

CMBI Credit Commentary

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

- *Market was overall quiet and cautious on quarter end, and showing some more rebalancing driven selling flows from non-Chinese RM but bonds still managed to be digested by onshore China RM who are still trading today. Financials broadly widened 2-4bps. AMC's were 10bps wider on the back of beta move. AT1s were unchanged to 0.25pt lower.*
- **LSEAGN** : *A relatively generous exchange offer for its sole o/s USD bond. See below.*
- **COGARD**: *JMJ Holdings announced to acquire 26% equity interests of Guangzhou IFC from Country Garden for RMB1.1bn. The Guangzhou IFC Mall project has commenced construction and estimated to be completed by 2026. COGARD'23/24 up 0.5-2pts this morning.*

❖ Trading desk comments 交易平台市场观点

Yesterday, IG space opened a better tone post BOE's unlimited bond-buying plan but sentiment quickly faded as dealers/clients tried to trim before long holiday. Financials was lackluster despite positive opening. In the AM session, AT1s bounced back 0.5-1pt to catch up UST move and short covering, but then retreated to 0-0.25pt higher. ICBCAS 3.2%'Perp closed 0.375pt higher than yesterday, to end at 91.625 last print. AMC's generally widened 15-20bps despite China Huarong announced to redeem USD700mn HRINTH 4% Perp on 7 Nov. Long-end CCAMCLs/ORIEASs retreated for another 0.5pt. Bank T2s went a touch soft and balanced. Leasing/non-bank names marked 2-5bps wider, with some selling on high beta names e.g. BOCAVI/CMINLE. TMTs had more RM selling on the concerns of recession. BABA 31s were trading 10bps wider at T+177 level. IG property weighed by negative price action in HY counterparts, with SINOCEs notably slumped 3-7pts. China HY space first recovered 2-4pts from CIFI shock before turning south, and property sector broadly closed 1-3pts lower on the day. CIFIHGs down 0.5-2.5pts. COGARD 8%'24 first rallied 4-8pts then the curve pulled back to end 1.5-3.5pts lower as well. Beaten down names AGILEs/CENCHIs dipped 1.5-3pts. Elsewhere, ROADKGs were noticeably down 1.5-5.5pts and FUTLANs/FTLNHDs were 1-2pts lower. Non-property sectors were roughly in the same page, industrials like FOSUNIs/HONGQIs were marked down 1-2pts on Chinese/RM selling. CHNAAR'24 was up ~3pts. Gaming sector was slightly down 0.5-1pt under thin selling. Away from China, India renewables AZUPOEs were up 0.5-1.5pts. Indonesian energy names PERTIJs/PLNIJs fell 2.5-3.5pts.

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The SOE Perp/AT1//LGFV spaces tried to open stronger on back of the BOE-driven technical reversal in rates. However as AT1s/SOE Perps were marked 0.25-0.75pts higher, flows were quickly dominated by selling into bounce and bonds would retreat to roughly unchanged by noon. In the afternoon, as rates' technicals faded, AT1s/SOE Perps leaked another ~0.25pts on back of street selling despite several Chinese asset managers adding selective lines at >=mid-5%. Nonetheless, chemical names SINOCH/ HAOHUA/ CNBG's c23 perps were heavy-offered in light of RM selling, as bid side yields moved towards 6%. LGFV bonds were relatively stable amid decent two-way flows, as rebalancing selling in high-yielding short-dated papers (22s/23s at 5%-7%) from global RM was absorbed fairly well by Chinese asset managers, whilst for =<6% and/or longer dated lines pressure remained high on the offer side with no apparent buying support ahead of quarter end and onshore long holiday. We saw client checking still mainly at front-end name like HKIQCL'22/SYSTIO'22, on cash management demands before onshore Golden Week holiday, whilst 24-27 names marked another 0.25pt lower. XIANGY'23/ZHHFGR'24 emerged better buying interests with active flows.

➤ Last trading day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
CHNAAR 5 1/2 03/08/24	89.4	2.8	SINOCE 3.8 04/26/25	44.7	-7.5
FIHUCN 5 02/26/28	92.1	2.2	ROADKG 6.7 09/30/24	59.0	-5.4
CHOHEC 6 05/31/25	99.6	2.1	FWDGRP 6 3/8 PERP	85.0	-5.2
AIA 2.7 PERP	86.7	1.7	ROADKG 5.9 03/05/25	45.5	-4.9
MSFLCZ 3.15 03/10/24	91.3	1.6	SINOCE 4 3/4 01/14/30	25.6	-4.3

➤ Macro News Recap 宏观新闻回顾

Macro – U.S. stock markets continuously went downward on Thursday. The S&P (-2.11%), Dow (-1.54%) and Nasdaq (-2.84%) fell and wiped out previous day's rebound. The Fed's efforts to cool down labor market was insignificant as the latest weekly jobless claims reached the lowest point in five months, the number was 193k and lower than the estimate of 215k. China's official manufacturing PMI in Sep was 50.1 and higher than expectation of 49.2. The U.S. treasury yields increased slightly yesterday and the yields curves bear flattened that 2/5/10/30 yield reaching 4.16%/3.98%/3.76%/3.71%, respectively.

