

CMBI Credit Commentary

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

- *Asian IG space were under better buying this morning post rates increased. Short-term T2/Leasing names were traded actively. CCAMCL curve tightened 5-10bps. Long-term IG names were 1-3bps tighter. SOE Perps were also under better buying from onshore buyers.*
- **CHJMAO:** Disposal of Westin Beijing Chaoyang Hotel for RMB2.801bn. We prefer CHJMAO 7.125 PERP within CHJMAO curve for its highest carry and yield. See below.
- **GEMDAL/VNKRLE/POLYRE:** Moody's downgrade 3 notches after chairman resigned due to health reasons. Fitch downgraded Poly development/China Vanke's rating to BBB and placed stable outlook. GEMDAL'24 down 1pt and POLYRE/VNKRLE were unchanged to down 1.25pts this morning.

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

❖ Trading desk comments 交易台市场观点

Yesterday, overnight UST 10yr yield widened 9bps to 4.71%. On the primary front, KDB priced a USD300mn 3yr FRN at SOFR+70, and 3/5/10yr fixed rate bonds at T+55/75/94, respectively. The new KDB 28s/33s and FRN 26s tightened 2-5bps whilst the 3yr fixed rate bonds widened 2bps. KEBHNB priced a USD500mn 5yr social bond at T+100. Chinese TMT/SOE benchmarks were unchanged to 2bps tighter and client flows remained better buying. In the high-beta TMTs, MEITUA 30s tightened 6bps to T+248. In Chinese financials, we continued to see cash parking needs in the front-end of bank T2/leasing papers. BCHINA/ICBCAS 24-26s tightened 2-4bps. In AMCs, HRINTHs were traded in mixed two-way flows while the curve closed unchanged. HK IGs CKHH/HKAA 33s tightened 1-2bps. HK Perps were under better selling. CKINF 4.2 Perp were 1.2pts lower. HK/Chinese properties were battered. GEMDAL '24 plunged 13.1pts to close at low-20s after the Chairman's resignation. Moody's downgraded the corporate family ratings of Gemdale Corp to B3 from Ba3. LNGFOR 27-32s slumped 2.7-3.9pts. VNKRLE 24-27s lowered 1.7-3.0pts. Last night, Fitch downgraded VNKRLE/POLYRE to 'BBB' from 'BBB+' with outlooks stable. SHUION 25/26 were down 0.5-0.7pt. On the other hand, CSCHCN 9 10/09/24 and CSCHCN 9 04/12/24 closed 1.7-2.8pts higher to hover at low-40s. In industrials, WESCHI/ACTEC 26s were up 0.2-0.3pt. In Macau gaming names, SANLTD/STCITY 28-30s were down 0.7-1.3pts. In Indian space, AZUPOE 24/26 were down 1.1-1.2pts. Indonesian names BUMAIJ 26/KIJAIJ 27 were down 0.5-1pt. Elsewhere, GLPSP 25/Perp closed another 2.1-3.2pts lower while GLPCHIs were down 2.4-2.8pts.

LGFVs remained better bid by both Chinese and non-Chinese RMs, while the loose bonds in lower-yielding papers were gradually digested. In the

PLEASE READ THE AUTHOR CERTIFICATION AND IMPORTANT DISCLOSURES ON LAST PAGE

CMBI Fixed Income
fis@cmbi.com.hk

higher-yielding papers, GSHIAV 24/25 were 0.1-0.4pt higher. Chongqing/Shandong names CQLGST/SHDOIS 24s were 0.1-0.3pt higher. In the 6-7% papers, JNHTE 24/ZHAPIE 25 were up 0.1pt. CPDEVs were 0.5-1pt lower. On the other hand, perpetual securities were better offered in light of higher rates level. SOE perps were resilient thanks to their short tenor to call. FRESHK 25s were 0.2-0.5pt higher. CHPWCN 4.25 Perp/CHSCOI 3.4 Perp were down 0.2pt.

❖ Last Trading Day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
CSCHCN 9 10/09/24	45.6	2.8	GEMDAL 4.95 08/12/24	21.8	-13.1
CSCHCN 9 04/12/24	50.8	1.7	LNGFOR 3.85 01/13/32	38.1	-3.9
XINHUZ 11 09/28/24	97.9	1.0	LNGFOR 3 3/8 04/13/27	52.8	-3.4
ROADKG 7.95 PERP	20.1	0.6	GLPSP 3 7/8 06/04/25	63.0	-3.2
FWDGHD 6 3/8 PERP	88.9	0.5	VNKRLE 3.15 05/12/25	79.6	-3.0

❖ Marco News Recap 宏观新闻回顾

Macro – S&P (-0.01 %), Dow (+0.04%) and Nasdaq (-0.25%) were mixed on Tuesday. US retail sales rose 0.7% mom and was higher than the expectation of +0.3% mom. China 3Q23 GDP growth was +4.9% yoy, higher than the expectation of +4.4% yoy. The UST yields rallied higher yesterday and 10yr-yield reached highest level as 4.83% since 2007, 2/5/10/30 yield reached 5.19%/4.86%/4.83%/4.94%, respectively.

