

CMBI Credit Commentary

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

- *Markets were overall weak this morning. HAOHUA/SINOCH widened 20-30bps due to U.S. sanction while we saw onshore buying interests to it when the yields close to 6%.*
- *Asian AT1s Part I: Our picks on Chinese G-SIBs AT1s, buy BCHINA 3.6 PERP and ICBCAS 3.58 PERP. See below.*
- *RISSUN: Consent solicitation to waive defaults in interest payments of two USD bonds for half year. RISSUNs down c0.25pt this morning. See below.*

❖ Trading desk comments 交易台市场观点

Yesterday, China IG space resonated with global markets to show a risk-off tone amid RM aggressively selling, on both recession concerns and geopolitical risks. TMTs notably underperformed to close 5-10bps wider, along with stocks plunged amid escalating US-China tech race. TENCNT/BABA/TAISEM were marked 8-10bps wider, driven by FM selling. Financials space performed relatively resilient. AT1s had more two-ways. BCHINA/IABCAS AT1s slightly drifted 0.125-0.25pt lower. CHOHIN 5.7 Perp/NANYAN 6.5 Perp emerged better selling interests. T2 benchmarks CCB/BOCOHK opened 2-5bps tighter in the AM session but widened 2-5bps amid the sell-off in China space on the day. IG property benchmarks were dragged further down 1-3pts, in line with HYs plunging on the recent CIFI woes. VNKRLs/LNGFORs/SINOCEs down 2-3pts. China HYs tested new lows with CBIC-backed peers also been questioned. Market eyed CIFIHG'23 slumped another 10.5pts while rest of the curve dropped 3.5-5.5pts, amid CB holders had yet to receive coupon on HKD2.55bn 6.95% CBs by EOD. CIFIHGs were traded at low-teens, as CIFI group was also in the negotiation to defer amortization of USD70mn to month-end on a HSBC-led syndicated loan. COGARDs down 3.5-5pts on contagion effect. CHINSC 23-24s were down another 6.5-9.5pts, following the missed payments news with Shimao yesterday. Elsewhere, RISSUN'24 was down 5pts. Non-property space also trended lower. In industrial space, FOSUNIs were quoted down 1.5-2.5pts while HONGQI/ANTOIL were unchanged. In gaming space, MPELs/WYNMACs ended down 2-4pts. Away from China, India HYs were relatively firm with VEDLNs closed 1.5-2.5pts higher. Indonesian HY MEDCIJs were up 0.5-3.5pts, amid the oil and gas producer Medco announced buyback boost options for deleveraging.

Flows remained better selling in LGFV/SOE Perp spaces, driven by non-Chinese AM continuing to offload LGFV positions, i.e. mostly high coupon/high yielding seasoned issues across the yield curve. We saw NBRM selling CNBG and SINOCH Perps in light of street-driven selloff in HAOHUA curve,

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as talks of sanction fear resurfaced after the company got on the US DoD list again. Overall the SOE space drifted 10-40bps wider on RM selling. HAOHUA widened 30-40bps and SINOCH were also 10-20bps wider amid street selling, to reflect the mounting market concerns on US. As dealers hit the street after market digged out that the US unverified list enclosed ChinaChem on last Wednesday (5th Oct), SINOPE/CNOOC widened 5-15bps with RM and PB selling. In general, flows on Chemical papers were still more supportive, as compared to the overall China credit especially properties. We saw the SOE Perps/AT1s taking pressure but still well digested, as AT1 Strong names like ICBCAS 3.2 PERP/ CCB 2.85' 32 were supported by short covering buying following despite higher UST yields. In LGFV space, ZCCITY'25/CQNANA'26 remained better selling.

➤ Last trading day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
MEDCIJ 6 3/4 01/30/25	95.7	3.6	CIFIHG 5 1/2 01/23/23	13.5	-10.3
VEDLN 6 1/8 08/09/24	64.5	2.4	CHINSC 7 1/4 04/19/23	18.0	-9.5
HRINTH Float 02/24/25	88.4	1.9	CHINSC 7 3/8 04/09/24	15.2	-6.5
VEDLN 9 1/4 04/23/26	61.2	1.8	CIFIHG 6.55 03/28/24	10.8	-5.6
HSBC Float PERP	72.4	0.9	FIHUCN 5 02/26/28	84.4	-5.0

➤ Macro News Recap 宏观新闻回顾

Macro – U.S. stock markets were overall weak on Tuesday. The S&P (-0.65%), Dow (+0.12%) and Nasdaq (-1.10%) were divergent and markets are waiting for September CPI, which is expected to slightly down by month. The PBOC published 9M22 financial data that new bank loans and total social financing are higher than expectation. New bank loans was RMB2.47tn, increasing RMB810.8bn yoy. Total social financing increased RMB3.53tn, growing RMB624.5bn yoy. The U.S. treasury yields kept ascending yesterday and the 2/5/10/30 yields bear steepened to 4.30%/4.14%/3.93%/3.92%, respectively.

❖ Desk analyst comments 分析员市场观点

➤ Asian AT1s Part I – Our picks on Chinese G-SIBs AT1s

In Part I of our Asia AT1s comments, we focus our discussions on China AT1 and our rationale on why we believe that China AT1s, especially those of China G-SIBs, offer more predictable return.

