

CMBI Credit Commentary

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

- *Asian IG space tightened 1-2bps this morning. New issues KOLAHO'25 were 5bps tighter and ANZs tightened c2bps. LGFVs were under better selling. Moody's placed Huarong review for downgrade, HRINTHs down 0.5 to 1pt. See below.*
- **PINGRE:** *Total size of liquidity support is not disclosed, though impact should be cushion. See below.*
- **Economic Perspectives: Macro Insights – US\$/RMB outlook amid economic asynchronicity.** *CMBI expects US\$/RMB rates to reach 7.2 at end-2023 and 7.0 at end-2024. See below for comments from our economic research.*

❖ Trading desk comments 交易平台市场观点

Yesterday, UST 10yr yield widened 10bps to 4.54%. On the new issue front, INDKOR 28s tightened 2bps to close around T+75. The recent new BBLTB 28/33s tightened 1-3bps. In Chinese financials, the front end of AMCs were traded a firmer. HRINTH 24-27s were traded 0.25-0.5pt higher, while the longer-dated papers were unchanged. Moody's has placed the ratings of China Huarong Huarong AMC under review for downgrade. See below for comments. GRWALL 24-25s were unchanged to 0.2pt higher while CCAMCLs were stable. Chinese bank T2s were firm. We continued to see active two-way flows on BCHINA 5 '24/CCB 4.25 '29. In Chinese SOEs, HAOHUAs edged 1-3bps wider. TMT benchmarks were 2bps wider. In the high beta TMTs, LENOVO/WB 30s closed 2-6bps tighter with active buying flows. In HK IGs, CKHH/HKLSP 33s were 1-2bps wider. HK Corp perps such as NWDEVL/CKPH Perps declined 0.5-0.75pt. HK/Chinese properties remained weak, despite that SHUION 25s and DALWAN 24s/25s were among the exceptions to close 0.5pt higher. PINGRE 24-26s were traded 2.5-7.5pts lower given the CSRC inquiry on the default of project loans. See below for comments. VNKRL/FUTLAN/FTLNHD 24-27s were down another 0.75-1.25pts. COGARDS/SINOCEs/ CHINSCs were 0.5-1pt lower. Industrials performed mixed. EHICAR 24s were up 0.5pt. Whilst AACTEC 26s/31s were down 0.5pt. In Macau gaming sector, MPELs/SANLTDs were 0.5-1pt lower. In Indian space, VEDLN 24-26s were up 0.5-0.75pt. Indonesian names LMRTSP 24s/26s were up 0.5pt.

The LGFV/Perp space had a fairly quiet session to start the week, as onshore accounts already looked forward to the National Day & Mid-Autumn long holiday starting from this Friday. Flow-wise, there were some small better selling flows in high-beta LGFVs but the bids in GSHIAV/KMRLGP 24s remained supportive. Meanwhile the client demand continued to focus in the front-end cash-parking papers across LGFVs and SOE perps. The Shandong/Chongqing higher-yielding papers remained well-bids. SHUGRP 24s/SHGUOH 26s/CQNANA 26s were up 0.2-0.4pt. In SOE perps, CHALUM

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

Cyrena Ng, CPA 吳蓓瑩
(852) 3900 0801
cyrenang@cmbi.com.hk

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

4.1 Perp/HUANEN 3.08 Perp/SINOCH 3 Perp were up 0.125pt. Elsewhere, ZHONAN 25s/26s were up 0.75-1pt. FRESHK 26s were up 0.2pt to close at 84.5, the recent high.

❖ Last Trading Day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
ZHONAN 3 1/8 07/16/25	88.8	1.0	PINGRE 3.45 07/29/26	58.1	-7.4
SDGOLD 2.8 08/25/26	90.0	0.9	PINGRE 3 1/4 06/23/25	62.1	-5.7
ZHONAN 3 1/2 03/08/26	86.0	0.7	PINGRE 2 3/4 07/29/24	76.1	-2.7
VEDLN 8.95 03/11/25	73.7	0.7	CNOOC 3.3 09/30/49	65.2	-1.8
LMRTSP 7 1/2 02/09/26	56.6	0.6	CHGRID 4.85 05/07/44	90.7	-1.7

❖ Marco News Recap 宏观新闻回顾

Macro – S&P (+0.40%), Dow (+0.13%) and Nasdaq (+0.45%) rebounded on Monday. Russia relaxed export ban on low-quality diesel, marine fuel. WTI/Brent crude oil prices reached USD89.7/91.8 per barrel. The UST yields rallied higher yesterday and 10yr yield rose to the highest level since 2007, 2/5/10/30 yield reached at 5.09%/4.62%/4.55%/4.67%, respectively.

