

CMBI Credit Commentary

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

- *Markets opened weak this morning then sentiment slightly recovered after PBOC cut MLF for 15bps. IG benchmark BABA/TENCNT widened 1-2bps. We saw sellers on HRINTH curve and buyers on front end bonds with high 6% yield.*
- *Longfor: Continued access to offshore loan market and more resilient operating performance. LNGFORs down 1.5 to 3pts this morning. See below.*
- *Chinese properties: Weak contract sales in Jul'23 and divergence of sales performance continues. See below.*

❖ Trading desk comments 交易台市场观点

UST yields widened 3-7bps following better-than-expected US PPI data yesterday. Asia IG space was traded in a weaker tone. The recent new issues such as HKLSP/CICCHK/CHILOV papers were also under better selling. Benchmark TMTs/SOEs such as BABA 31s/TENCNT 30s/HAOHUA 30s edged 1-3bps wider. The high beta TMTs space such as WB/MEITUA 30s were 5-10bps wider. In financials space, AMCs were traded heavily. CCAMCL 27s widened 4 bps. HRINTHs were traded 0.5-1.5pts lower with heavy selling across the curve. Chinese properties remained weak. COGARDs declined 0.5-1pt at single-digit level. Media reported COGARD had proposed a three-year extension to the holders of RMB3.9bn 5.65% private placement bond "16Biyuan05" due on 2 Sept'23. GEMDAL '24 plunged 11.5pts to close at low-40s. ROADKG Perps slumped 5.25-9.75pts, while rest of ROADKGs were traded 1.5-4pts lower. FUTLAN/FTLNHDs/LNGFORs/CHJMAOs dropped 3.25-5.25pts. CSCHCNs/GRNCHs lowered 1-1.5pts. Industrials performed mixed. EHICAR 24s/26s gained 0.5-1pt. Whilst FOSUNI/WESCHI 24-27s were marked down 1.5-7pts. Macau gaming space was muted. In Indian space, ADSEZs declined 2-3pts following Deloitte's resignation. ADANEMs/ADGREGs were traded 1-2pts lower across the curve. Indonesian names LMRTSP 24s/26s were down around 1.25pts. Elsewhere, GLPCHI 24-26s were marked 1-3pts lower.

The LGFV/Perp spaces were largely stable, as market focus remained on deteriorating property space. In LGFVs, flows remained balanced two-way, largely driven by position fine-tuning needs. The front-end 23s/24s papers LGFVs were sought-after by RMs. YZCOAL/JNHITE 23s were better bid. The high-yielding Chongqing/Shandong names such as CQNANA 24s/CQLGST 24s/SHGUOH 26s were marked 0.125-0.25pt higher. SOE perps performed mixed. CHPWCN 3.55 Perp/CHSCOI 3.4 Perp/HUANEN 2.85 Perp were indicated 0.125pt higher. HUADIA 3.375 Perp/SINOCH 3 Perp were traded down 0.125pt. In the HK Corp perps, the FFL perps such as NWDEVL 5.25

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Perp/NWDEVL 4.125 Perp dropped 3-5pts. CKPH/FWDGRP Perps were down 0.5pt.

❖ Last Trading Day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
CRHZCH 4 1/8 02/26/29	92.2	1.4	GEMDAL 4.95 08/12/24	40.9	-11.3
JINKE 6.85 05/28/24	10.0	1.1	ROADKG 7 3/4 PERP	24.6	-9.7
EHICAR 7 09/21/26	57.4	1.0	FTLNHD 4.8 12/15/24	26.2	-7.2
SINOCE 5.95 02/04/27	9.9	0.9	FOSUNI 5.05 01/27/27	63.2	-6.9
CITLTD 3 1/2 02/17/32	86.5	0.9	FUTLAN 6 08/12/24	41.7	-5.3

❖ Marco News Recap 宏观新闻回顾

Macro – S&P (+0.58%), Dow (+0.07%) and Nasdaq (+1.05%) were led by tech sector to rebound yesterday. PBOC cut MLF rate for 15bps. China Jul unemployment rate was 5.3%, rose from 5.2% in Jun and was same with market expectation of 5.3%. China Jul industrial output was +3.7% yoy, lower than expectation of +4.4% yoy. US treasury yields rallied higher on Monday, 2/5/10/30 yield reached at 4.96%/4.36%/4.19%/4.29%, respectively.

