

CMBI Credit Commentary

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

- *Markets were weak this morning. We saw better selling flows from offshore on LGFVs, AT1 and SOE perps. Onshore buyers bought selectively and preferred short-term names like LZINVE'23, HZCONI'23 and CMHI PERP callable 2023.*
- **LNGFOR:** *The company held an investor meeting on 30 Oct after chairman Wu's resignation and updated recent operation information. We summarized keynotes for reference. LNGFOR'23 down 6pts and other long-term LNGOFRs down 16-20pts since last Wednesday. See below.*
- **LZINVE:** *Media reported that Lanzhou Construction plans to issue USD300mn new bonds to redeem LZINVE 4.15 11/15/22 (o/s USD300mn); The company is in talks with banks for RMB20bn credit support. LZINVE up 1pt post news.*

❖ Trading desk comments 交易平台市场观点

Last Friday, China IG space had another weak day speaking of the risk appetite and market technical. Financials space emerged more two-way active flows, with AMCs notably weakened to close broadly 20-30bps wider. CCAMCL curve marked 30-50bps wider amid thin liquidity, as Moody's affirmed the A2 rating for CCAMCL/ORIEAS but changed their outlook to negative. T2s slightly widened ~5bps, where CCB 32s were traded down to T+108 level. Amongst leasing quality names, BOCAVI'24 got hit to T+210 level on the street against T+175 indices. But the longer tenor BOCAVIs were merely at most 10bps wider on the day. TMTs benchmarks still widened 10-15bps on the day, and went back to Monday closing level. BABA 31s were traded down to around T+250 and desk started to see more two ways at this level. TENCNT 30s consolidated to around T+310 level, after the volatile sell off in both equities/ bonds during the week. IG properties had a round of bloody selling from various accounts escaping from the space, where RM trimmed high cash price short-dated papers while liquidity vanished. LNGFORs 27-28s/29-32s were quoted at low-30s/ low-20s respectively on last Friday, marking a free fall by 18-20pts for the week. Baa2 rated CHJMAOs/PINGREs were notably down 5-11pts. VNKRLs also fell 3.5-6pts on the day. China HY space was relatively slower in reaction, as longer bonds remained bid-less, amid IG/HY properties sentiment has come to most fragile ever. GRNCH massively underperformed with GRNCH 24-25s plummeted to mid-40s without any buyer support. COGARDs dropped another 1-2pts amid its onshore bonds' fall triggered trading suspension twice in the day. SINOCEs were down 2-4pts. Elsewhere, GRNLGRs were up 2-4pts. HK Corp Perps were mixed with CKINF 4' Perp stayed range-bound at low-70s whilst NWSZF 5.75' Perp was further down 6pts. In industrials, LIFUNG commenced the tender offer for its 24s notes and bonds gained 6.5pts on the

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day. FOSUNI 23-25s trended up 1-3pts. Macau gaming was quiet, while MGMCHIs were up 1-3pts. Ex-China HY was mixed. India HYs strengthened a bit with renewables 0.5-1pt higher. GRNKEN/RPVIN were better buyer. ADANIG was first down 6pts then ended 3pts lower. Indonesia HYs PERTIJs/PLNIJs were up 1-1.5pts.

In the LGFV/SOE Perp/AT1 space, market spotlight was about Lanzhou Construction held an investor call, where Lanzhou/Gansu officials as well as representatives of Jiuquan Steel/Jinchuan Group all participated in the call to discuss the refinancing plans. Market reaction was mixed with some knee-jerk selling from Prop/HF into the call, followed by PB buying in scraps later on. LZINVE 22s' price hovered unchanged to slightly weaker at ~94/96 on a net basis. We reckon those who had bought at low-90s might be happy to take profit here and avoid the jittery, but otherwise there was no strong conviction to either short or long here, as the short time to maturity meant this would likely be an almost binary event. Otherwise, LGFV space remained weak as the price correction went on amid better selling flows from both global and offshore-Chinese asset managers, whilst onshore RM continued to be very selective in terms of buying. LGFV space broadly recorded loss by 0.75-3.5pts. High beta LGFVs HKIQCL/CNSHAN curve lowered for 1-3pts. Elsewhere, SOE Perps were better offered with HAOHUA curve marked 10bps wider, whilst intraday moves of AT1s remained rates-driven as they ended little changed to slightly weaker, as AT1s spreads went 5-10bps wider if taken into consideration of the rally on CT2/CT5. NANYAN AT1 cash price declined 5pts, amid Moody's affirmed its A3 rating though changed the outlook to negative from stable.