❖ Desk analyst comments 分析员市场观点

➤ HRINTH: A negative rating actions ignore the positives of sizeable bond repurchases

Moody's placed China Huarong's Baa3 rating review for downgrade yesterday. The agency views the large net loss in 1H23 is a key driver of the negative rating action, and expects the elevated impairment losses will continue to strain Huarong's profitability over the next 12-18 months. The latest rating ignore the sizeable bond repurchased recently announced.

Last week, Huarong disclosed the repurchases and cancellation of USD bonds of cUSD579mn equivalent (announced cUSD288mn on 19 Sep, USD291mn on 21 Sep). The focus of the repurchases were on longer-dated bonds with lower cash prices, and these demonstrated Huarong's confidence on its near-term liquidity ahead of the maturity of HRINTH 2.125 09/30/23 (o/s USD600mn) on 30 Sep'23. We also believe that the repurchase these longer-dated bonds at decent discounts will translate into an exceptional profit of cUSD150mn (cRMB1.1bn) according to our estimate by using respective average bond prices in past three months, compared with net loss of RMB6bn in 1H23 and total equity of RMB39bn as at Jun'23. The repurchases at discount would cut debt and help improve its capital adequacy.

As we discussed in our [comments on China AMCs on 8 Sep](#) published after China AMCs (except Great Wall) released their 1H23 financials, we expected to see more negative headlines such as negative rating actions and these are largely priced in current valuations of China AMCs. Please also refer to our [comments on Huarong's buy back on 20 Sep](#) and [22 Sep](#). HRINTHs have been our top picks of the sector. We also like **GRWALL 3.95 Perp (callable 07/31/24)** after the recent price correction and **CCAMCL 4.4 Perp (callable 03/11/26)** as a low beta play.

➤ PINGRE: Total size of liquidity support is not disclosed, though impact should be cushion

On 21 Sep, CSRC questioned Ping An Real Estate (PARE)'s failure in disclosure of defaulted project loan of cRMB200mn in its filing for public offering of corporate bonds. In the press release yesterday, PARE mentioned

that it did not expect the need to incur further cash outflow or losses resulting from the default of the project loan.

To illustrate, the defaulted loan was related to a JV project with Zhenro in Zhengzhou. Zhenro and PARE own 51% and 49% equity interests of the project, respectively. PARE provided a letter of liquidity support, on a pro-rata basis, for the project loan of RMB250mn, out of which RMB200mn was overdue. As per the judgment issued by Henan High People's Court in July, PARE is liable for any pro-rata (49%) shortfall after auction of the pledged land. Recalled that the land parcel was acquired through auction at cRMB473mn in 2019, implying an initial LTV of c50% (or c43% on the overdue amount). As per PARE, the current value of the land should well exceed the overdue amount of cRMB200mn. Hence, PARE does not expect to have further cash outflow to bridge the shortfall and losses after the sale of collateral.

The key areas of concern are whether the judgement of Henan High People's Court will set a precedent, and how large is the size of liquidity support in relation to the JV with "distressed partner". PARE does not consider the letter of liquidity support to be a loan guarantee, hence the total size of its liquidity support is not disclosed. We understand the LTV for construction is on a case by case basis. However, if the implied LTV of its Zhengzhou JV (c50%) offer a good gauge, we believe that risk of cash outflow resulting from the "obligations" of providing attributable liquidity support should be cushioned.

As of Jun'23, PARE had RMB10.1bn cash on hand and faced RMB17.8bn short-term debt including RMB3bn onshore bonds will be due in Sep'23 and Oct'23. The CSRC's inquiry letter may cause delays to PARE's proposed onshore bonds issuance totaled RMB18bn. We expect more disclosure regarding the details of liquidity support for projects with distressed JV partners and shall provide updates on these. PINGREs retreated 3.5 to 7.5pts yesterday and move another 1 to 1.5pts lower this morning.

Maturity	Onshore bonds (RMB mn)	Offshore bonds (USD mn)
2023	3,000	-
2024	7,887	300
2025	5,000	500
2026 and after	3,027	300
Total	18,914	1,100

Source: Bloomberg, Wind.

➤ Macro Insights – US\$/RMB outlook amid economic asynchronicity

US\$/RMB rates change in tandem with US-Sino interest rate differentials as the two variables both reflect economic asynchronicity in the two largest economies. The latest cycle with strong US dollar and weak renminbi was due to stronger economy in the US than in Europe and China and higher geopolitical risks after the Russia-Ukraine war. Looking forward, renminbi may remain weak in near term before mild appreciation in 2024. Next year, US-Sino interest rate differentials may shrink as US nominal GDP growth gradually declines and China's nominal GDP growth slowly rebounds. US\$/RMB rates are expected to reach 7.2 at end-2023 and 7.0 at end-2024.