❖ Desk analyst comments 分析员市场观点

➤ Longfor: Continued access to offshore loan market and more resilient operating performance

Media reported Longfor secured 5-year bullet of HKD3.2bn for the prepayment of the HKD15.3bn bullet due Jan'24. Additionally, Longfor was reported to have remit the fund to repay the outstanding onshore bonds of cRMB1.7bn due 17 Aug'23. As per our discussions with Longfor, the company has already prepaid HKD7.2bn (including the drawdown of HKD3.2bn) of offshore loans due Jan'24. It targets to prepay the remaining HKD8.1bn by end of 2023. Longfor continues to be one of the few non state-owned Chinese property with continued access to offshore loan market.

Separately, Longfor reported attributable 7M23 contract sales of RMB73.24bn, up 7% yoy. The company is 1 of the 7 developers amongst 35 developers under our radar reported yoy sales growth in 7M23. More importantly, Longfor is the only non state-owned developer under our radar to report yoy sales growth.

LNGFORs dropped 11-13 pts over the past 2 weeks, due mainly to the collateral damage of the sharp downturn of COGARDs. That said, we have been arguing that Longfor is facing much more manageable debt maturity profile than that of Country Garden. The next USD bond maturity will be in Apr'27, 3 year and 8 months from now, and Longfor is in good progress in early prepayment of offshore syndicated loans due FY24. As mentioned before, Longfor's operating performance remains resilient and is the only non state-owned developers under radar with yoy contract sales growth in 7M23. This somehow reflected domestic home buyers' confidence on Longfor. At current valuation, we consider LNGFORs offer good risk and return profile. We shall provide more updates after Longfor's 1H23 results announcements on coming Friday (18 Aug'23).

	O/S (USD mn)	Maturity	Coupon	Offer price	YTM (%)
LNGFOR 3 3/8 04/13/27	250	4/13/2027	3.375%	64.63	16.7%
LNGFOR 4 1/2 01/16/28	500	1/16/2028	4.500%	64.56	16.0%
LNGFOR 3.95 09/16/29	850	9/16/2029	3.950%	59.98	13.9%

LNGFOR 3.85 01/13/32

400

1/13/2032

3.850%

54.31

12.9%

Source: Bloomberg.

➤ Chinese properties: Weak contract sales in Jul'23 and divergence of sales performance continues

In Jul'23, the 35 developers under our radar reported contracted sales of RMB199.1bn in total, slumped 42.0% yoy from RMB343.0bn in Jul'22. Except YUEXIU, the other 34 developers reported yoy decline in contract sales during Jul'23. In 7M23, the contract sales of 35 developers totaled RMB2,103.8bn, down 14.6% yoy.

As discussed above, only 7 out of 35 developers under radars achieved yoy contract sales growth in 7M23, 6 of them are state-owned and the only non state-owned developer with yoy contract sales growth is Longfor. The outperformers are YUEXIU (RMB92.1bn, +68% yoy), CRHZCH (RMB187.4bn, +26% yoy) and CHIOLI (RMB192.1bn, +23% yoy). Underperformers are RONXIN (RMB10.7bn, -77% yoy), TPHL (RMB10.3bn, -66% yoy) and ZHPRHK (RMB10.7bn, -54% yoy). According to NBS, the yoy change of nationwide commercial housing sales amount shrank 24% yoy in Jul'23. We expect some yoy pick-up in contract sales by 4Q23 in view of the low base figures and possible property policy relaxing in high tier cities.

