opened around 15bps tighter in light of geopolitical tensions. The rates move triggered deployment buying from Chinese AMs mainly in SOE Perps, and to a lesser extent in quality LGFVs. These papers were traded up to 25bps tighter, despite some modest profit taking flows into the rally. Meanwhile, the higher-yielding LGFVs were traded in mixed two-way flows as yields slowly retraced from last month's tights, amid rising hurdle costs and required risk premium from onshore accounts. We also saw some selling flows from PBs/AMs on names such as CPDEV/ZHHFGR/BCDHGR amid the COGARD potential restructuring news. In SOE perps, CHPWCN 4.25 Perp/HUANEN 3.08 Perp were down 0.1pt.

❖ Last Trading Day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
CNPCCH 5.95 04/28/41	100.0	1.7	GEMDAL 4.95 08/12/24	39.3	-4.7
NWDEVL 5 7/8 06/16/27	83.3	1.6	LNGFOR 3 3/8 04/13/27	58.2	-2.2
TAISEM 4 1/2 04/22/52	84.3	1.6	CKPH 3 1/2 PERP	52.1	-1.9
TAISEM 3 1/4 10/25/51	66.1	1.5	LNGFOR 3.95 09/16/29	48.2	-1.4
NWDEVL 4 3/4 01/23/27	83.6	1.1	DALWAN 11 02/13/26	35.5	-1.4

❖ Marco News Recap 宏观新闻回顾

Macro – S&P (+0.52%), Dow (+0.40%) and Nasdaq (+0.58%) rallied higher on Tuesday post Fed officials' dovish comments. Atlanta Fed President said Fed does not need to raise interest rates any further and he sees no recession ahead. The long-term UST yields moved lower yesterday, the yield curve bull flattened and 2/5/10/30 yield reached 4.96%/4.62%/4.66%/4.85%, respectively.

❖ Desk analyst comments 分析员市场观点

➤ LGFV: Another 5 local governments issue cRMB320bn special refinancing bonds to swap hidden debts

After Inner Mongolia issued cRMB66.3bn (cUSD9.1bn) special refinancing bonds on 9 Oct'23 to swap local hidden debts, local governments of Liaoning, Yunnan, Guangxi, Chongqing and Tianjin scheduled to issue cRMB253.3bn (cUSD34.7bn) such bonds to alleviate the liquidity pressure of local governments and its LGFVs.

According to previous media reports, the central government had directed 12 provincial governments with higher credit risk including six provinces and cities mentioned above to report all assets can be monetized and take austerity measures. Besides, the 12 provincial government may issue RMB1-1.5tn (cUSD137-205bn) refinancing bonds to swap the off-balance-sheet debts incurred by local governments and due mainly to LFGVs. We view that Guizhou, Hubei, Jilin, Shaanxi and Gansu may follow suit to relieve hidden debts as these provinces have higher LGFV debts/fiscal income ratios and weaker economic fundamental than other provinces.

Since the Chinese Politburo meeting in Jul'23 tabled a package of measures to defuse local government debt risk, we have seen more forceful measures such as issuance of refinancing bonds and monetization of state-owned assets. Additionally, media also reported that China central government considers to increase FY23 fiscal deficit and issue cRMB1tn (cUSD137bn) sovereign bonds to boost economic growth. An improving economic environment may further facilitate to solve hidden debts of local governments.

Province	Amount (RMB bn)	Issuance date	LGFV debts (FY22, RMB mn)
Liaoning	87.0	12 Oct'23	137.5
Inner Mongolia	66.3	9 Oct'23	277.5
Yunnan	53.3	16 Oct'23	1,679.8
Guangxi	49.8	16 Oct'23	1,748.4
Chongqing	42.2	16 Oct'23	2,054.7
Tianjin	21.0	10 Oct'23	1,453.3
Total	319.6		7,351.2

➤ **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 49 credit bonds issued yesterday with an amount of RMB49bn. As for Month-to-date, 102 credit bonds were issued with a total amount of RMB94bn raised, representing a 20.9% yoy increase
- [ADANIG]** Media reported that Adani made progress towards securing around USD3.5bn syndicated loan to refinance Ambuja debt as 3 potential consortium banks get internal nods
- [COGARD]** HK based Kingboard Holdings issued demand to the company for repayment of certain sums due and payable under HKD1.88bn term loan facility
- [EHOUSE]** E-House (China) Enterprise proposed to hold Cayman Scheme Meetings and HK Scheme Meetings on 14 Nov'23
- [GEMDAL]** Gemdale plans to resell RMB2.94bn put of 3.95% notes due 2025
- [GLPSP]** GLP raised USD240mn in new capital for four China logistics industrial parks
- [KAISAG]** Media reported that Kaisa Group creditors would get below 5% of money back if company was forced into liquidation. The group's winding-up petition hearing was further adjourned
- [LNGFOR]** Longfor Group acquired Xi'an land parcel for RMB927mn in Sep
- [SHDOIS]** Shandong Iron and Steel proposed to offer RMB1bn 2+N-year extendable MTNs to repay debts

- **[TYLCDI]** Taiyuan Longcheng Development Investment proposed to offer up to RMB500m extendable MTNs to repay debts. The notes would consist of a 2+N-year tranche and a 3+N-year tranche

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