➤ Last Trading Day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
CKINF 4 PERP	76.4	7.9	GRNCH 4.7 04/29/25	45.2	-13.6
LIFUNG 4 3/8 10/04/24	94.0	6.4	GRNCH 5.95 12/22/24	64.9	-13.3
ZQGLIH 2.68 10/26/24	99.5	4.5	GRNCH 5.65 07/13/25	44.2	-12.2
GRNLGR 6 1/8 04/22/23	38.3	3.8	PINGRE 3.45 07/29/26	69.1	-12.1
MGMCHI 4 3/4 02/01/27	75.6	3.0	CHJMAO 3.2 04/09/26	55.3	-10.6

➤ Macro News Recap 宏观新闻回顾

Macro – U.S. stock markets rebounded last Friday, the S&P (+2.46%), Dow (+2.59%) and Nasdaq (+2.87%) were overall up in last week and markets are waiting for this week's FOMC result. U.S. consumer spending increased 0.6% mom in Sep, higher than the expectation of 0.4%. Core PCE price index rose 0.5% mom and 5.1% yoy, same with the expectation. China Oct official PMI was 49.2, down 0.9 mom. The yield curves bear steepened that the 2/5/10/30 yields reached 4.41%/4.19%/4.02%/4.15%, respectively.

➤ Desk analyst comments 分析员市场观点

➤ LNGFOR: Notes of 30 Oct investor meeting

Longfor's founder and board chairman Wu Yajun resigned on 28 Oct and CEO Chen Xuping has been appointed as new board chairman. The company held an investor meeting on 30 Oct about this issue and updated company's recent operation information. We summarized the keynotes below:

- Chairman Wu resigned due to age (57) and health reasons, new management has abundant experience and was familiar with the company. New Chairman Chen Xuping has been working in the company for 14 years and was appointed as CEO in Mar'22. Other board members also have worked in Longfor for more than 10 years on average.
- No covenant breach resulting from the management change. Chairman Wu remains to be the largest shareholder with a shareholding of 43.4%.

- Longfor expects 15%-20% revenue increase in FY22 compared to FY21. Longfor's 9M22 contracted sales was RMB59.8bn, yoy growth rate changed from negative to +0.8%. Recurring income was RMB17.18bn in the same period and estimated totaling RMB25-26bn in FY22. From Sep to Oct, the company acquired 10 new projects in higher-tier cities including Beijing, Shanghai, Chengdu and Hefei costing RMB10.8bn.
- Its short-term debt maturities are manageable. It has RMB208bn interest bearing debt currently and short-term debt accounts for c20% (RMB41.6bn) while cash to debt ratio is 3.0-4.0x. The company plans to early redeem its USD bonds LNGFOR 3.9 04/16/23 (o/s USD300mn) and offshore syndicated loan within 2022, aiming to lower due-2023 debt to RMB20bn by the end of 2022 with no offshore debts due as the next matured offshore bond is LNGFOR 3.375% 04/13/2027.
- It will continue the issuance of second CBICL onshore bond, after the issue of 3-year CBICL backed onshore bonds of RMB1.5bn in Aug'22.

Offshore Bonds	O/s amt (USD mn)	Maturity
LNGFOR 3.9% 04/16/2023	300	16/4/2023
LNGFOR 3.375% 04/13/2027	250	13/4/2027
LNGFOR 4.5% 01/16/2028	500	16/1/2028
LNGFOR 3.95% 09/16/2029	850	16/9/2029
LNGFOR 3.85% 01/13/2032	400	13/1/2032
Total	2300	

➤ Offshore Asia New Issues (Priced)

Issuer/Guarantor	Size (USD mn)	Tenor	Coupon	Yield	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)
Shengzhou Investment Holdings Co., Ltd.	USD	-	3yr	6.0%	-/-/-

➤ News and market color

- Regarding onshore primary issuances, there were 89 credit bonds issued last Friday with an amount of RMB93bn. As for Month-to-date, 1244 credit bonds were issued with a total amount of RMB1470bn raised, representing a 17.1% yoy increase
- **[GCLNE]** GCL New Energy announced the settlement of USD145mn repurchase for GCLNE 10 01/30/24, the outstanding amount is USD284.5mn
- **[GDPOLY]** Beijing Energy plans to sell stakes in two units for about RMB875.3mn to cut debt
- **[JINKE]** Jinke Property made RMB1.77bn (cUSD243.9mn) provision for asset impairment in 9M22
- **[JZCITY]** Bank of Jinzhou paid USD1.58bn to fully redeem its AT1 JZCITY 5.5 PERP on first call day

- **[LZINVE]** Media reported that Lanzhou Construction plans to issue USD300mn bonds to redeem LZINVE 4.15 11/15/22; The company is in talks with banks for RMB20bn credit support
- **[YZCOAL]** Yankuang Energy recorded USD20.9bn/USD6.34bn operating revenue/profit in 9M22, increasing 44%/179% yoy
- **[ZYAMCL]** Fitch revised the outlook on Zhongyuan AMC to positive from stable

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