

CMBI Credit Commentary

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

- *Markets were stable this morning. New issues BOCOM'26 were unchanged to 1bps tighter. IG benchmarks opened 2-5bps tighter in the morning while retreated to unchanged by mid-day. HRINTH curve were 0-1pt higher. Media reported that Vedanta engaged advisor to identify holders of VEDLN'24/25, VEDLNs down 1-2pts this morning.*
- **CPDEV:** *Offer even better risk-return profiles among LGFVs in high-tier cities after the recent unjustifiable price movement. We prefer CPDEV Perp most within the curve. See below.*
- **SYNGEN:** *Sino-chem owned Syngenta raised RMB3bn via 1-year domestic notes with 2.25% coupon.*

❖ Trading desk comments 交易台市场观点

Asia ex-JP IG space had a constructive session. The recent new issues such as BOCVAI/CKHH 33s were unchanged to 3bps tighter. Chinese SOEs were sought-after. TMT benchmarks TENCNT 30s/BIDU 31s grinded 3-4bps tighter. The high beta TMTs such as LENOVO/MEITUA 30s were under better selling but closed largely unchanged. WB 30s edged 5bps tighter and XIAOMI 30s tightened 10bps. In financials, AMCs performed well. HRINTH curve was traded 0.75-1.75pts higher. CCAMCL curve also tightened 5-10bps. CCAMCL 27s was traded 10bps tighter to close around T+185 area. Chinese AT1s such as ICBCAS/BCHINA perps were marked 0.25pt higher. Chinese bank T2s were roughly unchanged. KORELE/DAESEC 26s edged 2-4bps tighter. SG bank T2s were under better buying. HK/Chinese properties were mixed. SHUION 23s/24s were bid up 1-3pts. LNGFOR 27-32s gained another 1-2.5pts to close 6-7pts higher WTD. On the other hand, ROADKG 7 Perp/ROADKG 7.75 Perp dropped 0.5-3.5pts but ROADKG 7.95 Perp was 3.2pts higher. CHJMAOs/FTLNHDs declined 0.5pt. Industrials such as FOSUNI/HILOHO 24s were indicated 0.5pt higher. In Macau gaming, MPEL/STCITY/WYNMACs 26-29s were traded 1-2pts higher. In Indian space, ADSEZ/ADANEM 27-31s moved 0.5pt higher. Indonesian names MEDCIJs were bid up 0.5pt.

The LGFV/Perp spaces were stable with light flows ahead of Jackson Hole on Friday. On the primary front, ZHEBAR priced a 3Y USD200mn bond at par to yield at 5.85%. There were two-way flows on the front-end of LGFVs. The quality 6%-7.5% LGFV papers were sought-after. QDTHCO/WHREST 24s were better bid. The high yielding papers remained demanded and prices were stable. Chongqing names CQLGST '24/CQNANA '26 were unchanged to 0.125pt lower. Elsewhere, CPDEV 25/26/Perp were traded down another 0.4pt. SOE Perps such as HUADIA/CHPWCN perps were quoted 0.125pt higher. HK Corp space performed softly. NWDEVL 4.8 Perp/NWDEVL 4.125

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Perp moved 1.25-1.75pts lower. NWSZF/CKPH Perps declined 0.5-0.75pt. LIFUNG 25/Perp were marked 0.75-1.25pts lower. In HK crossover papers, FRESHK 24-25s were traded 0.25pt lower to close between high-80s and low-90s. to 0.125pt lower. Elsewhere, CPDEV 25/26/Perp were traded down another 0.4pt. SOE Perps such as HUADIA/CHPWCN perps were quoted 0.125pt.

❖ Last Trading Day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
ROADKG 7.95 PERP	16.6	3.2	ROADKG 7 PERP	12.6	-3.5
SHUION 5 3/4 11/12/23	88.5	2.8	NWDEVL 4.8 PERP	39.9	-1.7
LNGFOR 4 1/2 01/16/28	61.4	2.4	LIFUNG 5 08/18/25	91.6	-1.3
MPEL 5 3/8 12/04/29	82.5	2.1	NWDEVL 4 1/8 PERP	52.1	-1.1
MPEL 5 3/4 07/21/28	87.1	2.0	NWSZF 5.75 PERP	98.0	-0.8

❖ Marco News Recap 宏观新闻回顾

Macro – S&P (+1.10%), Dow (+0.54%) and Nasdaq (+1.59%) rebounded, led by tech sector, on Wednesday. US Aug Markit manufacturing/service PMI was 47.0/51.0, both were lower than the market expectation of 49.3/52.3. Eurozone Aug Markit manufacturing/service PMI was 43.7/48.3, compared with the market expectation of 42.6/50.5. US treasury yields retreated yesterday, 2/5/10/30 yield reached at 4.95%/4.36%/4.19%/4.27%, respectively.

❖ Desk analyst comments 分析员市场观点

- **CPDEV: Offer even better risk-return profiles among LGFVs of high-tier cities. Prefer CPDEV Perp**

Table 1: CPDEV USD bonds

	o/s amount (USD mn)	Ask price	Next call date	YTC (%)	Maturity	YTM (%)	Rating (M/S/F)
CPDEV 5.75 PERP	500	74.9	11/14/2024	32.17	-	15.27	-/-/BB
CPDEV 3.85 07/14/25	450	76.1	-	-	07/14/2025	19.64	-/-/BBB-
CPDEV 4.65 01/19/26	500	74.1	10/19/2025	20.07	01/19/2026	18.49	-/-/BBB

Source: Bloomberg.

