

CMBI Credit Commentary

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

- *Markets were weak this morning. AMCs down as lacking of support. HKLSP/CKHH and CHILOV widened 2-5bps. LGFVs were active with balanced two-way flows. AT1s slightly rose due to short coverings.*
 - **CARINC:** *1H23 results back to pre-pandemic levels reflect the continued recovery of small-ticket and frequent consumptions. CARINC'24 was unchanged post 1H23 result. We see EHICARs offer better value and trading liquidity See below.*
 - **SINOCE:** *Consent on 2-month interest deferral on three USD bonds secured. SINOCEs moved -0.25 to 0.5pt this morning. See below.*
- ❖ **Trading desk comments 交易台市场观点**

Yesterday, Asia ex-JP IG space remained weak. The recent new issues such as CHILOV/CICCHK papers widened 7-10bps. Chinese SOE/TMT benchmarks such as TENCNT/SINOCH edged 1-3bps wider. In financials, AMC space continued to be under selling pressure. CCAMCL curve widened 5-20bps with CCAMCL 27s closed 7bps wider at T+180. HRINTH curve was traded 1-2pts lower. Last night, China Huarong Asset Management issued profit warning, estimating a preliminary net loss of RMB4.6-5bn in 1H23. Chinese AT1s were marked 0.75pt lower under aggressive street hitting and closed 0.25pt higher from the intra-day low. ICBCAS 3.2 Perp/BOCOM 3.8 Perp closed the day ~0.5pt lower, extending the losses to 1.5-2pts WTD. European AT1s such as STANLN/HSBC AT1s were traded 0.5-0.75pt lower. Asian bank T2s such as NANYAN/SHCMBK/CINDBK/CCB papers were better offered. SG bank T2s widened 5bps. In Korea space, POHANG/HYUELE 28s/33s under better selling. Chinese properties remained soft. VNKRLs fell 3-4pts, post media report on the stake freeze. The stake freeze had been released within 1 day. LNGFORs/CHJMAOs were down another 1.25-2.75pts. CSCHCNs declined 1-3.5pts. SHUIONS/FTLNHDs were traded 0.75-1.25pts lower. ROADKG 7.95 Perp was among the exception, marked 2pts higher, while the rest of ROADKGs were traded 1-2pts lower across the curve. In industrials, EHICARs were marked 1.25-1.75pts lower to close at mid-70s. Macau gaming names such as MPELs/STCITYs/WYNMACs were marked 1.25-2.25pts lower. Indian renewables RPVINS/GRNKENS were down 0.5pt. Indonesian space was quiet. Elsewhere, GLPCHI 24s/26s declined 1.5-2.5pts. MONMIN 24s were up 1pt.

The LGFV/Perp spaces were mixed with active flows on the front end. There were Chinese RMs/Prop desks switching out of 23 LGFVs and c23 SOE Perps to raise cash. The selling pressure were roughly digested by cash parking from AMs/bank accounts at mid-6%. Overall, the 6%-7.5% LGFV

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papers were skewed to net small better offered. The high yielding papers remained demanded but closed with mixed two-way flows. CQLGST 4.3 '24 moved 0.5pt higher. Shandong names SHDOIS '23/QDJZWD '25 were unchanged to 0.125pt lower. Elsewhere, CPDEV 25s/26s were traded down 0.3pt with selling flows from PBs amid VNKRL's plunge. SOE Perps were marked slightly lower, as rates further continued to widen to YTD high levels. CRHZCH perp was marked down 0.5pt. In HK Corp perps, LEEMAN 5.5 Perp notably closed 3pts lower at high-80s. HK crossover papers such as ZHONAN/FRESHK 26s were traded 0.3-0.5pt lower. On the other hand, LUSOIB '33 was quoted 0.125pt higher as this bond continued to be sought-after.

❖ Last Trading Day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
ROADKG 7.95 PERP	17.1	2.1	VNKRL 3 1/2 11/12/29	64.2	-4.8
AGILE 5 1/2 04/21/25	15.5	0.9	CHJMAO 7 1/8 PERP	92.0	-4.5
CHDOGU 3.42 03/21/25	93.6	0.8	VNKRL 4.2 06/07/24	89.5	-4.2
CKINF 4.85 PERP	83.1	0.7	VNKRL 3.15 05/12/25	82.0	-3.9
XZETDZ 4 1/2 11/12/23	99.5	0.6	VNKRL 3.975 11/09/27	72.1	-3.8

❖ Marco News Recap 宏观新闻回顾

Macro – S&P (-0.77%), Dow (-0.84%) and Nasdaq (-1.17%) dropped for three consecutive trading days as markets expect the high interest rate may last longer than previous expectation post the latest FOMC meeting minute. The latest US initial jobless claim was +239k, down from +250k in last week and was lower than expectation of +240k. US treasury yields overall rallied higher yesterday, 2/5/10/30 yield reached at 4.94%/4.42%/4.30%/4.41%, respectively.

❖ Desk analyst comments 分析员市场观点

- **CARINC: 1H23 results back to pre-pandemic levels reflect the continued recovery of small-ticket and frequent consumptions**

Table 1: CARINC's key operating indicator

	1H23 vs.	1H22	1H19
Car rental revenue		71.2%	19.7%
Adj. EBITDA		117.7%	-0.6%
ADRR		1.3%	19.2%
Utilization rate		+5.0pp	+11.9pp
RevPAC		8.1%	41.8%

Source: Company fillings.