Factors influencing US dollar index: the dynamics in the relative strength of US economy and risk aversion sentiment in global market. When the US economy performs better than other economies, US dollar tends to appreciate. When risk aversion sentiment rises, US dollar tends to strengthen. Since EUR/US\$ rate is the largest component in US dollar index, economic asynchronicity between US and Eurozone and geopolitical risks related to Europe has a significant influence on US dollar index.

Factors influencing US\$/RMB rate: US-Sino economic asynchronicity and geopolitical risks especially related to China. US\$/RMB rates have a stronger correlation with US-Sino short-term interest rate differentials than

with long-term ones. US-Sino tensions especially over Chinese Taiwan issue could noticeably weaken renminbi while strengthening US dollar.

The latest cycle with strong US dollar & weak renminbi: stronger economy in the US than in Europe & China, higher geopolitical risks after the Russia-Ukraine war and increasing concerns about geopolitical tensions in Taiwan Strait.

Outlook for US dollar & RMB rates ahead: As the US economy and inflation remains resilient or sticky in near term, US dollar may remain strong in next several weeks. However, the dollar may weaken in 2024 when the US economy and inflation gradually slows. If the Russia-Ukraine war could end in 2024, market sentiment for Eurozone economy and the Euro would be significantly boosted. Renminbi may remain weak in near term before mild appreciation in 2024. Possible weakening of US dollar and a gradual recovery of China's economy should provide some support to renminbi.

Click [here](#) for full report

➤ Offshore Asia New Issues (Priced)

Issuer/Guarantor	Size (USD mn)	Tenor	Coupon	Priced	Issue Rating (M/S/F)
Korea Land & Housing Corp	700	2yr	5.75%	CT2+75	Aa2/AA/-

➤ 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 119 credit bonds issued yesterday with an amount of RMB75bn. As for Month-to-date, 1,551 credit bonds were issued with a total amount of RMB1,440bn raised, representing a 23.1% yoy increase
- **[CHFOTN]** Media reported that CFLD remitted funds for third, 1.64% installment on domestic bonds out of asset sale pool
- **[CHIGRA]** Fitch downgraded China Grand Auto to CCC
- **[COGARD]** Media reported that Country Garden Holdings has selected Houlihan Lokey and CICC as financial advisors to assist on a holistic offshore debt restructuring
- **[DALWAN]** Dalian Wanda Commercial Management schedules interest payment for RMB2bn 5.5% coupon 20Wanda02 bonds on 9 Oct
- **[EVERRE]** Media reported that China Evergrande ex-CEO Xia Haijun, former CFO Pan Darong were detained by Chinese authorities
- **[FUTLAN]** Seazen Holdings lowered proposed new share offering size to up to RMB4.5bn from up to RMB8bn

- **[INDYIJ]** Media reported that Indika Energy signed agreement to sell coal unit Multi Tambangjaya for USD218mn
- **[NIO]** NIO closed offering of USD500mn convertible senior notes due 2029, USD500mn convertible senior notes due 2030; the company clarified that it has no other reportable capital raising activity in recent
- **[RISSUN]** RiseSun Real Estate Development extended expiration deadline to 28 Sep for consent solicitation of notes due in 2023, 2024
- **[SDEXPR]** Shandong Hi-Speed Group issued RMB2bn three-year MTNs with 3.07% coupon to repay debts
- **[VNKRL]** Vanke announced to exercise the call option on its RMB381mn 3.5% due-2025 notes in Nov'23

Fixed Income Department

Tel: 852 3657 6235/ 852 3900 0801

fis@cmbi.com.hk

CMB International Global Markets Limited ("CMBIGM") is a wholly owned subsidiary of CMB International Capital Corporation Limited (a wholly owned subsidiary of China Merchants Bank)

Author Certification

The author who is primary responsible for the content of this research report, in whole or in part, certifies that with respect to the securities or issuer that the author covered in this report: (1) all of the views expressed accurately reflect his or her personal views about the subject securities or issuer; and (2) no part of his or her compensation was, is, or will be, directly or indirectly, related to the specific views expressed by that author in this report.

Besides, the author confirms that neither the author nor his/her associates (as defined in the code of conduct issued by The Hong Kong Securities and Futures Commission) (1) have dealt in or traded in the stock(s) covered in this research report within 30 calendar days prior to the date of issue of this report; (2) will deal in or trade in the stock(s) covered in this research report 3 business days after the date of issue of this report; (3) serve as an officer of any of the Hong Kong listed companies covered in this report; and (4) have any financial interests in the Hong Kong listed companies covered in this report.

