

CMBI Credit Commentary

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

- *Markets remained weak this morning. AT1 and Tier 2 were overall better selling. LGFV sector was the same with selling flow from offshore, except CQNANA was stable due to short covering.*
- *CSCHCN: China South City (CSC) obtained up to RMB200mn (cUSD28mn) 4.35% three-year entrusted loans from SZCDG for offshore bond amortization/redemption. The loans once again demonstrated SZCDG's support to CSC. CSCHCNs were unchanged to up 1pt post the news. See below.*
- *CIFIHG: Media reported that CIFI Group selected Haitong and Linklaters to advises on offshore debt restructuring. CIFIHG'23-25 down 0.25-1pt this morning.*

❖ Trading desk comments 交易平台市场观点

Yesterday, China IG were sluggish with spreads widened 2-10bps, as buyers were still absent with rates edging higher. Financials space leaked 3-5bps wider with AMCs underperformed again. HRINTHS/GRWALLs down another 1-2pts. AT1s were traded 0.125-0.375pt lower on the back of yield rally. New CHIYBK Perp was priced at 8% and had seen indices level already 7pts lower. AT1 benchmark ICBCAS 3.2 Perp were traded down 0.375pts to 91.735 level. BNKEA was traded back to 87 level yesterday after the price fluctuation on Wednesday. T2s slightly widened 3-8bps and leasing were also 5-15bps wider. TMTs made new wide of +5-10bps as benchmarks BABA/TENCNT under selling. IG properties softened with the belly of LNGFORs/YUEXIUS down 1-2pts. DALWAN 23/24s notably slumped 9pts on RM spraying. GLPSP Perps were down 3.5pts, in sympathy with the broader sentiment. Elsewhere, AIA'27 widened another 10bps. China HY trended broadly down 0.5-1pt with high-dollar-price properties kept the softening momentum whilst non-properties went sideways. COGARDs/CIFIHG's retreated 1.5-2.5pts. COGARD'23 was up 1.5pts driven by short covering. Elsewhere, GEMDAL'24 were traded up 1-2pts and then back to unchanged on RM selling. On the other hand, CHJMAO'25 was down 4pts whilst rest of the curve unchanged. LVGEM'23 had two-way inquiries especially from PBs on both sides. HK corps slightly outperformed with CKINF/NWSZF Perps bounced back 1.5-2pts. In industrials, FSHITZs were 1-1.5pts higher and FOSUNIs up 0-0.5pt amid yesterday the conglomerate settled and signed the framework agreement to sell a 60% stake in Nanjing Nangang Iron for RMB1.6bn. HONGQI'24s had an active day with bonds changing hands at 87/88 area but closed down 3pts to end at 85 level. ANTOILs stayed firm around 95/96. FLY'24 recovered yesterday's losses and was marked at mid-

Glenn Ko, CFA 高志和
 (852) 3657 6235
 glennko@cmbi.com.hk

Cyrena Ng, CPA 吳倩瑩
 (852) 3900 0801
 cyrenang@cmbi.com.hk

Jerry Wang 王世超
 (852) 3761 8919
 jerrywang@cmbi.com.hk

70s. Macau gaming space also dampened, with MPELs/WYNMACs lowered 0.5-2pts. Ex-China HY had sustained selling. Indonesian tire manufacturer GLJTIJ'26 continued the recent losing streak to drop another 4.5pts. PERTIJ firmed up 0.25-0.5pt while PLNII fell 0.75-1pt to 75 level the historical low.

The LGFV/SOE Perp/AT1/T2 spaces maintained better selling. Market spotlight was that CQNANA 4.66'24 been once hit down to 95.5 level and we reckon the rationale behind would be: its screen marks had been kept afloat merely by the short squeeze since last round of structured buying flows in Aug. When selling finally emerged (from global RM as part of the broader exposure trimming), we would of course saw price correction shall follow to realign with broader repriced levels. So while the drop was fast and sharp (typical CQNANA) these two days, sentiment towards the name did calm down as investors learnt that the move was technical-driven, and as such the bond price stabilized at mid-high-95 (~5.75%) as onshore banks and NBRM buyers stepped in again. However its other tranches, CQNANA 26s remained heavy and all the place as most Chinese accounts did not look beyond 3-year papers. Otherwise LGFVs were largely the same story - as bonds were approaching levels where marginal buying interests from onshore might emerge, staled screen prices were finally being updated, and the overall liquidity landscape were turning from totally one-way selling to more two-way (perhaps buy:sell consolidated around 3:7) in selected names, mainly within 3-year. Short-dated yieldy/high-beta papers nonetheless weakened a bit yesterday as 23s led better selling from offshore RM. In SOE Perps, likewise we saw some buying interests re-emerging at mid-high-6% as selling flows in the space had seemed to have faded earlier this/ last week. Having said that, a handful amount of loose bonds kept to be digested well. AT1s and T2s remained weak on the other hand (-0.25-0.5pts today) against further higher rates and as shorts were being cleared gradually.