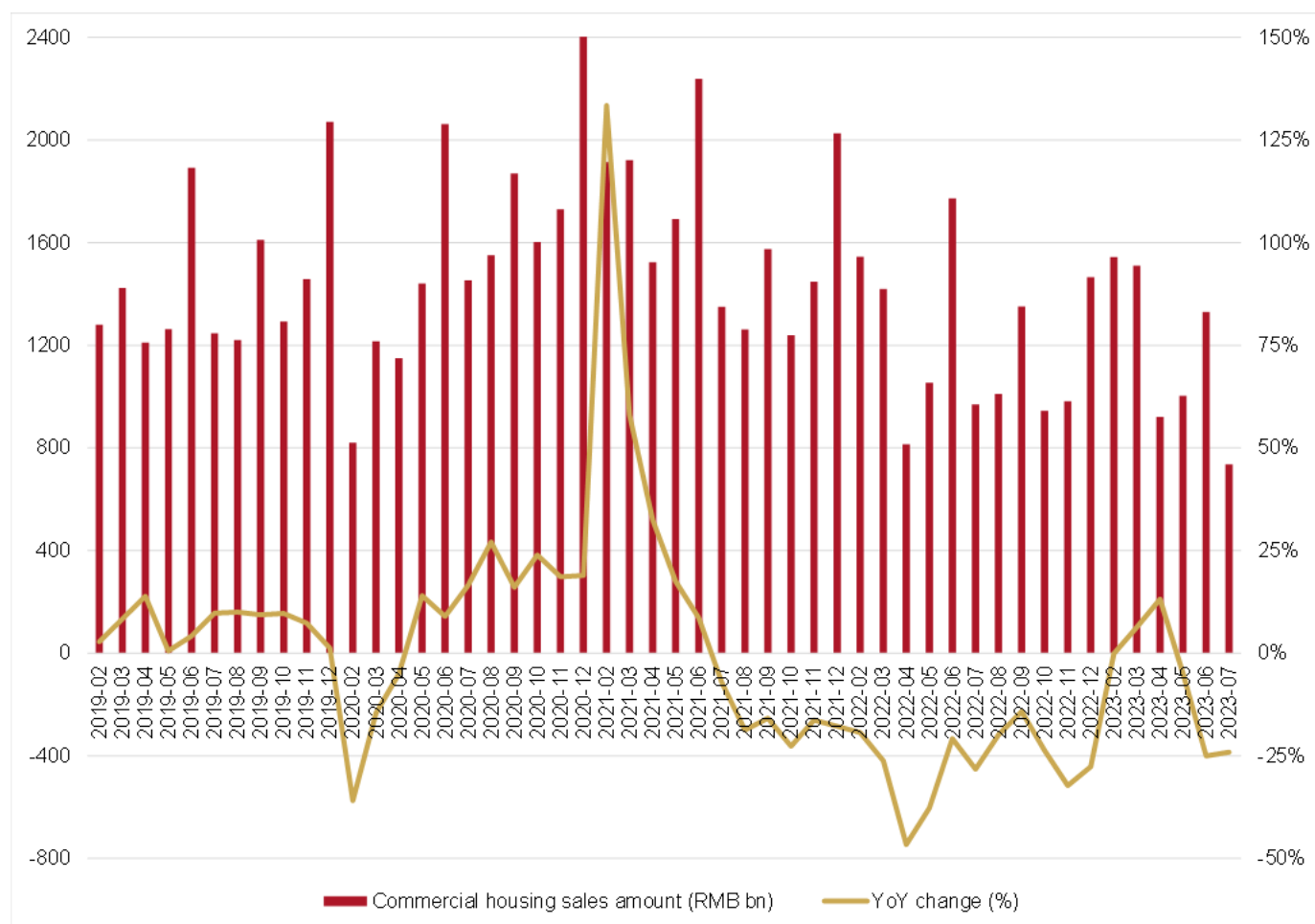
Chart 1: Contracted sales of developers under our radar