❖ Desk analyst comments 分析员市场观点

➤ CHJMAO: Disposal of Westin Beijing Chaoyang Hotel for RMB2.8bn

China Jinmao announced the disposal of 100% interest of Jinmao Beijing Real Estate (JBRE) for RMB2.801bn. JBRE, previously 100% owned by China Jinmao, owns The Westin Beijing Chaoyang Hotel, one of 12 hotel owned by China Jinmao. The proceeds will be used for possible appropriate investment in the future or as general working capital. The disposal will help Jinmao to improve its liquidity amid the weak China real estate market. In 9M23, the aggregate contracted sales of 34 Chinese developers under our radar decreased 18.8% yoy to RMB2,567.6bn and China Jinmao's contracted sales down 0.44% yoy to RMB109.5bn, ranked 6th of 34 developers by yoy change of contracted sales.

In 1H23, China Jinmao's revenue down 6.6% yoy to RMB26.8bn while its recurring revenue rose 22.8% yoy to RMB4.7bn. As of Jun'23, China Jinmao had RMB42.6bn cash on hand, RMB18.0bn short-term debts and RMB110.8bn long-term debts. Furthermore, its high quality portfolio of investment properties and hotels could be an alternative liquidity source. In 1H23, the income from its IPs and hotels was cRMB2bn and it has unpledged IPs of RMB11.1bn (c30% of total). We take additional comfort with state-owned background of being Sinochem's only platform in property and hotel operations. Indeed, default and acceleration payment of China Jinmao will trigger the cross acceleration at Sinochem level.

Within CHJMAO curve, we prefer CHJMAO 7.125 Perp given the high likelihood of being called on the first call date, the attractive YTC and highest carry. At 93.0, CHJMAO 7.125 Perp offers YTC of 14%. We expect the perp to be called on first call date on Dec'24 in view of its sufficient liquidity and high coupon after reset. If the perp is not called on the first call date, its coupon will be reset to 5yr UST+553.9bps (i.e. c10.4% based on current UST). China Jinmao has good track records of calling its perps on the first call dates including CHJMAO 4.875 Perp to be called on Nov'23. It issued and called 6 perps totaled USD2.6bn in the past and only the FFL

CHJMAO 6.8 PERP was not called on the first call date in Dec'15 under the backdrop of rising interest rate. CHJMAOs were unchanged to down 1.5pts this morning.

Security Name	Outstanding Amount (USD mn)	Next Call Date	Ask Price	YTM (Ask)	YTC (Ask)	Rating (M/S/F)
CHJMAO 4 7/8 PERP	300	11/6/2023	100.0	5.7	0.1	-/BB/-
CHJMAO 4 1/4 07/23/29	500	-	63.4	13.6	-	Baa3*-/-/-
CHJMAO 4 06/21/24	250	-	94.1	13.5	-	-/BBB/-
CHJMAO 3.2 04/09/26	600	-	77.8	14.1	-	-/-/BBB-
CHJMAO 6 PERP	500	2/8/2026	88.5	10.6	11.9	Ba2*-/-/-
CHJMAO 4.4 03/04/25	350	-	89.2	13.2	-	Baa3*-/-/-
CHJMAO 7 1/8 PERP	400	12/6/2024	93.0	10.7	14.0	-/-/-

Source: Bloomberg.

➤ Offshore Asia New Issues (Priced)

Issuer/Guarantor	Size (USD mn)	Tenor	Coupon	Priced	Issue Rating (M/S/F)
Hana Bank	500	5yr	5.75%	T+100	Aa3/A+/-

➤ Offshore Asia New Issues (Pipeline)

Issuer/Guarantor	Currency	Size (USD mn)	Tenor	Pricing	Issue Rating (M/S/F)
ICBC Hong Kong	USD	-	3yr	T+90	A1/-/-
ICBC Singapore	USD	-	3yr	SOFR+105	A1/-/-
Jinan Lixia Holdings	USD	-	3yr	7.7%	-/-/-
Korea Housing Finance Corp	USD	-	3yr	-	-/-/-
Qingdao Conson Development	USD	-	3yr	7.6%	-/-/-

➤ News and market color

- Regarding onshore primary issuances, there were 93 credit bonds issued yesterday with an amount of RMB83bn. As for Month-to-date, 463 credit bonds were issued with a total amount of RMB484bn raised, representing a 0.8% yoy decrease
- [COGARD]** Media reported that Country Garden has not paid USD15.4mn interest of USD bond due 2025 on deadline
- [FUTLAN]** Seazen Holdings failed to resell and canceled RMB1bn 20Xinkong04 bonds
- [GEMDAL]** Moody's downgraded Gemdale's ratings to B3 and changed outlook to negative
- [HONGQI]** China Hongqiao unit proposes to offer up to RMB1.5bn three-year corporate bonds to repay debts
- [POLYRE]** Fitch downgraded Poly development to BBB and placed stable outlook

- **[SDEXPR]** Shandong Hi-Speed proposes to offer up to CNY 1bn three-year corporate bonds to repay debts
- **[SINOCE]** Sino-Ocean Group paid second principal instalment, accrued interest on restructured RMB notes by grace-period end
- **[SMCPM]** Media reported that San Miguel is in talks to obtain a USD2bn five year loan to refinance a facility with similar size maturing in Dec'24
- **[VEDLN]** Vedanta was exploring tie-ups with Japanese tech companies amid plans to construct semiconductor and display fabs unit in Gujarat
- **[VNKRLE]** Fitch downgraded China Vanke to BBB and placed stable outlook

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.