

## CMBI Credit Commentary

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

- Markets liquidity is weak this morning due to Hong Kong typhoon. There were some short coverings on SOE Perps/LGFVs due before 1Q23 while longer tenor bonds were still under better selling. We saw buying flows on Chinese IG properties like VNKRL/SINOCE from PBs.
  - **Asia ex-JP USD bonds issuance:** New issuance amounts decreased 50.6% yoy in 10M22, China LGFV issuance continued decelerating. See below.
  - **LNGFOR:** issued irrevocable notice to make partial early repayment of HKD3.45bn syndicated loan due 2023; Its controlling shareholder purchase 3mn company shares (HKD10.48 per share) and USD2.8mn of senior notes. LNGFORs up 1.5-5pts since notes repurchase and early repayment of loan started on 1 Nov'22
- ❖ **Trading desk comments 交易平台市场观点**

Yesterday, China IG space continue to drift lower on properties downbeat sentiment. Higher cash price IG properties still encountered RM selling although volume was lighter. LNGFOR led underperformance again but found support on bid sides in current context. LNGFOR 28-29s were quoted at low-20s. VNKRLs were first down 5pts, then consolidated to 2pts lower on the day, with VNKRL' 27 notably touching down to low- 40s. Financials space widened 3-10bps with T2s underperformed. CIMWLB 27s were down 0.5pt amid street heavy selling. Bank AT1s had onshore RM buying with bonds closed 0.125-0.25pt higher. CCAMCL cash prices were down 0.5-1pt. TMTs were largely quiet while showing small short covering flows, whilst HSTECH index up by 3.5% on the day. BABA 31 still wrapped around T+245 level. TENCNT tightened 2-8bps on the day. China HY space was slightly quieter than last week with HY properties further lowered 0.5-1.5pts on the front-end, against the backdrop of China/HK stocks bounced up 2-4%. COGARD curve was unchanged at recent lows, and COGARD 23s were still better-offered. GRNLGR curve continued to show active flows from RM selling (long end) vs PB buying (front end), digesting the exchange offer announcement. GRLNGR/AGILE 23-25s closed up 0.5pt. FTLNHDs were also up 1-3pts. High cash price DALWAN 22/YLLGSP 23 bids went 0.5-1pt higher. Elsewhere, HK names all kept underperforming especially on Perps, as call risk concerns arise again. NWDEVL 4.8 'Perp notably fell 12pts with selling from RM/PB, and CPDEV/CKINF/CHINLP Perps broadly dropped 0.5-1.5pts. In industrial space, FOSUNI 23-24s had better buying from PBs. Macau gaming names were 1-2 pts higher on reopening chatter, while their stocks up 5-10%. Non China HY generally held up well on balanced flows. Indonesian real estate APLNIJ'24 was down 1.5pts.

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The LGFV/SOE Perp/AT1 spaces remained rather weak despite the center of the storm having moved towards IG properties this week, and did not enjoy the relief/short cover rally in light of the reopening rumors in the afternoon. Whilst sale flows on IC properties from global RM slowed down, offshore Chinese asset managers continued to be strong better sellers of LGFV bonds, as any less-outrageous liquidity bid would be hit mercilessly. Meanwhile, the remaining buying power from onshore banks was being consumed rapidly as most previous low targets have now become good bid levels. In any case, such buying remained highly selective in names and issues, meaning on the other hand there were still a handful of undigested papers of unwanted names in the market marching towards double-digit yields/stressed cash prices, for instance we noticed CQNANA 4.5 '26 was offered away at 60 level on the day. ZHHFGR 4.25 'Perp notably fell 10.5pts as the screen prices moved abruptly with limited bids. Elsewhere, SOE Perps/AT1s were also weak with mainly street hits driving prices lower as dealers dumped unwanted risks, and even c23 papers from high quality names HUANEN/ BOCHKL/ CMHI were hit at high-6%/ 7% now, leaving anything longer and/or yielding below 8% without any support beyond short-covering. Overall, SOEs continued to see net selling flows from offshore RM while AT1s came under pressure on call risk concerns arising again. Korea AT1s also caught market attention, as HUKLFI Perp down 15pt after the company delayed the call on its AT1 after having sent a call notice earlier. Rest of Korea AT1s marked 2-5pts lower.

