

CMBI Credit Commentary

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

- *Markets were overall weak this morning. LGFVs were better selling and generally down 0.25pt. SOE perps stayed stable. We saw selling flows on Chinese AT1 and tier 2 bonds, only few short coverings appeared.*
- **CHIYBK:** *New USD200mn AT1 to refinance CHIYBK 5.25 PERP callable soon. We consider a YTC of low-mid 8% to be the FV. See below.*
- **FOSUNI:** *Media reported that Fosun International is in talks with banks for refinance of USD1.2bn-equivalent USD/EUR loan due-April 2023; Fosun announced to sell 60% stakes of Nanjing steel to Shagang Group for RMB16bn. FOSUNI'23/25 up 0.5pt this morning.*

❖ Trading desk comments 交易台市场观点

Yesterday, China IG space performed weaker amid vulnerable sentiment on 10y UST breaking 4% once again, with benchmarks had light two way flows skewed towards better selling. Financials space leaked 3-5bps wider amid RM/ETFs selling across sectors. AT1s notably drifted lower with bonds down 0.125-0.375pt mostly due to rates surge and RM outflows. T2s slightly widened 3-5bps on the benchmark 2-5yr duration big 5 bank papers, reflecting market still overall off-loading and not keen to chase beta. In AMCs, CCAMCLs/HRINTHs prices also down 0.5-1pt. TMTs drifted 5bps wider on the long end. IG properties showed a firm tone, with front-end broadly up 0.2-0.75pt. Among previous underperformers, VNKRLE curve was traded up 0.5-1pt. LNGFORs were also marked up 1-2pts, on the back of headlines that LNGFOR was considering to issue another CBIC-back onshore bond and to buyback bonds. GLPCHIs/GLPSPs rebounded 0.5-2pts, amid media reported that GLP told noteholders it intended to repurchase bonds. Elsewhere, CHJMAOs reversed yesterday's gains to close down 7-10pts. CHJMAO'29 dropped to low-60s from last close of low-70s. China Jinmao is set to privatize China VAST Industrial, a large-scale industrial town development company. China HY space went sideways, as ex-property outperformed whilst property still on the weaker side. COGARDs/CIFIHGs continued to drop 0.5-1.5pts across the curve. COGARD'23 was up 1.5pts as the developer announced in an investor call that it was preparing for a second CBIC-back domestic bond offering next month. GEMDAL onshore and offshore bonds stabilized a bit. Distressed names started to feel a touch more balanced at lower levels, with FUTLANs/FTLNHDs/GRNLGRs dipping 1-2pts further again. In non-property space, FOSUNIs bounced back 0.5-3pts. ANTOILs up 1pts. In non China HY, spaces were still struggling to find bid traction, though not much additional selling on the day. KHLIIN was down 11pts since the Korea Development Bank laid out KDB Life Insurance's c93%

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stake was up for sale last Friday. India names still lacking demand. FLY'24 slumped 10.5pts. S&P downgraded FLY's issuer rating to SD from 'CCC-' on below-par debt repurchases for its senior unsecured notes due October 2024.

In the LGFV/SOE Perp space, we had a super hectic day highlighted by a big wave of selling from RM in LGFVs, as the outflow-driven position cleanup accelerated as bearish sentiment towards near-term market technicals grew. Nonetheless, bonds were only 1-1.5pts lower as bids were supported not only by short covering but also incremental onshore bank buying in selective bonds as they were repriced towards 6%+, whilst yieldy short-dated papers continued to be sought after. Having said that, for weak 26s/27s LGFVs, bids could really be all over the place as the price discovery process continued. We reckon that there is room for these to go further lower given higher-beta LGFVs' 23s-25s were ~7% or above already. In fact, the all-over-the-place feeling was amplified by the many stale marks on Bloomberg - CQNANA 4.66'24 for instance triggered a Bloomberg generated alert saying it had the worst drop in over 1-year by going down 1pt though we recall in July/August it also went down 3pts from 98 to 95 within a few days. In contrast with the regional AT1s sell-off, SOE Perps were relatively quieter although flows were skewed to small better selling in general. SOE space were unchanged to 3-5bps wider though we saw fewer loose bonds came out. New issue AIA'27 (5-year, USD850mn) was priced at T+150bps but marked a wide print up to T+163bps, with macro tone turning weaker during the day. Similarly, the new INDKOR'24 was also traded heavily, gapped around +10bps from the RO at T+70bps.