CARINC reported strong set of 1H23 results with key operating indicators recovered to same or exceed the pre-pandemic levels. As a result, its key coverage ratios such as net debt/adj EBITDA and adj EBITDA/int improved to 2.6x and 4.7x in 1H23 from 3.3x and 3.7x in FY22, respectively. CARINC is more aggressive in adding new cars, CARINC invested c2.1bn (incl. purchase and lease) in 1H23 under the backdrop of strong market recovery. its fleet scale to 126k, +8.9% than 4Q22. Besides, the company plans to further expand fleet scale by 20-30k in the rest of 2023, which will be mostly funded by onshore credit line. We take additional comfort that the used car sales of CARINC also increased notably. The sales via partnership program helped notably spend up the sales of used cars, especially the used Borgward, and reduce the net capex on car additions.

CARINC's interim results reinforce our belief that the split recovery paths for different sectors in China: the slowing recovery pace of large-ticket, durable consumptions but solid recovery for small-ticket and frequent consumptions such as travelling, F&B and car rental. Hence we continue to favour sectors such as Macau gaming, car rental, F&B and retail consumptions. We expect EHICAR is facing a similar recovery path as that of CARINC. While we still like CARINC'24 as a carry play, we consider EHICARs offer better RV at current valuation.

Table 2: CARINC/EHICAR's bonds profiles

	o/s amount (USD mn)	YTM (%)	Ask price	Rating (M/S/F)
CARINC 9.75 03/31/24	155	11.6	98.89	B3/B-/-
EHICAR 7.75 11/14/24	407	32.0	76.75	-/-/B
EHICAR 7 09/21/26	300	29.1	56.92	-/-/B

Source: Bloomberg.

➤ **SINOCE: Consent on 2-month interest deferral on three USD bonds secured**

Sino-Ocean announced the results of the consent solicitation on three of its outstanding USD bonds, SINOCE 6 07/30/24, SINOCE 5.95 02/04/27 and SINOCE 4.75 08/05/29. The extraordinary resolution for these notes were duly passed at the bondholders' meeting held on 17 Aug. The interest payments of these bonds are postponed by two months, the earliest coupon payment will be that of SINOCE 6 07/30/24 of cUSD20.9mn scheduled on 30 Sep'23.

Earlier this week, Sino-Ocean issued a profit warning that expecting to record a loss ranging RMB17bn and RMB20bn for 1H23, compared with loss of cRMB1bn in 1H22. For 7M23, its contract sales fell by 27% yoy compared to 7M22, ranked 13th among the 35 developers under our radar in terms of sales growth.

Meanwhile, Sino Ocean has scheduled the interest payment for 15Yuanyang03 on 21 Aug. Recalled that Sino-Ocean failed to obtain bondholders' consent to extend the maturity of 18Yuanyang01 at the bondholders' meeting, instead, it has obtained 30-day grace period for the principal repayment of RMB2bn. The end of the grace period should be around 2 Sep. The interest and principal repayment pressure remains high for Sino-Ocean in coming 1-2 months, both onshore and offshore. As we mentioned in our daily previously, liability management exercise for Sino-Ocean is possible in near-term amid the liquidity shortage.

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

Issuer/Guarantor	Size (USD mn)	Tenor	Coupon	Priced	Issue Rating (M/S/F)
Continuum Green Energy	435	3.5NC1.5	9.5%	9.5%	-/B+/B+

➤ **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 130 credit bonds issued yesterday with an amount of RMB116bn. As for Month-to-date, 1,148 credit bonds were issued with a total amount of RMB945bn raised, representing a 1.9% yoy increase
- Media reported that PBOC extended originally due 1Q23 RMB200bn loan program to May'24 to help developers finish stalled projects
- **[DALWAN]** Media reported that Dalian Wanda Group is mulling sale of its sports marketing Infront Sports & Media which was purchased for EUR1.05bn in 2015
- **[EHOUSE]** E-House (China) Enterprise submitted draft circular of proposed HKD483mn rights issue to HKEx, SFC for vetting
- **[FUTLAN]** Seazen Holdings schedules RMB1bn 20Xinkong04 bond put option exercise on 23-28 Aug
- **[HRINTH]** China Huarong Asset Management expects to record net loss of up to RMB5bn for 1H23, narrowed from RMB18.87bn loss in 1H22
- **[LENOVO]** Lenovo 1Q24 revenue down 24% yoy to USD12.9bn and operating profit down 50% yoy to USD390mn
- **[LYURBN]** Fitch affirmed Linyi City Construction at BBB- and placed stable outlook
- **[PWRLNG]** Powerlong Real Estate expects 1H23 profit to drop 75.3% yoy to RMB300-400mn
- **[SINOCE]** Media reported that Sino-Ocean's unit remitted funds to pay the RMB75mn coupon of its RMB1.5bn due 2025 bonds
- **[SUNAC]** Sunac announced to sell three projects in China for RMB1.23bn to repay debt
- **[YLLGSP]** Media reported that Yanlord plans to use proceeds from refinancing and sale of urban projects to help repay due Feb'24 USD600mn loan and USD376mn bonds

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