#### ❖ Last Trading Day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
FTLNHD 4 5/8 10/15/25	11.2	3.2	NWDEVL 4.8 PERP	59.9	-11.9
CHJMAO 4 1/4 07/23/29	35.6	2.6	ZHHFGR 4 1/4 PERP	87.1	-10.5
SHUION 5 1/2 06/29/26	39.2	1.8	CPDEV 5 3/4 PERP	60.0	-1.7
NWDEVL 6 1/4 PERP	53.3	1.7	APLNIJ 5.95 06/02/24	44.4	-1.4
GWFOOD 3.258 10/29/30	73.4	1.6	ZHHFGR 2.95 02/28/25	84.0	-1.1

#### ❖ Macro News Recap 宏观新闻回顾

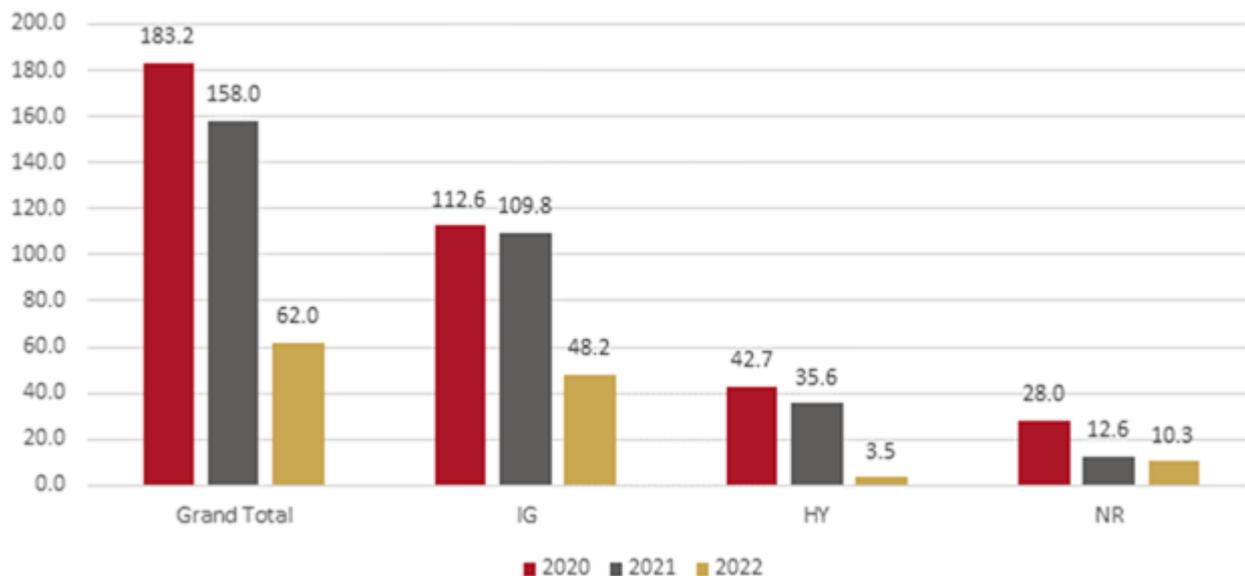
**Macro** – U.S. stock markets closed down on Tuesday, the S&P (-0.41%), Dow (-0.24%) and Nasdaq (-0.89%) slightly dropped amid cautious sentiment and markets are waiting for tonight's FOMC result. U.S. October ISM Manufacturing Index posted as 50.2, down 0.9 from September. U.S. job opening surged in September and total amount was 10.72mn, higher than estimation of 9.85mn. The U.S. treasury yield curves bear flattened that the 2/5/10/30 yields reached 4.54%/4.27%/4.07%/4.14%, respectively.

