

CMBI Credit Commentary

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

- *Markets were watchful this morning as the effects of RRR cut is unclear yet. The macro was relatively weaker compared to last 2-3 weeks. Property sector names were overall down this morning after last week's rebound.*
- **Macau Gaming:** *Status quo to remain, eyes on capex commitment. Macau gaming bonds overall rose 1-3pts this morning. These bonds up 6-20pts since end of Oct'22. See below from comments.*
- *Media reported PBOC plans to offer cheap loans to financial institutions to buy bonds issued by property developers. COGARD down -7.5 to -4pts and LNGFOR down -3.5 to -2.5pts, VNKRL/YUEXIU/AGILE were relatively stable and moved -0.5 to +0.5pt this morning.*

❖ **Trading desk comments 交易平台市场观点**

Yesterday, Last Friday, China IG space finished the week on a firm footing with better buying across the board. Financials space on average tightened 5-15bps with AMCs outperformed again. CCAMCL/ORIEAS benchmarks tightened 10-20bps. T2s/leasing closed 3-5bps in general. BNKEA T2 was noticeably ~20bps tighter. TMTs were 2-5bps tighter though on a lighter than usual volume. MEITUA curve rebounded 1-2.5pts amid higher-than-expected 3Q22 earnings. MEITUA '30 cash price was marked 2.5pts higher at 70 level and TENCNT curve tightened another 3-7bps to close 20-30bps tighter WoW. Other BBB- tech names LENOVO/XIAOMI were under better buying flows. IG properties had a risk-on session with bonds trading another 3-5pts higher, as property quality names continued the rally after receiving support from six state banks. LNGFORs jumped 3.5-5.5pts and VNKRLs were traded up 0.5-1.5pts amid support of credit lines. GEMDAL '24 was traded up 7pts on the day to close at 72/77 level. China HY space had a very firm session on the expectation a reserve requirement ratio (RRR) cut of 25bps (the cut was announced close to Fri close). Before close Reuters also reported PBOC planned to offer cheap loans to financial companies for buying bonds issued by property developers. COGARDs notably soared 12-20pts, with 23s trading up to 97 level and 31s up to 40 level. FUTLANs/FTLNHDs were up 3.5-8.5pts. GRNCH 25s were traded up 5pts to end at mid-80s. Elsewhere, beaten names CSCHCNs/CHINSCs roughly closed 1.5-5pts higher amid buoyed sentiment. CIFIHGs gained 1pt after the company registered for RMB15mn onshore bond issuance quota Thursday. AGILEs/ROADKGs also bounced 2-4.5pts. In industrial space, FOSUNI 23s turned a bit quiet with levels unchanged, though FOSUNI 25-27s still moved up 2-3pts to be quoted between high-40s to mid-50s. HONGQI 23s were marked up 0.5pt at 98.75/100.25 level. PRLHOLs were traded down 2-7pts. Prior to the Macau gaming license release on Saturday, MGMCHIs/SANLTDs were up 1-2.5pts. MPELs/STCITYs were traded 2-3.5pts higher to fluctuate from mid-60s to mid-70s. Away from China, Indian corps like ADANIG/RILIN were 15-50bps tighter under better buying flows. Indonesian quasi-sovereign papers like PERTIJs/PLNIJs were generally up 0.25-0.375pts.

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The LGFV/SOE Perp/AT1 space had quiet Friday as market tone after Thanksgiving was a bit laid-back. That said, the sentiment and price action remained strong amid deployment flows and short covering into year-end. SOE Perps and better-yielding AT1s in the likes of CINDBK/CHOHIN remained sought after by Chinese AM and prop desks, as offloading flows into rally slowed down on the other hand. AT1s sector slightly outperformed by closing 0.25-0.5pt higher, amid market expected a slower rate hike of 50bps in Dec. CINDBK 4.8 Perp was notably traded up 2pts to be indicated at 92 level, 4pts higher WoW. ICBCAS 3.2 Perp was up 0.25pt on Friday, and 0.5pt higher over the week. In SOEs overall, high-beta names HAOHUA/SINOCH were traded about 5-10bps tighter again, reaching 50-80bps tighter on the long-end than last week close, whilst low-beta names were largely unchanged. SOE spreads were generally overall 2-3bps tighter on the day and stalled out amid balanced flows from here. LGFV papers followed the bullish tone with better buying from RM. We saw some cross-border demand in 2-3y papers yielding high-single-digit at low-90s, as some other beaten names CNSHAN/ SDEXPR/ SHUGRP tried to bounce back 1-2pts. Flow wise, client demand slightly shifted from high-cash short-end papers to lower-cash belly papers.

❖ Last Trading Day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
COGARD 5 1/8 01/14/27	48.7	20.2	PRLHOL 9 1/2 12/11/22	74.3	-7.1
COGARD 2.7 07/12/26	50.7	19.6	ZHHFGR 4 1/4 07/03/24	79.7	-5.1
COGARD 5 5/8 01/14/30	41.5	16.8	CARINC 9 3/4 03/31/24	78.7	-4.1
COGARD 3.3 01/12/31	41.3	16.5	ZENENT 12 1/2 04/23/24	57.5	-2.9
COGARD 4.2 02/06/26	52.1	16.3	CCAMCL 5 02/08/48	63.4	-2.7

❖ Macro News Recap 宏观新闻回顾

Macro – U.S. stock markets were weak on last Friday, while the S&P (-0.03%), Dow (+0.45%) and Nasdaq (-0.52%) rose in a week basis. There are some noteworthy data will be published in this week such as U.S PCE on Thursday and NFP on Friday. PBOC announced to cut reserve requirement ratio by 25 basis points, effective on 5 Dec. The long term U.S. treasury yields slightly down on last trading day and 2/5/10/30 yields reached 4.42%/3.85%/3.68%/3.74%, respectively.

