

CMBI Credit Commentary

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

- *Another hectic morning in SOE perps/ AT1s as UST yields edged further higher. 4%-handle papers were 0.25pt lower by street hits as bid support continued to come from short covering only. RM buying had largely halted since Sept begins, flows were dealer-driven with more PB sellers emerged.*
- **China AT1s:** *Low-yielding AT1s down 0.375-0.5pt at EOD, with cUSD22mn of AT1s traded since yesterday. This morning, AT1s opened another 0.125pt lower after weak macro overnight, as structured flows unwinding continued. BOCOHK 3.725%/CIMWLB 6.5% were marked down 25c by mid-day.*
- *The average new home prices across 70 major Chinese cities dropped 1.3% YoY in August. New home prices in 49 out of 70 cities surveyed by the NBS reported a YoY drop.*

❖ Trading desk comments 交易台市场观点

Yesterday, IG space was mixed after consolidating the CPI shock. IG Corps ended mostly unchanged with light flows, but Financials felt a touch weaker. Notably AT1s started a wave of shuffling after post-CPI rates surge. In the AM session, low-yielding AT1s were being hit towards ~4.55%-4.6%, but bids remained supportive thanks to short positioning among dealers. Into the afternoon, AT1s further weakened a bit to close 0.375-0.5pt lower. At EOD, BCHINA 3.6%/BOCOM 3.8%/ICBCAS 3.2% were traded down 0.25-0.5pt as we saw structured flows unwinding. T2s tightened 2-3bps. AMCs firmed up 0.25pt amid two-ways. TMTs narrowed a bit, TENCNT tightened 2-5bps. Among IG properties, LNGFOR tightened 4-15bps across the curve amid boosted sentiment. China HYs were buoyed by the rally in property, amid chatters on housing policies' relaxation. COGARDs were up 1.5-3pts. ROADKG 24-26s were noticeably climbing 6-7pts and FUTLANs/FTLNHDs also 1.5-4pts higher. Beaten down names CENCHI/GRNLGR 24s up 1.5-2.5pts. Industrials sector bounced back a little from the lows with FOSUNIs up 3.5-5.5pts. Gaming sector was unchanged to 1pt lower. MPEL down 1-2pts. Away from China, India HY was generally better bid, renewable sector moved ~0.5pt higher with VEDLNs/GRNKENs up 1-2pts.

Flows continued to be active two-way in the spaces after the post-CPI rates surge, and were overall skewed to slight better selling as the repricing went on. AT1s under selling had yields now climbed towards 4.7%-4.8%, but still remained relatively rich, as compared to SOE perps that have already been traded down to 4.7%-5.0%. Considering most SOE perps callable 24s/25s had already required similar yields to sell, AT1s were still firmer in given the that most of the issues were callable in 25s/26s, slightly longer than SOE perps. In LGFV space, new issue JKDLKJ with the size of USD100mn was

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

CMBI Fixed Income
fis@cmbi.com.hk

priced at 4.8%. LGFVs theme was two-way skewed to small better selling, with cross-border NBRM still deploying selectively in better yielding papers. For LGFV flows, we saw offshore RM buying on better-yield picks in the front end, versus selling in AMs/Props on mid-to-high-4% papers and select 22s, as investors raised cash ahead of FOMC and primary deals. Despite the buying flows remained resilient across spaces, the prevailing levels offered little value beyond carry and could be fragile from a risk-reward point of view. As technical were so absolute-yield driven, traders also could hardly afford running negative carry be it on an absolute or relative basis.