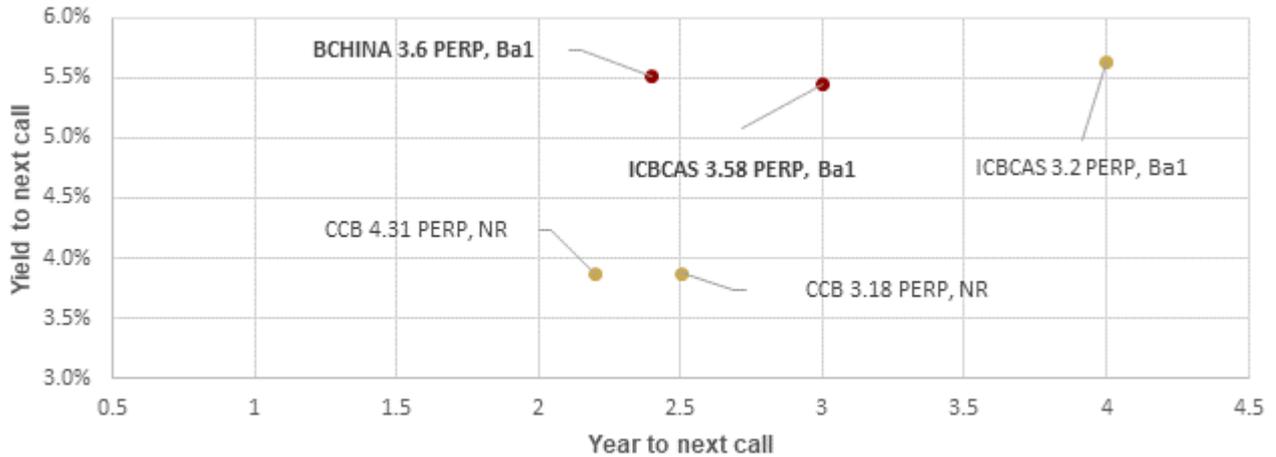
To start with, the return predictability of AT1s are subject to 1) likelihood of loss absorption; 2) likelihood of cancellation of non-cumulative distribution; and 3) likelihood of being called, especially on the first call dates.

So far, there is no precedent on the principal of the AT1s of Chinese G-SIBs being written down or converted into equity. There is also no precedent for Chinese G-SIBs to cancel distribution, and all of the Chinese AT1s were called on their respective first call dates. Please see Table 1 for examples of loss absorption or non-call of European AT1s.

While AT1s in Europe offer better YTC, we would argue that Asian AT1s, especially Chinese G-SIBs' AT1s, offer more predictable return because of their lower likelihood of loss absorption, higher certainty of being called on the first call dates and scheduled distributions.

Amongst China G-SIBs' AT1s, our picks are **BCHINA 3.6 PERP (callable Mar'25)** and **ICBCAS 3.58 PERP (callable Sep'25)** in view of their higher YTC, relatively shorter-tenor and better trading liquidity. These AT1s also offer decent yield pick-up (81-98bps) over their senior bonds.

Chart 1: Selected China G-SIBs' AT1 YTC



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➤ **RISSUN : Consent solicitation to waive defaults in interest payments for half year**

RiseSun launched consent solicitation to waive defaults in interest payments of its two offshore bonds: RISSUN 9.5 03/16/23 (o/s USD199.3mn) and RISSUN 9.5 09/17/24 (o/s USD531.3mn) of which the interest should be paid in 16 Sep'22 and 17 Sep'22 originally. Though there is 30 days grace period for both bonds' missed payment, the company estimates it will have no enough resources to pay it before 16/17 Oct. The company proposed 0.25pt consent fee to waive the non-payment default for half year, see below for details:

Date	Bond	Consent fee	Details
11/10/2022	RISSUN 9.5 03/16/23 RISSUN 9.5 09/17/24	0.25pt	-Waive the interest payment default of : RISSUN 9.5 03/16/23 until 03/16/23 RISSUN 9.5 09/17/24 until 03/17/23 -Consent fee payment date: 28 Oct'22 in cash -Minimum acceptance level: 75% -Expiration deadline: 25 Oct'22

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

Issuer/Guarantor	Size (USD mn)	Tenor	Coupon	Yield	Issue Rating (M/S/F)
Oriental Capital Company Limited	USD164	3yr	7.0%	7.0%	-/-

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

Issuer/Guarantor	Currency	Size (USD mn)	Tenor	IPG	Issue Rating (M/S/F)
Syngenta Group Co., Ltd.	USD	-	3.5yr	T+125	Baa1/BBB+/A

➤ **Market conditions and color**

- Regarding onshore primary issuances, there were 81 credit bonds issued yesterday with an amount of RMB75bn. As for Month-to-date, 142 credit bonds were issued with a total amount of RMB152bn raised, representing a 41.5% yoy increase
- **[BJHKWY]** Beijing Hongkun Weiye Real Estate announced it cannot pay interest and principal of 18Hongkun01 (o/s RMB100mn)
- **[BUMIJ]** Bumi Resources plans to launch its 200bn shares (up to cUSD1.6bn) private placement on 18 Oct, Mach Energy (Hong Kong) will subscribe 170bn shares and Treasure Global Investments will subscribes 30bn shares; The company's unit Eterna announced to redeem all Series B notes (o/s USD22.38mn)
- **[EVERRE]** Moody's withdrawn Evergrande and its subsidiaries' ratings due to insufficient information
- **[KAISAG]** Moody's withdrawn Kaisa's ratings due to insufficient information
- **[LNGFOR]** Longfor Group acquires four land parcels located in tier1/2 cities for RMB5.71bn in September
- **[MEDCIJ]** Medco launched tender offer to purchase for cash up to USD250mn in the aggregate purchase price of MEDCIJ 6.75 01/30/2025 (o/s USD500mn), MEDCIJ 7.375 05/14/2026 (o/s USD540.8mn) and MEDCIJ 6.375 01/30/2027 (o/s USD601.7mn)
- **[SUNKWP]** Sunkwan Properties extended expiration deadline in relation to consent solicitation for SUNKWP 12.25 07/17/23 to 17 October

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