2023 YTD Sales (in RMB mn)														
Company	CN Name	BBG Ticker	Jan	Feb	Mar	Apr	May	Jun	Jul	Trend	Jul'23 MoM Growth	Jul'23 YoY Growth	Jul'23 YTD Sales	Jul'23 YTD Sales Growth
Agile	雅居乐	AGILE	6,440	6,120	4,250	3,680	4,200	3,540	2,270		<div><div></div></div> -36%	<div><div></div></div> 55%	30,500	<div><div></div></div> -31%
Central China Real Estate	建业地产	CENCHI	2,871	2,120	1,237	1,013	1,523	1,260	402		<div><div></div></div> -68%	<div><div></div></div> 31%	10,426	<div><div></div></div> -35%
China Jinmao	中国金茂	CHJMAO	10,000	14,130	20,100	14,402	14,180	13,140	6,368		<div><div></div></div> -52%	<div><div></div></div> 39%	92,320	<div><div></div></div> 15%
China Overseas	中国海外发展	CHIOLI	13,188	27,424	42,987	34,033	29,345	33,199	11,947		<div><div></div></div> -64%	<div><div></div></div> 32%	192,123	<div><div></div></div> 23%
China Resources Land	华润置地	CRHZCH	16,020	24,200	38,800	33,010	31,300	26,900	17,190		<div><div></div></div> -36%	<div><div></div></div> 39%	187,420	<div><div></div></div> 26%
China SCE	中骏集团控股	CHINSC	3,051	3,809	4,608	2,505	3,102	3,090	2,304		<div><div></div></div> -25%	<div><div></div></div> 54%	22,469	<div><div></div></div> -40%
China Vanke	万科企业	VNKRLE	28,630	30,120	42,630	33,470	32,940	36,140	22,050		<div><div></div></div> -39%	<div><div></div></div> 35%	225,980	<div><div></div></div> -9%
CIFI Holdings	旭辉集团	CIFIHG	5,020	7,810	8,300	8,300	7,000	5,510	4,700		<div><div></div></div> -15%	<div><div></div></div> 71%	46,640	<div><div></div></div> -41%
Country Garden (Attributable)	碧桂园	COGARD	22,010	24,850	25,010	22,690	18,200	16,000	12,070		<div><div></div></div> -25%	<div><div></div></div> 30%	140,830	<div><div></div></div> -35%
Dexin China	德信中国	DEXION	2,340	3,200	2,630	1,390	2,150	1,810	1,030		<div><div></div></div> -43%	<div><div></div></div> 33%	14,550	<div><div></div></div> -34%
Future Land	新城控股	FUTLAN/FTLNHD	5,776	7,809	7,920	7,162	7,033	6,700	6,006		<div><div></div></div> -10%	<div><div></div></div> 45%	48,406	<div><div></div></div> -36%
Gemdale	金地集团	GEMDAL	9,210	14,800	20,110	15,000	13,230	13,470	10,510		<div><div></div></div> -22%	<div><div></div></div> 43%	96,330	<div><div></div></div> -19%
Greenland Holding*	绿地控股集团*	GRNLGR	9,790	7,710	11,290	6,860	11,940	11,310	6,857		<div><div></div></div> -39%	<div><div></div></div> 13%	65,757	<div><div></div></div> -14%
Greentown	绿城	GRNCH	13,500	17,900	29,900	27,100	20,200	25,600	18,200		<div><div></div></div> -29%	<div><div></div></div> 33%	152,400	<div><div></div></div> 9%
Guangzhou R&F	富力地产	GZRFPR	1,350	2,110	3,910	1,660	1,540	2,970	1,000		<div><div></div></div> -66%	<div><div></div></div> 47%	14,540	<div><div></div></div> -49%
Hopson	合生创展	HPDLF	1,327	2,193	6,547	1,585	2,323	2,087	1,067		<div><div></div></div> -49%	<div><div></div></div> 0%	17,129	<div><div></div></div> -9%
Jingru Holdings	景瑞控股	JINGRU	342	454	442	370	449	405	265		<div><div></div></div> -35%	<div><div></div></div> 38%	2,727	<div><div></div></div> -45%
KWG Property	合景泰富集团	KWGPRO	3,561	4,320	3,850	3,231	2,380	1,730	1,130		<div><div></div></div> -35%	<div><div></div></div> 76%	20,202	<div><div></div></div> -35%
Logan Property*	龙光地产*	LOGPH	1,070	2,190	3,110	3,200	2,490	1,270	1,960		<div><div></div></div> 54%	<div><div></div></div> 28%	15,290	<div><div></div></div> -50%
Longfor (Attributable)	龙湖集团	LNGFOR	7,220	11,140	15,240	11,260	9,410	11,370	7,600		<div><div></div></div> -33%	<div><div></div></div> 36%	73,240	<div><div></div></div> 7%
Poly Real Estate	保利地产	POLYRE	29,545	34,284	50,301	41,695	40,838	40,157	31,002		<div><div></div></div> -23%	<div><div></div></div> -6%	267,822	<div><div></div></div> 10%
Powerlong	宝龙地产	PWRLNG	2,040	3,319	3,478	3,123	3,054	2,596	2,031		<div><div></div></div> -22%	<div><div></div></div> 37%	19,641	<div><div></div></div> -26%
Radianse*	金辉控股*	JNHUIG/RDHGCL	1,920	1,750	1,530	3,050	3,230	1,370	1,640		<div><div></div></div> 20%	<div><div></div></div> 30%	14,490	<div><div></div></div> -49%
Redco Properties	力高集团	REDPRO	1,323	1,516	1,390	1,347	1,260	764	420		<div><div></div></div> -45%	<div><div></div></div> 33%	8,020	<div><div></div></div> -46%
Redsun	弘阳地产	REDSUN/HONGS	1,109	2,770	3,434	2,189	2,019	1,504	2,011		<div><div></div></div> 34%	<div><div></div></div> 29%	15,036	<div><div></div></div> -33%
Ronshine China	融信中国	RONXIN	995	1,334	1,537	2,086	2,029	1,809	947		<div><div></div></div> -48%	<div><div></div></div> 37%	10,736	<div><div></div></div> -77%
Shimao	世茂房地产	SHIMAO	4,510	4,110	6,220	5,010	4,010	4,210	3,050		<div><div></div></div> -28%	<div><div></div></div> 55%	31,120	<div><div></div></div> -38%
Sino-Ocean	远洋集团	SINOCE	3,290	5,070	8,200	7,030	5,040	7,040	2,490		<div><div></div></div> -65%	<div><div></div></div> 72%	38,160	<div><div></div></div> -27%
Sunac China	融创中国	SUNAC	7,230	10,860	11,180	8,060	7,790	7,020	5,120		<div><div></div></div> -27%	<div><div></div></div> 54%	57,260	<div><div></div></div> -54%
Times Property	时代中国控股	TPHL	852	1,961	2,638	1,494	1,418	1,080	818		<div><div></div></div> -24%	<div><div></div></div> 70%	10,261	<div><div></div></div> -66%
Yanlord	仁恒置地	YLLGSP	905	3,667	3,557	4,220	6,101	2,876	1,634		<div><div></div></div> -43%	<div><div></div></div> 70%	22,960	<div><div></div></div> -38%
Yuexiu Property	越秀地产	YUEXIU	8,884	13,712	21,237	13,331	12,355	14,108	8,473		<div><div></div></div> -40%	<div><div></div></div> 32%	92,100	<div><div></div></div> 68%
Yuzhou Properties	禹州地产	YUZHOU	1,505	1,750	2,150	2,063	2,253	1,952	1,302		<div><div></div></div> -33%	<div><div></div></div> 56%	12,975	<div><div></div></div> -46%
Zhenro Properties	正荣地产	ZHPRHK	1,356	1,620	1,811	1,654	1,566	1,674	1,024		<div><div></div></div> -39%	<div><div></div></div> 50%	10,705	<div><div></div></div> -54%
Zhongliang	中梁控股	ZHLGHD	3,660	4,020	3,750	3,300	3,190	3,110	2,200		<div><div></div></div> -29%	<div><div></div></div> 53%	23,230	<div><div></div></div> -46%