#### ❖ Desk analyst comments 分析员市场观点

##### ➤ Asia ex-JP USD bonds issuance: 50.6% yoy drop in 10M22, new LGFV issues in Oct'22 declined yoy

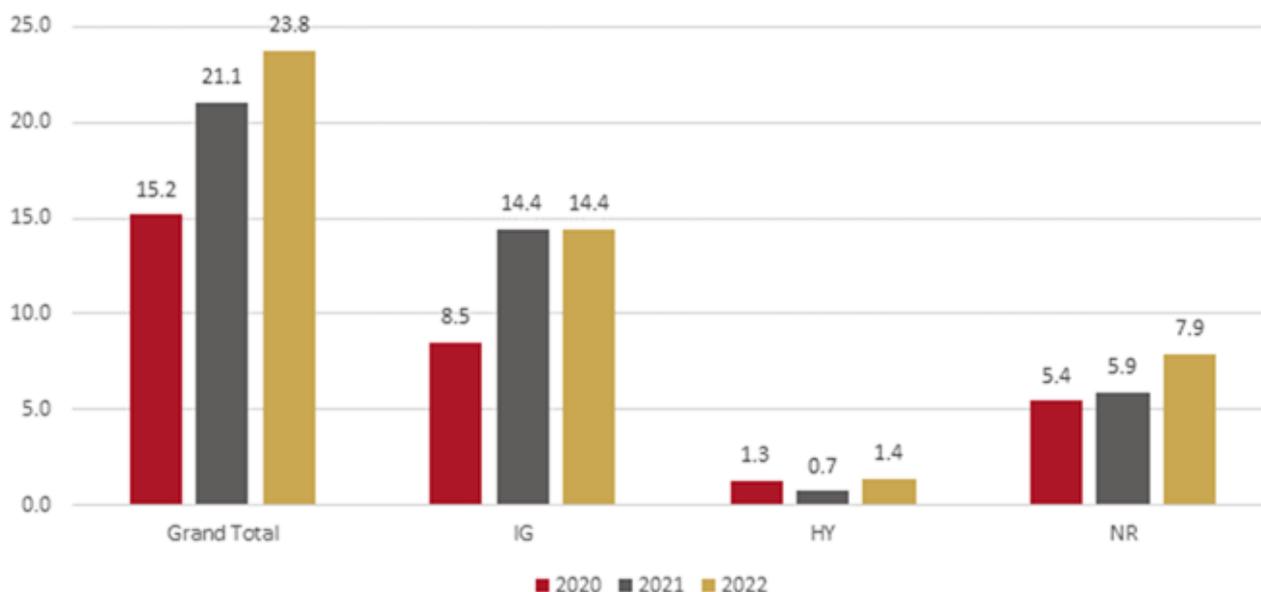
In 10M22, the gross issuance of Asia ex-JP fell 50.6% yoy to USD153.4bn. The new issues further decelerated compared the 48.0% yoy drop in 9M22. The new issues from China fell 60.8% yoy to USD62.0bn in 10M22. Both Asia ex-JP and China new issue size recorded largest YTD decrease in Oct'22 on a yoy basis. Specifically, issuance amount of Chinese IG, HY and NR dropped 56.1%, 90.3% and 18.1% to USD48.2bn, USD3.5bn and USD10.3bn, respectively. The issuance amount of Chinese properties in 10M22 amount slumped 80.4% yoy to USD7.5bn and there was no new issuance in Oct'22.

10M22 Chinese USD bonds new issuance amount (Total, USD bn)

