

CMBI Credit Commentary

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

- *IG benchmarks HAOHUA/TENCNT tightened around 1bp this morning. In LGFV space, there were flows on short-term bonds and for quarter-end rebalance.*
- *LGFV: Guizhou may issue up to RMB170bn bonds under debt-swap program. See below.*
- *DALWAN: Media reported that Dalian Wanda is in talks with investors to avoid RMB30bn repayment as Zhuhai Wanda's IPO unlikely to happen this year. DALWAN'24 down 0.25pt and DALWAN'25/26 dropped 2.5pts this morning.*

❖ Trading desk comments 交易台市场观点

Asia ex-JP space was mixed amid light flows ahead of holidays. Yesterday, HRINTH curve closed unchanged to 0.25pt higher after the announcement of further bond repurchases totaled USD163.05mn in principal amount on Wednesday night. GRWALL 30s were up 0.75pt. CCAMCL/ORIEAS papers were 5bps tighter. In Chinese bank T2s, the front end of BCHINA/ICBCAS/CCB papers were still better bid with active two-way flows. However, Chinese SOEs and Korea Corp spaces were under better selling. HAOHUA 30s widened 1-3bps. There was a wave of selling flows on Chinese TMT benchmarks. Elsewhere, the recent new issues such as BBLTB/CKHH/BOCAVI/LGENSO/INDKOR closed 1-5bps wider. HK Corp perps performed mixed. NWDEVL perps were up 0.75-1.75pts ahead of FY23 results announcement today. HYSAN/CKINF Perps were better offered. HK/Chinese properties drifted lower. SHUION 24s/25s/26s were down 1.5-2pts and YLLGSPs lowered 0.5-1pt. DALWAN/GRNCH 24s/25s fell 2-3pts. Media reported DALWAN started negotiations with pre-IPO investors to avoid the put of pre-IPO investments totaled RMB38bn in the case of Zhuhai Wanda's IPO failed to pull off by end of 2023. FUTLAN/FTLNHD 24s/25s were down 1-2pts. ROADKGs dropped another 1-3pts after falling 1-2pts on Wednesday. COGARDs declined 0.75-1.25pts. PINGRE 24-26s were again the exceptions, traded 0.5-1.5pts higher. In industrials, WESCHI 26s were 1pt lower while EHICAR 26s down 0.5pt. In Macau gaming papers, SANLTD/WYNMAC 28s/29s were down 0.5pt. Indonesian names LPKRIJ 25s/26s were 1.75pts lower.

The LGFV space had a typical quiet quarter-end session. Shandong names were better offered. The flows remained skewed to better selling. Many onshore accounts had turned to the sidelines ahead of the long holiday. We continued to see more consolidation in names that had compressed sharply since Aug. RMs were offloading bonds to lock in profit, especially on bonds with unfavourable RV versus their onshore issues after the rebound of FX/hedging costs. SOE perps were mixed with RMs selling to raise cash, but

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the front-end bonds remained easily digested. CHPWCN 4.25 Perp/CHSCOI 3.4 Perp were up 0.1-0.3pt.

❖ Last Trading Day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
NWDEVL 4 1/8 PERP	47.4	1.7	DALWAN 7 1/4 01/29/24	61.5	-3.0
PINGRE 3 1/4 06/23/25	64.6	1.4	ROADKG 7.95 PERP	20.3	-2.9
NWDEVL 5 1/4 PERP	57.7	1.1	GRNCH 4.7 04/29/25	77.5	-2.8
CWAHK 4.85 05/18/26	87.7	1.0	SHUION 6.15 08/24/24	63.6	-2.1
NWDEVL 6 1/4 PERP	48.9	0.8	SHUION 5 1/2 06/29/26	44.1	-1.9

❖ Marco News Recap 宏观新闻回顾

Macro – S&P (+0.59%), Dow (+0.35%) and Nasdaq (+0.83%) rebounded on Thursday. US 2Q23 GDP rose 2.1% qoq, same with the expectation. The latest US initial jobless claim was +204k, lower than the expectation of +215k. US pending home sales dropped 7.1% mom in Aug, below the expectation of -0.8% mom. The UST yields retreated yesterday, 2/5/10/30 yield reached at 5.04%/4.62%/4.59%/4.71%, respectively.

