

CMBI Credit Commentary

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

- *Overall light flows in markets with Singapore out, but sentiment remained weak in line with macro this morning. SOE PERPs were weaker than previous day led by CNBG/HAOHUA; LGFVs were better selling in 25s/26s papers.*
- **China Policy:** *The CPC unveils new leaders for China. See below for comments from our economic research.*
- **GRNLGR:** *Prices plunged post syndicated loan instalment miss. See below.*

❖ Trading desk comments 交易台市场观点

Last Friday, China IG space overall continued to see outsized selling. Liquidity was extremely limited, when we kept seeing RM outflows in the absence of buyers. Financials space had a grim session with AMCs showed sustained selling. CCAMCL Perps were traded as much as 3.5pts lower on the day, while GRWALLs/HRINTHs were broadly down 0.5-2pts. AT1s space ended a touch lower as selling returned to the space noting their rich valuation against SOE Perps and regional AT1s. ICBCAS 3.2/3.8 Perps were both traded down 50c-1pt amid rates and technical weakness. T2s faced a worsening outlook as bids were all over the place, with real two-way levels 0.625-1pt below screen marks for several papers. TMTs underperformed to close another 10bps wider. TENCNT 30s/BABA 31s were traded down to T+260/T+220 level respectively. In properties, media reported the developer has not yet paid the second instalment due-15 October on its extended originally USD300mn syndicated loan. GRNLGR due-November 2022s were once indicated in the low-50s, before bouncing back to 75 area in the PM session. GRNLGR'23 slumped 17pts despite the firm informally said to cure "soon" the missed syndicated loan instalment payment, while rest of the GRNLGRs fell 9-12pts across the curve. IG property benchmarks took a hit as a result. LNGFORs/SINOCEs notably fell 1.5-4pts. CHJMAOs/VNKRLEs lowered 0.5-1.5pts across the curve. China HY space was broadly down 0.5-2pts amid the fragile sentiment as 20th Party Congress did not really help on the market confidence. CIFIHGAs were further down 0.25-0.5pt to 10-cents amid trust product concerns. COGARDs were 1-2pts lower. Elsewhere, KWGPROs were 1-3pts higher. HK properties were mixed with CKPFIN'26/CPDEV'25 up 1-2pts. Industrials were unchanged whilst gaming continued to tend lower and marked down 0.5-2pts on the session. Ex-China HYs slid lower again on the day across the board, and flows remained better offered. Indonesian HYs performed weaker at lower levels, except the energy

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giant ABMMIJ'26 was up 1.5pts after the coal miner announced a tender offer for up to USD40mn principal of the notes. Indian HYs were lackluster as demand remained nowhere to be found. VEDLNs/GRNKENS were unchanged to 0.5pt lower.

The LGFV/SOE Perps space had another hectic day as bonds moved another leg lower amid relentless selling from not only global RM but also some offshore Chinese RM because of rising rates. CQNANA 4.66 '24 were stable ~96 where two-way flows were traded, but the rest of LGFV space generally dropped 0.25-0.5pt as onshore buyers promptly retreated their targets to north of 6%. LGFV 3-year papers remained better selling as usual as the market had no care to add duration when UST yields kept rising and the downbeat re-pricing was yet to be done. On the other hand, though SOE Perps remained fairly steady in absence of a large selling wave, and as such dip buying and short covering interests gradually emerged. Overall, low-beta SOEs were unchanged, whilst high beta HAOHUA curve widened 5bps. In LGFVs, we saw two way active flows on select names like ZGCINT/SHGUOH when client demand limited to these short-dated papers.

➤ Last trading day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
HRINTH 3 5/8 09/30/30	60.5	2.3	GRNLGR 6 1/8 04/22/23	23.6	-17.1
CKPFIN 1 3/8 06/30/26	87.6	1.9	GRNLGR 6 3/4 09/26/23	19.3	-12.3
TENCNT 3.595 01/19/28	88.1	1.4	GRNLGR 5 7/8 07/03/24	18.3	-11.6
ABMMIJ 9 1/2 08/05/26	86.9	1.3	GRNLGR 7 1/4 01/22/25	18.8	-10.8
CPDEV 3.85 07/14/25	68.8	1.1	GRNLGR 5.9 02/12/23	41.0	-10.4

➤ Macro News Recap 宏观新闻回顾

Macro – U.S. stock markets rebounded on last Friday. The S&P (+2.37%), Dow (+2.47%) and Nasdaq (+2.31%) bounced as Fed officials said to discuss easing the pace of interest hike in Nov FOMC. The mortgage rate of first house has dropped to lower than 4% in more than 10 major cities of China, according to Beike's data. The U.S. treasury yields were overall down expect 20/30yr yields. The yield curves bull steepened that the 2/5/10/30 yields reached 4.49%/4.34%/4.21%/4.33%, respectively.