❖ Desk analyst comments 分析员市场观点

➤ Macau Gaming: Status quo to remain, eyes on capex commitment

Over the weekend, the Macao government announced the provisional results of open bidding for casino concessions. The 6 incumbents: MGM, Galaxy, Sands China (i.e. Venetian Macau), Melco, Wynn and SJM were granted casino concessions on a provisional basis. The final terms and conditions of the gaming concession contracts will be subject to further discussions with the Macao government. Genting was missed out from the selection. The bidding results are credit positive to the Macao gaming sector as these have removed the major overhang for existing operators which faced a binary scenario in the license renewal process. The Macao gaming bonds rose 1-3pts this morning and 6-20pts since 31 Oct'22.

The results do not surprise us as maintaining the status quo is our base, partly because of the very tight timetable, and partly because the renewal will have the lowest impact, economically and politically, to Macau. As we have been arguing, we do not believe that the operators with US investors are more exposed to the license renewal risk under the current geo-political environment. We indeed see the strong incentive for the Chinese government in vying the support from the US business sector which is an influential political bloc. See [our comments on 29 Jun'22](#).

The final concession contracts will be signed by the end of 2022 and the new concessions will be effective from 1 Jan'23. Over the coming few weeks, the attention should be turned to the 6 provisional concessionaires' negotiations with the Macao government, especially on the capex commitment, as well as any potential JV with Genting. As per media reported, MGM received the highest score in the bidding process, followed by Galaxy, Sands, Melco and Wynn. SJM's proposal received the lowest score. We understand that the highest weighting in the evaluation of the tender proposals was on the non-gaming activities proposed by the bidders. Hence, our interpretation is that the capex commitment on non-gaming activities for the new concession period are in the ascending order of SJM<Wynn<Melco<Sands<Galaxy<MGM. This order is largely in line with our preference for the sector: SJMHOL>STCITY>WYNMAC>MPEL. We maintain that our top picks of the Macao gaming sector to be SJMHOLs, on the expectation that Macau will continue to relax its quarantine policies despite the path to re-opening could be back-and-forth given the occasional outbreak here and there.

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

Issuer/Guarantor	Size (USD mn)	Tenor	Coupon	Yield	Issue Rating (M/S/F)
China Reform Holdings Corporation LTD	USD550	3yr	6.3%	6.3%	-/-/-
ITG Holding Investment (HK) Limited	USD200	364d	6.5%	6.5%	-/-/-
Gaoxin International Investment Co., Ltd	USD100	3yr	7.5%	7.5%	-/-/-
Guilin ETDZ Investment Holding Co., Ltd.	USD40	3yr	6.8%	6.8%	-/-/-

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

Issuer/Guarantor	Currency	Size (USD mn)	Tenor	Pricing	Issue Rating (M/S/F)
Jingfa Overseas Investment Company Limited	USD	-	-	7.5%	-/-/-
Bank of China, Dubai branch	USD	-	3yr	T+100	A1/A/A

➤ **News and market color**

- Regarding onshore primary issuances, there were 70 credit bonds issued on last Friday with an amount of RMB70bn. As for Month-to-date, 1174 credit bonds were issued with a total amount of RMB1,286bn raised, representing a 35.1% yoy decrease
- **[AZUPOE]** Azure tells lenders it aims to publish delayed audited results by mid-Dec and will not seek additional reporting extensions
- **[BUMMIJ]** Bumi Resources to implement non-preemptive private placement of 27.47bn shares at IDR 50 apiece on 2 Dec'22 to raise cUSD87.44mn
- **[COGARD]** COGARD obtained over RMB150bn credit line from three banks
- **[DEXICN]** Dexin China extends consent fee deadline for 9.95% senior notes due exchange offer to 30 Nov'22
- **[EVERRE]** China Evergrande sells headquarters land plot in Shenzhen for RMB7.54bn

- **[FANHAI]** Oceanwide seeks to defer payment for USD210.2mn offshore bonds to 23 May'23, the payment were extended from its original payment date of 23 Nov'21
- **[GEMDAL]** Gemdale unit repurchased RMB190.25mn (cUSD26.54mn) onshore bonds as the prices deviated from their valuation. The unit proposed RMB1bn (cUSD139.6mn) in total.
- **[HPDLF]** S&P affirmed Hopson's B rating and changed the outlook to negative from stable on weakening sales
- **[INDYIJ]** Indika completes USD160mn contingent payment to Samtan resulting from the extension of Kideco's mining license
- **[MOLAND]** Modern Land to further extension of longstop date in accordance with terms of scheme, RSA to 2 Dec'22
- **[PWRLNG]** Powerlong aims to make missed USD15.9mn bond interest payment within grace period
- **[SUNSHI]** Yango failed to make payment on overdue RMB43.63bn (cUSD6.09bn) of debts, including USD1.02bn offshore bonds and RMB17.6bn onshore bonds
- **[ZHHFGR]** Zhuhai Huafa Properties unit agrees to buy Huajin Investment from Hong Kong Huafa Investment for RMB437.35mn; The company plans to offer up to RMB10bn MTNs to boost working capital
- **[ZYAMCL]** Zhongyuan Asset Management to issue USD110mn 7.5% guaranteed notes due 2024

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