❖ Desk analyst comments 分析员市场观点

➤ LGFV: Guizhou may issue up to RMB170bn bonds under debt-swap program

Earlier this week, media reported that Beijing had directed 12 provincial governments with higher risk including Tianjin, Yunnan, Guizhou, Chongqing and Inner Mongolia ,etc. to report all assets can be monetized and take measures to repay debts. The debt repayment measures may include disposal of fixed assets, spending cut, rolling back of investments, and selling stakes in SOEs and LGFVs. On top of these, a bond program of RMB1.5tn (cUSD205bn) bonds will be introduced to swap the off-balance-sheet debts incurred by 12 local governments.

Inner Mongolia would be the first one to issue bonds under the swap program. It will issue three bonds with maturities between three and seven years on 9 Oct'23 to replace hidden debts totaled RMB66.3bn (cUSD9.1bn). Guizhou is likely to follow, and may receive bond issue quota up to RMB170bn (cUSD23.3bn) under the swap program to ease the debt burden. According to the official data, the total debt balance of Guizhou amounted to RMB1.2tn (cUSD171bn, ranked 11th of 31 provinces) with debt ratio at 61.8% as of Dec'22. Based on the liabilities ratio (local government debts/local GDP) at Dec'22, Jilin, Gansu, Tianjin, Yunnan may follow suit to swap hidden debts, in our view.

The Chinese Politburo meeting in Jul tabled a package of measures to defuse local government debt risk. According to the MoF, local government debts (excl. hidden debts) totaled RMB38.7tn (cUSD5.3tn) as of Aug'23, in which the local government bond has an average tenor of 9.1 years and average coupon at 3.31%.

➤ Offshore Asia New Issues (Priced)

Issuer/Guarantor	Size (USD mn)	Tenor	Coupon	Priced	Issue Rating (M/S/F)
Changde Urban Construction and Investment Group Co., Ltd	100	3yr	5.9%	5.9%	-/A+

➤ Offshore Asia New Issues (Pipeline)

Issuer/Guarantor	Currency	Size (USD mn)	Tenor	Pricing	Issue Rating (M/S/F)
Uzbekistan	USD	-	5/10yr	-	-/-

➤ News and market color

- Regarding onshore primary issuances, there were 47 credit bonds issued yesterday with an amount of RMB23bn. As for Month-to-date, 1,817 credit bonds were issued with a total amount of RMB1,596bn raised, representing a 9.8% yoy increase
- Media reported that Guizhou is set to receive up to RMB170bn (cUSD23.3bn) quota of a LGFV debt-swap program and the government is also seeking loan support from banks to ease the burden of local government. The swap is expected to be conducted around mid-Oct'23 and will be concluded by the end of 2023
- **[ADANIG]** International Holding Company, an Abu Dhabi conglomerate entered an agreement to sell stake in Adani Green Energy and Adani Transmission
- **[COGARD]** Media reported that Country Garden yet to pay cUSD40mn interest on USD bonds due on 27 Sep
- **[DALWAN]** Media reported that Dalian Wanda is in talks with investors to avoid RMB30bn repayment as Zhuhai Wanda's IPO unlikely to happen this year
- **[EVERRE]** China Evergrande Chairman Hui Ka Yan has been subject to mandatory measures in accordance with law due to suspicion of illegal crimes
- **[FRESHK]** S&P affirmed Far East Horizon BBB- long-term issuer rating and placed stable outlook
- **[RISSUN]** RiseSun received investors' approval proposal on maturity extension for USD730mn offshore bonds
- **[SOFTBK]** Media reported that SoftBank is in talks to invest more than USD1bn in OpenAI-led planned consumer venture
- **[SFXJIT]** Shaanxi Xixian New Area Fengxi Development Group issued RMB1.065bn 4.95% credit enhanced bonds due 2026
- **[YXREIT]** S&P affirmed Yuexiu REIT BBB- ratings and maintained negative outlook

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