➤ Desk analyst comments 分析员市场观点

➤ China Policy: The CPC unveils new leaders for China

The Communist Party of China (CPC) has unveiled new leaders for China as the leadership list should be a surprise to the market. The new team should have closer relationship and better execution efficiency. The leadership reshuffle indicates emphasis on technology innovation & independence, security and Taiwan issue. More officials with a strong science & technology background and in Eastern Theatre have been promoted to the leader team. There will also be a leadership reshuffle in the financial system with more emphasis on support to manufacturing sector & technology innovation. . Chinese leaders will focus on four tasks in next five years: striving for victory in the tech battle with the US, making the best preparations for the worst case scenario in Taiwan issue, boosting high-quality development and common prosperity and improving the leadership and governance ability of the CPC with continuing anti-corruption. In the medium term, high-end manufacturing, technology, cyber security, military industry, consumer staples, durables and basic services will benefit from the policy. The emergence of the new leadership should reduce political and policy uncertainty for the market. However, investors may react negatively in near term due to concerns about zero covid policy, Sino-US tensions and uncertainty in the path of China's reform and opening up. The political reshuffle may have a short-term impact on the market through the sentiment or confidence channel. It should take longer time to see its impact on economic fundamentals.

The CPC unveils new leaders for China. The CPC named 7 standing committee members and 24 members (including 7 standing committee members) for the politburo as well as 205 members and 171 members for CPC Central Committee. Xi Jinping has been named General Secretary of the 20th Central Committee of the CPC and Chairman of the CPC Central Military Commission. He has also led the standing committee of the politburo. Other six standing committee members include Li Qiang, Zhao Leji, Wang Huning, Cai Qi, Ding Xuexiang and Lixi. Li Qiang, Xi's former chief of staff and the current Shanghai party chief, is likely to be the next premier after Li Keqiang. Zhao Leji, currently in charge of anti-corruption affairs, is likely to be Head of the National People's Congress. Wang Huning, leading the party's Central Secretariat, may become Head of the advisory Chinese People's Political Consultative Conference. Caiqi, the party secretary of Beijing, should be Head of the Central Secretariat in charge of ideology and day-to-day party affairs. Ding Xuexiang, Xi's chief of staff, is likely to be Executive vice premier of the state council overseeing macro economies, fiscal system, state-owned assets, development & reform, housing market and so on. Li Xi, provincial party chief of Guangdong, is expected to be responsible for anti-corruption affairs. Based on the above outcome, the CPC is expected to propose a list of new leaders for the nation to the National People's Congress in February 2023. The NPC will review the list and approve it at its annual session in early March 2023. The new team of leaders should have closer relationship and better execution efficiency.

Possible leadership reshuffle in the financial system. He Lifeng, Head of the central planning agency, is likely to take Liu He's position as the vice premier overseeing financial system, industrial & commercial regulation, foreign trade and other affairs. As a close associate to President Xi, he will be the top economic advisor for the party. Central bank governor Yi Gang and banking regulator Guo Shuqing exited the party's leadership group, indicating that they are likely to retire from their current positions. Yi Huiman and Yin Yong, two members of the 20th CPC Central Committee, are seen as candidates to replace Guo Shuqing and Yi Gang next year. Yi Huiman is head of China's securities market watchdog with political achievements including the launch of a new Nasdaq-style board for high-tech listings in Shanghai and trials of the registration-based IPO system to support capital financing for growth companies. Yin Yong is vice party chief for Beijing municipal government as he used to work in the PBOC as a deputy governor. His achievement included the launch of Beijing Stock Exchange to support innovated small growth companies. There will also a leadership reshuffle in China's state-owned banks as some new names have replace the old ones in the alternative member list for the CPC central committee.