❖ Desk analyst comments 分析员市场观点

➤ LSEAGN : A relatively generous exchange offer for its sole o/s USD bond

Landsea announced an exchange offer for its sole o/s USD169.4mn (cRMB1.2bn) bond originally due 21 Oct'22. The company proposed a relatively generous offer compared to peers, if we recall recent exchange offer of KWGPRO, YCINTL/HUIJHK and JIAYUA, KWGPRO paid 5pts upfront cash and 0.5pt incentive, JIAYUA only provided 0.25pt incentive and YCINTL/HUIJHK proposed neither of these. As of Jun'22, the company had RMB1.35bn cash and RMB159mn restricted cash while its current borrowings was RMB2.54bn.

Details of the exchange offer

Upfront principal payment	10pts
Incentive cash	0.5pt
Par at exchange	90pts
Accrued interest	Paid in cash
New bond coupon	10.75%
New maturity	10/20/2024, 2 years extension
Minimum acceptance level	90%
Expiration deadline	18 Oct'22

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

Issuer/Guarantor	Size (mn)	Tenor	Coupon	Yield	Issue Rating (M/S/F)
Tongling State-owned Capital Operation Holding Group Company Limited	USD200	3yr	6.0%	6.0%	-/-/-
Nanjing Pukou Economic Development Co.,Ltd.(SBLC by Shanghai Bank)	USD80	3yr	5.6%	5.6%	-/-/-

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

Issuer/Guarantor	Currency	Size (mn)	Tenor	IPG	Issue Rating (M/S/F)
Korea Electric Power Corp	USD	-	3.5yr	T+150	Aa2/AA/-
Korea Electric Power Corp	USD	-	5.5yr	T+190	Aa2/AA/-

➤ **Market conditions and color**

- Regarding onshore primary issuances, there were 64 credit bonds issued yesterday with an amount of RMB34bn. As for Month-to-date, 1519 credit bonds were issued with a total amount of RMB1484bn raised, representing a 2.7% yoy decrease
- PBOC and CBIRC allow nationwide qualified cities to reduce or cancel the lower limit (4.1%) of mortgage rate for first house loan. The qualified cities includes Tianjin, Wuhan, Harbin, etc. of which the new house price consecutively down in Jun-Aug'22 by mom and yoy
- **[CHJMAO]** Moody's affirmed the issuer rating of China Jinmao at Baa3 and gave stable outlook; China Jinmao issued RMB2bn five-year corporate bonds with 3.6% coupon
- **[COGARD]** JMJ Holdings announced to acquire 26% equity interests of Guangzhou International Financial City from Country Garden for RMB1.1bn. The Guangzhou IFC Mall project has commenced construction and estimated to be completed by 2026. COGARD'23/24 up 0.5-2pts this morning.
- **[CRHZCH]** Media reported that China Resources Land raised RMB3bn(cUSD416mn) via a tranche of CMBS
- **[DEXICN]** Dexin China delays the payment date of RMB0.0875 per share dividend for 2021 to 30 Nov
- **[GWFOOD]** Wens Foodstuff repurchased USD18.08mn of GWFOOD 3.258 10/29/30
- **[REDPRO]** Media reported that Redco plans to pay its missed 17 Aug coupon of its USD252mn REDPRO 9.9 02/17/24 by 15 Nov
- **[SUNAC]** Media reported that Sunac China mulls to further extend the maturity of its RMB4bn(cUSD554mn) 4.78% notes due Sep'23

- **[TPHL]** Times China announced to withdraw the payment of RMB0.787 per share dividend for 2021 to preserve cash for about RMB165mn
- **[WESCHI]** Moody's affirmed corporate family rating of West China Cement's as Ba2 and revised the outlook to negative
- **[ZHPRHK]** Moody's downgraded Zhenro's CFR to Ca, senior unsecured ratings to C and maintained negative outlook
- **[ZHYUBK]** Zhongyuan Bank announced to replenish other tier-one capital for RMB8bn through convertible negotiated deposit

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