➤ Last trading day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
FOSUNI 5.95 01/29/23	88.0	3.2	KHLIIN 7 1/2 PERP	80.0	-11.6
LNGFOR 3.9 04/16/23	96.7	2.2	FLY 7 10/15/24	66.2	-10.5
COGARD 4 3/4 01/17/23	73.7	1.4	CHJMAO 4 1/4 07/23/29	61.2	-10.2
GJTLIJ 8.95 06/23/26	75.4	1.3	CHJMAO 3.2 04/09/26	71.3	-7.7
FOSUNI 6.85 07/02/24	43.0	1.2	LEEMAN 5 1/2 PERP	82.6	-6.0

➤ Macro News Recap 宏观新闻回顾

Macro – U.S. stock markets turned down after several rebound on Wednesday. The S&P (-0.67%), Dow (-0.33%) and Nasdaq (-0.85%) down with markets' worry about incoming recession in next 12 months. USD/RMB broke through previous peak as 7.27, US dollar index closed at 113 yesterday. The U.K. September CPI was published as +10.1% yoy. U.S. treasury yields rose to the highest level since 2008, yield curves were bearish that the 2/5/10/30 yields reached 4.55%/4.35%/4.14%/4.15%, respectively.

➤ Desk analyst comments 分析员市场观点

➤ CHIYBK: low-mid 8% should be the FV for the new AT1

Chiyu Bank mandated to issue new AT1 for refinancing. The bank currently has one AT1 CHIYBK 5.25 PERP (Px 99.3pts and Mid-YTC 12.5%) callable on 29 Nov'22 with USD250mn outstanding. The coupon reset formula, which would take effect if the bank elects not to call the existing AT1, would reset the coupon at 7.5% (H15T5Y+3.15%). The new issue was priced at 8% with USD200mn scale today. We think YTC of low-mid 8% price to be fair by comparing with NANYAN 6.5 PERP priced on 21 Apr'22 and the weaker shareholding of CHIYU.

	Comparable	CHIYBK New AT1
Name	NANYAN 6.5 PERP	-
Issuer Rating (M/S/F)	A3/-/BBB+	Baa1/-/-
5yr Treasury of issue day(%)	2.96	4.35
Current G-Sprd	375	365
IPG(%)	6.7	8.0
FPG(%)	6.5	8.0
Current YTC(%)	8.3	8.0

➤ Offshore Asia New Issues (Priced)

Issuer/Guarantor	Size (USD mn)	Tenor	Coupon	Yield	Issue Rating (M/S/F)
Zhenjiang Transportation Industry Group Co., Ltd.	USD162.5	3yr	6.9%	6.9%	-/-/-
Chiyu Banking Corporation Limited	USD200	PNC5	8.0%	8.0%	-/-/-

➤ Offshore Asia New Issues (Pipeline)

Issuer/Guarantor	Currency	Size (USD mn)	Tenor	Pricing	Issue Rating (M/S/F)
Orient ZhiSheng Limited	USD	-	3yr	T+105	Baa2/-/-

➤ News and market color

- Regarding onshore primary issuances, there were 105 credit bonds issued yesterday with an amount of RMB87bn. As for Month-to-date, 630 credit bonds were issued with a total amount of RMB708bn raised, representing a 20.4% yoy increase
- [BUMIJ]** Bumi Resources successfully implement USD1.6bn private share placement
- [EHOUSE]** E-House further delays release of FY21 and 1H22 financial reports to 21 November
- [FOSUNI]** Media reported that Fosun International is in talks with banks for refinance of USD1.2bn-equivalnet USD/EUR loan due-April 2023; The company announced to sell 60% stakes of Nanjing steel to Shagang Group for RMB16bn
- [FRESHK]** Far East Horizon failed to resale of RMB1.9bn 20Yuandongqi onshore bonds and cancelled them; The company schedules 21Yuandongjiu bond put option exercise on 21-25 October
- [GRNCH]** Greentown unit schedules put option exercise for 19Lvcheng02 (o/s RMB1bn) bonds on 19-21 October
- [HAIDIL]** Haidilao to accept USD240.3mn of HAIDIL 2.15 01/14/26 (o/s USD600mn) for purchase under tender offer

- **[HLBCNH]** Helenbergh China announced consent solicitation for HLBCNH 11 10/08/23 (o/s USD270mn) following missing interest payment
- **[JIAYUA]** Jiayuan further extends deadline on exchange offer and consent solicitation to 26 October
- **[PWRLNG]** Media reported that Powerlong paid 5% principal on due-2024s under July's exchange deal
- **[RSMACA]** Media reported that Red Star Macalline proposed to extend the put for its RMB1bn onshore bonds 17Hongxing02 by one year

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