Key tasks for China's new leaders and policy implications. We believe Chinese leaders focus on four key tasks in next five years. First is to make good preparations for US sanctions and to strive for victory in the technology war with the US. China will accelerate technology innovation & independence. We note more leaders with a strong science & technology background have been promoted to the upper echelon of the CPC. At least six new politburo members boast qualifications in science and technology fields. 24 members and alternative members have background in aviation, aerospace & military industry while 19 have qualifications in machinery, electronics, computer and telecom. High-end manufacturing, technology innovation & independence, cyber security and related sectors will get more fiscal, tax and credit policy support in future. Second is to make good preparations for the worse scenario of Taiwan issue. China's reshuffle in the military leadership sends clear signal on Taiwan focus. Former Eastern Theatre Command head He Weidong becomes second-ranked vice chairman of the Central Military Committee. Military industry will benefit from more supportive policies. Third is to boost inclusive development and common prosperity to benefit all groups of people. Staples, consumer discretionary and basic education, medical & healthcare services will benefit from the expansion of the middle classes. Last is to improve the leadership and governance ability of the CPC with continuing anti-corruption.

Implications for the market. The outcome of the political reshuffle seems a surprise to the market. The emergence of the new leadership should reduce political and policy uncertainty for the market. However, investors may react negatively in near term due to three concerns. Firstly, China may maintain its zero covid policy in the foreseeable future. Secondly, Sino-US tensions especially over Taiwan issue may increase in future. Thirdly, uncertainty in China's reform and opening up may increase in future. The political reshuffle may have a

short-term impact on the market through the sentiment or confidence channel. It should take longer time to see its impact on economic fundamentals.

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➤ GRNLGR: Prices plunged post syndicated loan instalment miss

Greenland plunged last Friday post non-payment of its second instalment for its syndicated loan due 20 Oct, i.e. expiry of grace period. The USD300mn loan originally due on 15 Aug and extended for 6 months, which included upfront payment of 20% and the rest with monthly instalment over 6 months, a project in Beijing was also added as collateral to back the previously unsecured facility. The company has made 20% upfront payment already, and also 15% instalment on 15 Sep.

The company will have USD370mn and USD70.6mn notes due in Nov'22 and Dec'22 respectively. Media reported that Greenland plans to cure its instalment-payment miss of USD300mn syndicated loan and will try to timely redemption USD370mn GRNLGR 5.6 11/13/22, at its best efforts. The company had cash and cash equivalent of RMB47.2bn (cUSD6.5bn) at Jun'22.

On top of the two offshore notes mentioned above, Greenland would need additional liquidity injected to deal with the redemptions of due-23 notes. The repayment risk of the company remains high. GRNLGRs 23-25s dropped 10-17pts, in which due-Apr'23 dropped most significantly by 17pts.

➤ Offshore Asia New Issues (Priced)

Issuer/Guarantor	Size (USD mn)	Tenor	Coupon	Yield	Issue Rating (M/S/F)
Longkou Urban Rural	USD110	3yr	7.0%	7.0%	-/-/-

➤ 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 58 credit bonds issued last Friday with an amount of RMB55bn. As for Month-to-date, 780 credit bonds were issued with a total amount of RMB890bn raised, representing a 11.4% yoy increase
- NBS published 3Q22 GDP data that economy increased 3.0% yoy in 9M22 and 3.9% in Q3 quarter-on-quarter; CPI up 2.0% yoy in 9M22 and 2.6% in Q3 quarter-on-quarter
- [CHINSC]** S&P downgraded China SCE to CCC+ then the ratings were withdrawn at company's request
- [CHIOLI]** China Overseas Land & Investment announced to issue RMB1bn T5 MTNs for 2022
- [DALWAN]** Dalian Wanda Commercial Management 20Wanda03 bondholders exercised RMB2.5bn put option, the company plans to resell RMB2.17bn bonds and cancel RMB0.33bn bonds

- **[FOSUNI]** Fosun International announced to end rating cooperation with Moody's
- **[HAIDIL]** Haidilao accepted and purchased USD240.3mn of HAIDIL 2.15 01/14/26, the outstanding principal amount is USD298.98mn
- **[LNGFOR]** Media reported that Longfor fully paid all outstanding on HKD3.85bn due-Jan 2023 revolving credit facility
- **[RSMACA]** Red Star Macalline 20Hongmei03 (o/s RMB500mn) bondholders exercised RMB470mn put option, the company will cancel the sold back bonds
- **[SUNSHI]** The controlling shareholder of Yango Group, Fujian Sunshine Group failed to make interest payment for its two debt financing plans on schedule
- **[TYLCDI]** Moody's affirmed Taiyuan Longcheng's Baa3 ratings and maintained stable outlook

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