CPDEVs dropped 8-12pts over past three weeks due mainly to the spillover effect of COGARD. We consider the price reaction not justifiable as CPDEV should not be considered as a pure residential property play. Additionally, We take comfort that CPDEV's immediate parent, BCCD, and its ultimate parent, BCG, continue to have a smooth access to onshore funding despite the deteriorated funding environment for property developers. BCG and BCCD raised RMB1.5bn and RMB2.55bn, respectively, with coupon ranging 3.05%-4.25% since Jul'23. See Table 2 below. At current valuation, we view CPDEVs offering good risk-return profiles among LGFVs of high-tier cities. Within the curve, we prefer CPDEV Perp which is callable at 14 Nov'24. If the perp is not called, the coupon will be reset to 5yr UST+8.066%, i.e. coupon step-up of 400bps. Based on the current UST, the reset coupon will increase to c12.5% from 5.75%. We still believe that the chance of this perp being called is high. CPDEV called its 2 previous perps on Apr'18 Dec'19 on their first call dates.

Table 2: BCG and BCCD onshore bonds issuances since Jul'23

	o/s amount (RMB mn)	Maturity	Put date	Coupon
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BEICAP 3.05 07/24/26	1,500	07/24/2026	-	3.05
BJCAPD 4.25 08/11/28	630	08/11/2028	08/11/2026	4.25
BJCAPD 3.9 08/11/26	420	08/11/2026	08/11/2025	3.9
BJCAPD 3.98 07/18/28	1,000	07/18/2028	07/18/2026	3.98
BJCAPD 3.62 07/18/26	500	07/18/2026	07/18/2025	3.62
Total	4,050			

Source: Winds.

Recalled that Beijing Capital Land (BCL) was privatized in Sep'21 and the USD bonds issuing entity, CPDEV, has become a 100% owned subsidiary of Beijing Capital City Development (BCCD, rated BBB- by Fitch) and an indirect wholly-owned subsidiary of Beijing Capital Group (BCG) which, in turn, is wholly owned by Beijing SASAC. The 3 USD bonds issued by CPDEVs were credit-enhanced via keepwell+EIPU by Beijing Capital Group (BCG). We expect the willingness of Beijing government to support BCCD/CPDEV to be high given its strategic importance in the city's housing policies.

BCCD was established in Jun' 21 to consolidate BCG's property-related operations, including Beijing Capital Land and Jinzhong which focused on policy-driven land development and social-housing projects, as well as rental housing and infrastructure construction. BCG has a diversified business scope that c50% of its revenue was generated by non-property-related business including utilities and financial. In 1Q23, the revenue proportion of city development further dropped to 43%.

Table 3: Beijing Capital Group revenue split

Segment	2021			2022			1Q23		
	Revenue (RMB bn)	Proportion (%)	Gross margin (%)	Revenue (RMB bn)	Proportion (%)	Gross margin (%)	Revenue (RMB bn)	Proportion (%)	Gross margin (%)
Water and Environment									
Protection	22.5	31.6%	30.3%	22.4	38.8%	31.8%	4.4	48.4%	33.6%
City Development	37.5	52.6%	11.2%	30.8	53.3%	14.1%	3.9	43.0%	17.5%
Financial	2.6	3.6%	61.3%	3.0	5.2%	64.6%	0.6	7.0%	45.2%
Others	8.7	12.2%	36.1%	1.6	2.8%	56.2%	0.1	1.6%	50.2%
Total	71.3		20.4%	57.8		24.7%	9.0		27.7%

Source: Company fillings.

➤ Offshore Asia New Issues (Priced)

Issuer/Guarantor	Size (USD mn)	Tenor	Coupon	Priced	Issue Rating (M/S/F)
Bank of Communications HK	500	3yr	SOFR+60	SOFR+60	A2/-/-

➤ 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 RMB106bn. As for Month-to-date, 1,570 credit bonds were issued with a total amount of RMB1,337bn raised, representing a 6% yoy increase

- **[ADROIJ]** Adaro Energy revenue down 2% yoy to USD3.48bn and operational EBITDA down 40% yoy to USD1.39bn in 1H23
- **[CGSHCO]** Fitch downgraded Country Garden Services to BB+ from BBB- and placed it on negative watch
- **[GEELY]** Geely expected deliveries of high-end EV Zeekr to double at 140k in FY23
- **[KAISAG]** Kaisa Group Holdings expected to record net loss of RMB6-7bn in 1H23, narrowed from RMB7.8bn loss in 1H22
- **[RDHGCL]** Radiance Holdings' raised RMB800mn via domestic 3-year notes with 4% coupon rate
- **[SDEXPR]** Shandong Hi-Speed Group issued RMB1.5bn extendable corporate bonds
- **[SYNGEN]** Sino-chem owned Syngenta raised RMB3bn via 1-year domestic notes with 2.25% coupon
- **[VEDLN]** Media reported that Vedanta engaged Morrow Sodali to identify holders of three due 2024/25 USD bonds totaled USD3.15bn
- **[YUNINV]** Yunnan Provincial Investment scheduled redemption of RMB1.5bn bills on 27 Aug

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