➤ Last trading day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
ROADKG 6.7 09/30/24	67.5	7.0	MSFLCZ 3.15 03/10/24	90.7	-3.4
ROADKG 5.9 03/05/25	55.4	6.9	ZHLGHD 9 3/4 12/31/23	24.6	-3.3
ROADKG 6 09/04/25	53.2	6.6	MPEL 4 7/8 06/06/25	75.6	-1.9
ROADKG 5.2 01/12/26	48.8	6.1	DEXICN 9.95 12/03/22	54.3	-1.6
ROADKG 5 1/8 07/26/26	48.4	6.1	MPEL 5 3/8 12/04/29	64.5	-1.3

➤ Macro News Recap 宏观新闻回顾

Macro – U.S. stock markets moved downward on Thursday. The S&P (-1.13%), Dow (-0.56%) and Nasdaq (-1.43%) fell as markets worried about the Fed's hawkish hikes may lead to recession. The U.S. weekly jobless claims declined to 213k, better than estimates and retail sales increase 0.3% in August which was also better than expectation, showing that the economic is still active. Offshore RMB dropped past 7 per USD yesterday and it is first time since 2020. The U.S. treasury yields rose significantly in short term yesterday, the 2/5/10/30 yield reaching 3.87%/3.66%/3.45%/3.48%, respectively.

❖ Desk analyst comments 分析员市场观点

➤ Offshore Asia New Issues (Priced)

Issuer/Guarantor	Size (mn)	Tenor	Coupon	Yield	Issue Rating (M/S/F)
Jinko Power Technology Co., Ltd. (SBLC by CMB Shanghai Branch)	USD100	3yr	4.8%	4.8%	-/-/-

➤ Offshore Asia New Issues (Pipeline)

Issuer/Guarantor	Currency	Size (mn)	Tenor	IPG	Issue Rating (M/S/F)
Shaoxing Shangyu Sate-owned Capital Investment and Operation Co., Ltd.	USD	-	3yr	5.6%	-/-/BBB-
Hongkong Xiangyu Investment Co., Limited	USD	-	3yr	6.1%	-/-/-

➤ **Market conditions and color**

- Regarding onshore primary issuances, there were 89 credit bonds issued yesterday with an amount of RMB86bn. As for Month-to-date, 616 credit bonds were issued with a total amount of RMB646bn raised, representing a 16.3% yoy decrease
- **[CENCHI]** Central China plans to repurchase up to 296.4mn shares in open market. Based on the last close price of HKD0.36 per share, the repurchase will cost HKD106.7mn.
- **[CHINSC]** S&P downgraded China SCE Group's long-term issuer credit rating to B- from B+ and senior unsecured notes to CCC+ from B, outlook negative
- **[CIFHNG]** Moody's downgraded CIFI corporate family ratings to B1 from Ba3 and senior unsecured rating to B2 from B1, outlook changed to negative
- **[DEXIN]** Moody's downgraded Dexin's corporate family rating to Caa1 from B3 and senior unsecured rating to Caa2 from Caa1, outlook remains negative
- **[FOSUNI]** Media reported that Fosun International said the process for planned ICBC-led RMB10bn facility remains ongoing; the company paid HKD29.26mn for share repurchase
- **[KWGPRO]** KWG Group completed exchange offer for Sep'22 notes and issued Jan'24 new notes; It has also received the requisite consents necessary to effect the proposed waiver and amendment with respect to each and every series of the consent notes; Media reported that KWG repaid USD43.96mn stub of its 6% due 15 Sep USD notes remaining from the just-completed exchange offer
- **[LIANYU]** Lianyungang Port Group plans to call 17LianyungangMTN002 notes (o/s RMB500mn) on 20 Oct
- **[MEDCO]** Media reported that Medco Energi cuts 2022 capex to USD275mn from USD300m due to delay in mining equipment delivery
- **[MIANYA]** Fitch affirmed Mianyang Investment Holding's issuer default ratings at BB and gave stable outlook
- **[SINOCE]** Fitch downgraded Sino-Ocean Group's long-term foreign-currency issuer default rating and unsecured ratings to BB from BB+, on rating watch negative

CMB International Global Markets Limited

Fixed Income Department

Tel: 852 3761 8867/ 852 3657 6291

fis@cmbi.com.hk

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