➤ Last trading day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
FLY 7 10/15/24	74.2	8.1	DALWAN 7 1/4 01/29/24	52.0	-8.9
BNKEA 4 7/8 04/22/32	87.0	3.7	DALWAN 6 7/8 07/23/23	62.7	-8.9
COGARD 4 3/4 01/17/23	75.9	2.2	PCPDC 5 1/8 06/18/26	72.6	-7.3
NWSZF 5 3/4 PERP	94.9	1.8	GJTLIJ 8.95 06/23/26	71.1	-4.3
FSHITZ 3 03/15/25	91.9	1.4	CHJMAO 4.4 03/04/25	81.3	-4.2

➤ Macro News Recap 宏观新闻回顾

Macro – U.S. stock markets down on Thursday. The S&P (-0.80%), Dow (-0.30%) and Nasdaq (-0.61%) felled as the Fed officials expressed hawkish comments about further interest rate hike. U.S. department of labor published latest jobless claim, which is 214k and lower than the expectation of 232k. The jobless claim data showed that U.S. labor markets is still active. Sales of existing U.S. homes recorded an eight-month decrease, a longest period since 2007. The U.S. treasury yields rose yesterday and the 2/5/10/30 yields reached 4.62%/4.45%/4.24%/4.24%, respectively.

➤ Desk analyst comments 分析员市场观点

➤ China South City: SZCDG demonstrated support once again

SZCDG provides China South City (CSC) 3-year entrusted loans of RMB200mn through China Merchant Bank, SZ branch for offshore USD bond amortization/redemption. The loans will be secured with CSC's storage assets in Chongqing. The NAV of the collaterals is RMB147mn as at 31 Mar'22. Recalled that CSC set up specified offshore accounts for early redemption of the consented bonds with the proceeds from new onshore loans against its specified assets in Hefei and Chongqing. See our detailed discussions on [its offshore debt restructuring in Jul'22](#). As per our discussions with CSC, the valuation of its assets in Hefei and Chongqing is cUSD3bn and a LTV of 50%, CSC could obtain incremental secured loans of USD1.2bn from these assets. Proceeds of over

USD50mn from new secured loans will be used for repurchase of consented bonds in addition to the scheduled amortization.

The interest rate for the 3-year entrusted loans will be 4.35%, equivalent to the 12-month lending rating in China and is well below CSC's weighted average funding costs of over 8.5%. The loans will be amortizing with an instalment of RMB2mn every 6 months starting from 21 Mar'23, i.e. RMB190mn out of the RMB200mn entrusted loans will be paid on final maturity (Oct'25).

SZCDG has demonstrated its willingness and ability to provide CSC direct and indirect support. CSC signed 2 strategic cooperation agreements with SZ SOE/LGFV in Feb'22. CSC also sold its logistic assets in Hefei and Zhengzhou to Shenzhen International Holdings, A SZ SOE, for RMB1.7bn in early Apr'22. Additionally, SZCDG provides keepwell for the consented bonds after the offshore debt restructuring in Jul'22. Furthermore, SZCDG entered into an equity transfer with CSC to acquire CSC's 50% stakes in its property management operations for HKD1.46bn (USD185mn). CSC expects the transaction to complete by end of 2022.

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

Issuer/Guarantor	Size (USD mn)	Tenor	Coupon	Yield	Issue Rating (M/S/F)
Orient ZhiSheng Limited	USD300	3yr	5.125%	T+63	Baa2/-/-

➤ **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 99 credit bonds issued yesterday with an amount of RMB134bn. As for Month-to-date, 724 credit bonds were issued with a total amount of RMB836bn raised, representing a 22.3% yoy increase
- CSRC will allow property-related companies to raise capital via domestic stock market with the prerequisite that the raised capital cannot flows to real estate business
- **[ABMMIJ]** ABM Investama announced a tender offer to purchase up to USD40mn ABMMIJ 9.5 08/05/26 (o/s USD200mn)
- **[ASRIIJ]** Alam Sutera received consents from noteholders of ASRIIJ 8 05/02/24 (o/s USD171.4mn) and accepted to purchase USD138.6mn via tender
- **[CIFIHG]** Media reported that CIFI Group selected Haitong and Linklaters to advises on offshore debt restructuring. Bank lenders of CIFI's cUSD1.05bn loan have yet to consent to payment-deferral requests
- **[DEXICN]** Moody's downgraded Dexin's ratings to Caa2/Caa3 and maintained negative outlook
- **[EDU]** New Oriental repurchased USD271.2mn of EDU 2.125 07/02/25 and plans to cancel it
- **[FTLNHD]** Seazen remits funds to redeem RMB130mn last instalment on 6.5% ABS due yesterday

- **[GEMDAL]** Gemdale said it has completed redemptions of RMB13.25bn onshore, offshore securities in total in 2022 and no maturing debt need to be repaid by the end of 2022
- **[GRNLGR]** Media reported Greenland missed 15 Oct instalment on extended, the originally loan amount is USD300mn
- **[GZRFPR]** Moody's withdrawn Guangzhou R&F and R&F HK's ratings for business reasons
- **[LOGPH]** Media reported Logan paid 22 Sep installment on rescheduled originally RMB1.83bn due-Mar 22 notes within grace period; The company plans to do so for missed 16 Oct payment of RMB1.5bn onshore notes
- **[PWRLNG]** Powerlong announced to postpone the final dividend payment date to 20 Oct'23 to preserve cash
- **[SHAGAN]** Fitch said Shagang's acquisition of Nanajing Iron&Steel from Fosun will raise its leverage but unlikely to impact its ratings
- **[SHIMAO]** Shimao Group unit acquired bondholders' approval to extend the maturity of its RMB1bn onshore notes due 21 Oct'22 by one year

CMB International Global Markets Limited

Fixed Income Department

Tel: 852 3761 8867/ 852 3657 6291

fis@cmbi.com.hk

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