Important Disclosures

CMBIGM or its affiliate(s) have investment banking relationship with the issuers covered in this report in preceding 12 months.

There are risks involved in transacting in any securities. The information contained in this report may not be suitable for the purposes of all investors. CMBIGM does not provide individually tailored investment advice. This report has been prepared without regard to the individual investment objectives, financial position or special requirements. Past performance has no indication of future performance, and actual events may differ materially from that which is contained in the report. The value of, and returns from, any investments are uncertain and are not guaranteed and may fluctuate as a result of their dependence on the performance of underlying assets or other variable market factors. CMBIGM recommends that investors should independently evaluate particular investments and strategies, and encourages investors to consult with a professional financial advisor in order to make their own investment decisions.

This report or any information contained herein, have been prepared by the CMBIGM, solely for the purpose of supplying information to the clients of CMBIGM and/or its affiliate(s) to whom it is distributed. This report is not and should not be construed as an offer or solicitation to buy or sell any security or any interest in securities or enter into any transaction. Neither CMBIGM nor any of its affiliates, shareholders, agents, consultants, directors, officers or employees shall be liable for any loss, damage or expense whatsoever, whether direct or consequential, incurred in relying on the information contained in this report. Anyone making use of the information contained in this report does so entirely at their own risk.

The information and contents contained in this report are based on the analyses and interpretations of information believed to be publicly available and reliable. CMBIGM has exerted every effort in its capacity to ensure, but not to guarantee, their accuracy, completeness, timeliness or correctness. CMBIGM provides the information, advices and forecasts on an "AS IS" basis. The information and contents are subject to change without notice. CMBIGM may issue other publications having information and/ or conclusions different from this report. These publications reflect different assumption, point-of-view and analytical methods when compiling. CMBIGM may make investment decisions or take proprietary positions that are inconsistent with the recommendations or views in this report.

CMBIGM may have a position, make markets or act as principal or engage in transactions in securities of companies referred to in this report for itself and/or on behalf of its clients from time to time. Investors should assume that CMBIGM does or seeks to have investment banking or other business relationships with the companies in this report. As a result, recipients should be aware that CMBIGM may have a conflict of interest that could affect the objectivity of this report and CMBIGM will not assume any responsibility in respect thereof. This report is for the use of intended recipients only and this publication, may not be reproduced, reprinted, sold, redistributed or published in whole or in part for any purpose without prior written consent of CMBIGM.

Additional information on recommended securities is available upon request.

Disclaimer:

CMBIGM or its affiliate(s) have investment banking relationship with the issuers covered in this report in preceding 12 months

For recipients of this document in the United Kingdom

This report has been provided only to persons (I) falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended from time to time) ("The Order") or (II) are persons falling within Article 49(2) (a) to (d) ("High Net Worth Companies, Unincorporated Associations, etc.") of the Order, and may not be provided to any other person without the prior written consent of CMBIGM.

For recipients of this document in the United States

CMBIGM is not a registered broker-dealer in the United States. As a result, CMBIGM is not subject to U.S. rules regarding the preparation of research reports and the independence of research analysts. The research analyst who is primary responsible for the content of this research report is not registered or qualified as a research analyst with the Financial Industry Regulatory Authority ("FINRA"). The analyst is not subject to applicable restrictions under FINRA Rules intended to ensure that the analyst is not affected by potential conflicts of interest that could bear upon the reliability of the research report. This report is intended for distribution in the United States solely to "major US institutional investors", as defined in Rule 15a-6 under the US, Securities Exchange Act of 1934, as amended, and may not be furnished to any other person in the United States. Each major US institutional investor that receives a copy of this report by its acceptance hereof represents and agrees that it shall not distribute or provide this report to any other person. Any U.S. recipient of this report wishing to effect any transaction to buy or sell securities based on the information provided in this report should do so only through a U.S.-registered broker-dealer.

For recipients of this document in Singapore

This report is distributed in Singapore by CMBI (Singapore) Pte. Limited (CMBISG) (Company Regn. No. 201731928D), an Exempt Financial Adviser as defined in the Financial Advisers Act (Cap. 110) of Singapore and regulated by the Monetary Authority of Singapore. CMBISG may distribute reports produced by its respective foreign entities, affiliates or other foreign research houses pursuant to an arrangement under Regulation 32C of the Financial Advisers Regulations. Where the report is distributed in Singapore to a person who is not an Accredited Investor, Expert Investor or an Institutional Investor, as defined in the Securities and Futures Act (Cap. 289) of Singapore, CMBISG accepts legal responsibility for the contents of the report to such persons only to the extent required by law. Singapore recipients should contact CMBISG at +65 6350 4400 for matters arising from, or in connection with the report.