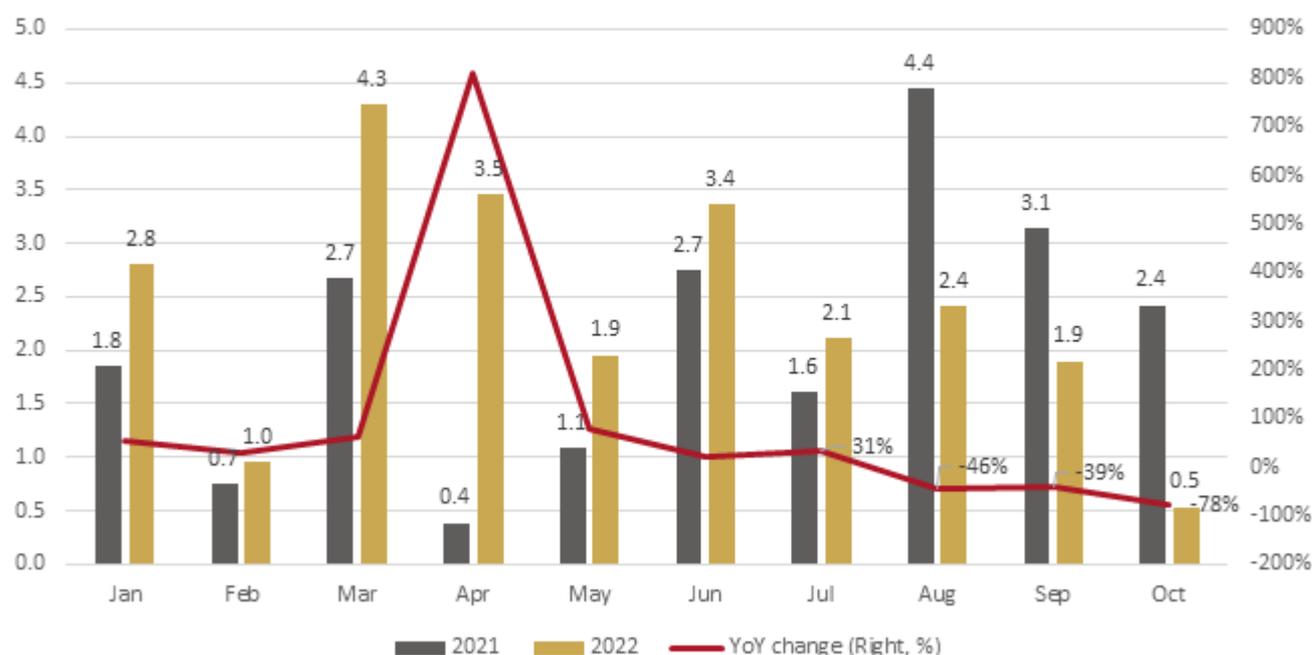


LGFV continued to be an exceptional sector amid the weak market environment, the issuance from LGFV space increased 12.8% yoy to USD23.8bn in 10M22. By credit ratings, IG, HY and NR issuances increased 0.2%, 92.8% and 33.6% to USD14.4bn, USD1.4bn and USD7.9bn, respectively. LGFV accounted for 38.3% of total issuance amount from China in 10M22, increased from 13.3% in 10M21. That said, even the LGFV issuance appears losing steam and yoy change turned to negative since Aug'22. In Oct'22, the issuance amount decreased 77.8% yoy and 71.7% mom, reflecting the influences of rising interest rate and government's new policy that prohibiting LGFV purchase land via debt financing.

10M22 Chinese USD bonds new issuance amount (LGFV, USD bn)



2021/2022 China LGFV Issuance (USD, bn)



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

Issuer/Guarantor	Size (USD mn)	Tenor	Coupon	Yield	Issue Rating (M/S/F)
Zhejiang Kunpeng (BVI) Company Limited	USD208	364d	6.5%	6.5%	Baa3/-/-

#### ➤ Offshore Asia New Issues (Pipeline)

Issuer/Guarantor	Currency	Size (USD mn)	Tenor	Pricing	Issue Rating (M/S/F)
WLB Asset II D Pte	USD	45	4yr	-	-/-/-

#### ➤ News and market color

- Regarding onshore primary issuances, there were 71 credit bonds issued yesterday with an amount of RMB62bn. As for Month-to-date, 71 credit bonds were issued with a total amount of RMB62bn raised, representing a 12.4% yoy decrease
- Macau gaming revenue for Oct'22 drops 10.7% yoy to MOP3.9bn, the revenue fall eased from -49.6% yoy in Sep'22
- **[CIFIHG]** Media reported that CIFI Holdings expects to pay onshore bonds on time and seeks extensions on payment for its onshore non-standard debts; Its controlling shareholders purchase 1mn shares to boost holding to 51.56%
- **[EHICAR]** Fitch downgraded eHicar to B- and maintained negative outlook

- **[FOSUNI]** Media reported that Fosun International is almost confirmed to receive a RMB15bn (cUSD2.05bn) syndicated loan
- **[GLPSP/GLPCHI]** S&P revised down the rating outlook on GLP and GLP China to negative from stable
- **[GNGLNG]** Ganglong said the minimum acceptance amount (90%) of its USD bonds exchange offer was surpassed
- **[JINKE]** Jinke missed RMB50mn principal repayment of onshore bonds 20JinkeMTN001 (o/s RMB1bn) due 30 Oct
- **[LNGFOR]** Longfor Group issued irrevocable notice to make partial early repayment of HKD3.45bn syndicated loan due 2023; Its controlling shareholder purchase 3mn company shares (HKD10.48 per share) and USD2.8mn of senior notes; Moody's affirmed Longfor's Baa2 rating and changed the outlook to negative
- **[SUNKWP]** Sunkwan Properties SUNKWP 13.5 01/02/23 to be suspended from trading due to cross-default
- **[VEDLN]** Vedanta Resources announced that it completely disagreed with Moody's downgrade (to B3) and negative outlook
- **[YGCZCH]** Shandong Energy opts to call RMB1bn extendable notes on 21 Nov
- **[ZHNBNBND]** Zhongrong International Trust proposes to offer up to USD367mn offshore bonds

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