

CMBI Credit Commentary

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

- *Flows were active with improved sentiment this morning. Front-end LGFVs were under better buying. IG property names stabilized from last week's drop with two way balanced flows.*
- **VNKRLE:** *Weak 3Q23 results with adequate liquidity profile. VNKRLEs down 6-14pts in last week and moved -1.75 to +0.5pt this morning. See below.*
- **China Property:** *China to increase affordable housing across the country. See below.*

❖ Trading desk comments 交易台市场观点

Last Friday, overnight UST 10yr yield tightened 12bps to 4.86%. Asia ex JP IG space was stable. Chinese SOE/TMT benchmarks were unchanged to 1bp tighter and flows were light. The high-beta TMTs WB/XIAOMI 30s tightened 1-4bps. In financials, Chinese bank T2/leasing papers remained under better selling. ICBCAS/CDBFLC 29-30s widened 2-3bps. AMCs were firm after HRINTH's announcement of another round of bond repurchases. HRINTH/GRWALL 27-30s were traded 0.3pt higher (5-15bps tighter). CCAMCL/ORIEAS 27-30s tightened 3-7bps. Chinese AT1s ICBCAS 3.58 Perp/BCHINA 3.6 Perp were up 0.1-0.2pts. In Korea space, the recent new LGSENSO 26/28 widened 3bps. In HK Corp space, CKINF 4.2 Perp lowered 2.5pts. CKPH 3.5 Perp/NWDEVL 4.8 Perp were 0.3-0.9pt lower. HK/Chinese properties were mixed. SHUION/YLLGSP 24-26s were down 0.8-1pt. LASUDE '26 dropped 3.2pts. RDHGCL '24 plunged 6.6pts. VNKRLE slumped another 1.6-4.7pts after falling 3.5-5.5pts last Thursday, despite some PBs buying at the dip on VNKRLE 5.35 '24. DALWAN 24-26s declined 2.4-3.2pts. COGO '26 remained better offered and was down 1pt. LNGFOR 28-32s were down 0.5-1pt. On the other hand, ROADKG 25s were 1.3-3pts higher. GEMDAL/CHJMAO 24-26s were 0.8-2.2pts higher. In industrials, EHICAR 24/26 were up 0.2-0.6pt. In the Macau gaming names, MPEL/SANLTD 26-31s were 0.2-0.5pt higher. Indian space was quiet. VEDLN '24/ADTIN '26 were up 0.4-0.6pt. Indonesian names LMRTSP '24/LPKRIJ '26 were up 0.3-1pt. Elsewhere, GLPCHI 24/26 were 1-1.1pts higher.

In LGFVs, we saw active two-way in the range of 99.5-99.9 range (RO 99.941) for new ZHANLO '26. Meanwhile we also saw buyers on this name switching out of ZHANLO 23/25 to make room for its 26s. The 7-8% yielding LGFVs performed mixed. GZINFU '26/HKIQCL '25 were up 0.1pt, whilst QDJZWD '24 were down 0.4pt. The higher-yielding Chongqing/Shandong names were under better selling. CQNANA 4.5 '26 edged down 1.1pts. SHDOIS '24/SHGUOH '26 were 0.1-0.2pt lower. KMRLGP '24 closed 1.4pts higher. Over the weekend, Moody's withdrew the Ba1 ratings of Kunming Rail

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Transit due to insufficient information. Elsewhere, CPDEV 26/Perp were up 0.4-0.7pt. In SOE perps, HUADIA 3.375 Perp/CHPWCN 4.25 Perp were down 0.2pt. The insurer names SUNSHG/ZHONAN 26s declined 0.3-1pt.

❖ Last Trading Day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
ROADKG 5.9 03/05/25	58.4	3.0	RDHGCL 7.8 03/20/24	51.5	-6.6
CHJMAO 3.2 04/09/26	76.2	2.2	VNKRLE 3.15 05/12/25	59.0	-4.7
KMRLGP 3.9 12/12/24	89.1	1.4	LASUDE 5 07/28/26	45.7	-3.2
ROADKG 6 09/04/25	46.1	1.3	DALWAN 7 1/4 01/29/24	53.0	-3.2
GLPCHI 2.95 03/29/26	51.7	1.1	VNKRLE 3 1/2 11/12/29	39.0	-2.6

❖ Marco News Recap 宏观新闻回顾

Macro – S&P (-0.48%), Dow (-1.12%) and Nasdaq (+0.38%) were mixed on last Friday. US Sep core PCE index was +3.7% yoy, down from +3.8% yoy in Aug and same with the expectation. China NBS published 9M23 profit of industrial enterprises above designated size that the profits decreased 9.0% yoy, improved from -11.7% yoy in 8M23. The UST yields were stable on last Friday, 2/5/10/30 yield reached 4.99%/4.76%/4.84%/5.03%, respectively.

❖ Desk analyst comments 分析员市场观点

➤ VNKRLE: Weaker 3Q23 results with adequate liquidity profile

RMB bn	9M23	9M22	yoy change
Revenue	290.3	337.7	-14.0%
Profit attributable to shareholders	13.6	17.1	-20.3%
Gross margin	18.5%	20.7%	-

Source: Bloomberg.