Note: Company name with * represents the data was collected from CRIC.

Source: Company filings, CRIC.

Chart 2: China monthly commercial housing sales amount and YoY change



Source: Wind.

➤ Offshore Asia New Issues (Priced)

Issuer/Guarantor	Size (USD mn)	Tenor	Coupon	Priced	Issue Rating (M/S/F)
No Offshore Asia New Issues Priced Today					

➤ 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 64 credit bonds issued yesterday with an amount of RMB66bn. As for Month-to-date, 790 credit bonds were issued with a total amount of RMB611bn raised, representing a 13.9% yoy decrease
- Media reported that several tier-2 cities including Xiamen, Chengdu plan to relax restrictions on purchasing second home
- **[CGSHCO]** Moody's assigned Ba1 CFR to Country Garden Services and placed negative outlook
- **[COGARD]** Media reported that Country Garden plans to extend payment of RMB3.9bn 16biyuan05 for three years and some bondholders of the bonds are likely to push for an upfront cash payment before the extension
- **[DALWAN]** Dalian Wanda Commercial Management schedules put option exercise for RMB3.8bn 20Wanda01 bonds on 22-24 Aug
- **[EVERRE]** China Evergrande expects to get HKD31.5bn gain from disposal of shares of China Evergrande New Energy Vehicle Group to NWTN; China Evergrande EV unit plans to issue shares with value of HKD20.89bn to subscribers to offset loans
- **[GCLNE]** GCL New Energy repurchased USD55.32mn of GCLNE 10 01/30/24, the o/s amount of bond is USD76.25 after repurchase
- **[SDEXPR]** Shandong Hi-Speed Group proposes to offer up to RMB1bn extendable corporate bonds to repay debts
- **[SINOCE]** Sino-Ocean Group expected to get up to RMB20bn loss in 1H23 due to downturn in overall real estate market in China
- **[YLLGSP]** Yanlord published 1H23 results that its revenue increased 30.6% to RMB14.8bn and gross profit increased 3.1% to RMB4.2bn
- **[ZHANLO]** Fitch affirmed Zhanglong Group at BBB- and placed stable outlook
- **[ZHLGHD]** Zhongliang Holdings announced holders representing 71% of scheme debts acceded to RSA and RSA fee deadline extended to 1 Sep

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