In 3Q23, Vanke's revenue decreased 31.6% yoy to RMB89.4bn and the profit attributable to shareholders declined 22.5% yoy to RMB3.75bn. In 9M23, Vanke's revenue was down 14.0% yoy to RMB290.3bn and the profit attributable to shareholders dropped 20.3% yoy to RMB13.6bn. By segment, revenue from property development down 17.4% yoy to RMB244.2bn in 9M23 and gross profit margin narrowed to 18.5% from 20.7% in 9M22. In 9M23, revenue from logistics and warehousing services, rental housing and retail property increased 14.8%, 9.4% and 5.2% yoy to RMB2.98bn, RMB2.53bn and RMB6.58bn, respectively. The stronger operating performance of non-property development operations were more than offset by the weak operating performance of property developments. In 9M23, property developments contributed 84.1% of Vanke's revenue. In 9M23, Vanke's contracted sales amount decreased 10.8% yoy to RMB280.6bn, ranked 9th of 34 developers under our radar by 9M23 contracted sales yoy growth.

RMB bn	Sep'23	Jun'23	Dec'22
Total cash	103.7	122.2	137.2
ST debts	51.1	49.0	68.1
LT debts	296.3	296.9	271.7

Total debts	347.4	345.9	339.7
Net debts	243.7	223.8	202.5
3 red-lines	Green	Green	Green

Source: Bloomberg.

As of 30 Sep'23, Vanke had RMB101.2bn unrestricted cash on hand, compared with RMB119.7bn in Jun'23 and RMB134.4bn in Dec'22, its net debts (debts minus total cash on hand) increased to RMB243.7bn from RMB223.8bn in Jun'23 and RMB202.5bn in Dec'22. In Sep'23, Vanke's net gearing ratio was 53.9%, increased from 43.7% in Dec'22 while short-term debts decreased to RMB51.1bn in Sep'23 from RMB68.1bn in Dec'22. On the other hand, Vanke's financing cost of new debts in 9M23 was 3.64%, including two 3yr onshore notes totaled RMB4bn at weighted average cost of 3.085%, lower than 4.06% comprehensive financing cost in FY22. We consider Vanke liquidity profile adequate given its adequate internal resources and low-cost onshore funding channels. VNKRLs down 6-14pts last week and moved -1.75 to +0.5pt this morning.

Security Name	Rating (M/S/F)	Amt Out (USD mn)	Ask Price	YTM (Ask,%)	Mod Duration
VNKRLE 5.35 03/11/24	Baa2/BBB/BBB	630	92.1	29.2	0.3
VNKRLE 4.2 06/07/24	Baa2/BBB/BBB	600	85.0	33.7	0.5
VNKRLE 3.15 05/12/25	Baa2/BBB/BBB	423	69.6	29.2	1.3
VNKRLE 3.975 11/09/27	Baa2/BBB/BBB	1,000	54.5	21.4	3.2
VNKRLE 3 ½ 11/12/29	Baa2/BBB/BBB	300	45.4	19.2	4.5
Total		2,953			

Source: Bloomberg.

➤ China Property: China to increase affordable housing across the country

Onshore media reported China will release new policies to build more affordable housing across the country. The official document, "Guidance No.14", was issued by the State Council on 1 Sep, requiring the Ministry of Housing and Construction, NDRC, MoF, Ministry of Natural Resources, PBOC and NFRA to coordinate. Local governments will be responsible for land supply and the construction of the ancillary facilities, but could not fund the affordable housing projects with hidden debts. The affordable housing will be priced on a cost-plus model.

Large cities with more than 3mn population will be prioritized to implement the new policies. There are 35 cities with more than 3mn population including Shanghai, Beijing, Shenzhen, Chongqing, Guangzhou, Chengdu, Tianjin, and Wuhan. Moreover, "Guidance No.14" also suggests to acquire the private housings and convert these into affordable housings in cities with abundant private housing supply. This could help to recycle the unfinished yet unsold projects from the property developers, and allow the developers to focus on delivering projects already pre-sold. We saw some improvement in market sentiment since Sep'23 with more relaxation in higher tier cities. That said, the pace of recovery remains slow.

➤ 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)
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Korea Investment & Securities

USD

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3yr

T+260

Baa2/BBB/-

➤ News and market color

- Regarding onshore primary issuances, there were 87 credit bonds issued last Friday with an amount of RMB92bn. As for Month-to-date, 1,248 credit bonds were issued with a total amount of RMB1,366bn raised, representing a 1.6% yoy decrease
- **[CHINEV]** China Everbright completed redemption of USD300mn senior perps
- **[INGPHL]** Fitch affirmed India Green Power Holdings' USD460mn senior secured notes at BB- and placed stable outlook
- **[INGREN]** Fitch affirmed India Green Energy Holdings' USD325mn senior secured notes at BB- and placed stable outlook
- **[LYURBN]** Linyi City Construction Investment issued RMB1.5bn three-year MTNs to repay debts
- **[LZDCID]** Guangxi Liuzhou Dongcheng Investment Development proposes to offer up to RMB890mn three-year MTNs to repay debts
- **[RSMACA]** Red Star Macalline proposes to offer up to RMB4bn asset-backed securities
- **[SDEXPR]** Shandong Hi-Speed Group issues RMB2bn three-year MTNs with 3.2% coupon rate to repay debts, boost working capital
- **[SINOCE]** Media reported that Sino-Ocean ad hoc USD noteholder group selects Haitong, Linklaters to advise on restructuring talks
- **[SLSCCI]** Chengdu Airport Xingcheng Investment proposes to offer up to RMB1bn five-year MTNs to repay debts
- **[YGCZCH]** Shandong Energy issued RMB3bn corporate bonds consist of RMB2.5bn 5yr tranche with 3.55% coupon and RMB500mn 10yr tranche with 3.89% coupon to repay debts
- **[YNPOWE]** Yunnan Provincial Energy Investment issued RMB1.5bn MTNs with 4.23% coupon to repay debts
- **[YUNINV]** Yunnan Provincial Investment issued RMB1bn 370d corporate bonds with 4% coupon to repay debts

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