

CMBI Credit Commentary

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

- *China property sector rose this morning, boosted by recent series of measures to support financing. Chinese AT1s were stable and AMCs range-bounded between -0.25 to +1.5pts. LGFV names BEIPRO'23 edged up 0.5pt to 98.7.*
- **China property:** 4 SOE banks to provide offshore loan for selected developers to repay debts. COGARDs/FUTLAN/FTLNHDs rallied 1.5-10pts, LNGFORs/CIFIHGs up 1-4.5pts this morning. See below.
- **NWDEVL:** New World Development announced up to USD250mn tender offer for USD600mn NWDEVL 4.5 05/19/30, USD200mn NWDEVL 3.75 01/14/31, the minimal purchase price is 81.4/76.5 and the bonds are presently traded at 77/75.5 level.

❖ Trading desk comments 交易平台市场观点

Last Friday, China IG spreads were mostly unchanged on the day and clients somewhat sidelined to wait out for the NFP data on Friday night. We saw some profit taking across the space, balanced by passive RMs buying to close the week. Over the weekend, Shanghai eased some of its Covid restrictions, joining other top-tier Chinese cities as authorities accelerated a shift toward reopening the economy. In financials, AMCs closed unchanged to 0.5pt lower. HRINTH/ORIEAS were traded 1-2pts lower. Bank capitals were roughly stable amid light volume. T2s continued to see one-way bid buying flows. CCB/BNKEA curves tightened 7bps. TMTs narrowed a bit on RM buying, BABA/BIDU/TENCNT tightened 2-6bps. BBB- names XIAOMI/LENOVO were 6-10bps tighter. IG properties continued the recent uptrend. CHJMAOs were up 1-3pts. LNGFORs were marked another 2-3pts higher, as media reported that CBICL required less collateral to guarantee Longfor Group's latest domestic bonds than for the developer's initial tranche. The LTV for Longfor's asset pledge to back the guarantee for the latest RMB2bn notes was more than 80%, compared to 50-60% of its first CBIC-back issuance. Into the close, media reported that China's top four state banks have been ordered via 'window guidance', to provide offshore loans to help property developers repay overseas debts by 10 December. Developers such as CIFI, Country Garden, Longfor, Seazen and Midea were mentioned to be qualified for such loans. China HY space was traded a touch firmer, helped by supportive measures and expectation of less-aggressive US rate hikes. China's mega banks, led by ICBC, pledged financing support of at least RMB1.28 trillion (USD179bn) to property developers as part of the push to ease turmoil in the real estate market. COGARDs soared 2.5-8.5pts. XINHUZ 24-25s were traded up 6-7pts. FUTLANs/FTLNHDs were marked 0.5-2.5pts higher. Seazen Holdings received approval from the NAFMII regarding its proposed registration for an offering of RMB15bn (USD2.14bn) MTNs.

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Elsewhere, AGILE 25s were largely unchanged at low-40s. CIFIHGs/PWRLNGs were up 2-4pts. Beaten down names generally outperformed, with ROADKGs notably jumped 3-12pts. CSCHCNs also closed 2-8.5pts higher across the curve. KWGPROs gained 1.5-6pts, to end at mid-to-high 20s. In the HK space, NWDEVL complex got chased by PBs with massive spread tightening seen. In industrial space, FOSUNIs moved up 0.5-1pt. In Macau gaming space, MPELs/WYNNMACs/STICTYs retreated 1.5-2.5pts. Non-China HYs generally unchanged after a strong week. There were better buying interests on India Corp names and renewables were up 0.25-0.5pt. In Indonesian space, MEDCIJs were bid up 0.25-0.5pt.

In the LGFV/SOE Per/AT1 spaces, sentiment remained afloat amid the prevailing tone to avoid crossing the year underweighted in risk exposure, although buying flows slowed down a bit from Thursday and turned less one way. In LGFVs, we continued to see buying in high-beta names like TLINVT/ Gansu names from asset managers on-and-offshore alongside PB, whilst RM who were inclined to sell took the window to offload as the bonds climbed ~1pt amid generally thin offer liquidity. TLINVT 23 was marked up 2.5pts to be quote at 91.5 level. Among quality LGFVs, we saw reinvestment demand from banks as multiple 22s papers approached maturity. Elsewhere, SOE Perps remained sought after by asset managers but we began to see more profit taking flows in several short dated to call AT1s from RM and prop desks.

❖ Last Trading Day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
ROADKG 5 1/8 07/26/26	64.0	12.2	MPEL 5 3/4 07/21/28	80.7	-2.6
ROADKG 6 09/04/25	64.4	11.0	ORIEAS 4 1/2 12/21/26	93.6	-2.1
ROADKG 5.2 01/12/26	64.5	9.9	STCITY 5 01/15/29	73.1	-1.9
COGARD 6 1/2 04/08/24	68.0	8.7	CENCHI 7.9 11/07/23	16.1	-1.4
CSCHCN 9 07/20/24	46.0	8.5	MPEL 5 3/8 12/04/29	79.7	-1.4

❖ Macro News Recap 宏观新闻回顾

Macro – U.S. stock markets were weak on Friday, the S&P (-0.12%), Dow (+0.10%) and Nasdaq (-0.18%) were affected by the latest labor report, the U.S. Nov NFP increased 263k and was higher than the expectation of 200k. Average hourly earnings rose 5.1% yoy while the estimation is 4.6%. The U.S. treasury yields overall down on last Friday and 2/5/10/30 yields fell to 4.28%/3.67%/3.51%/3.56%, respectively.

❖ Desk analyst comments 分析员市场观点

➤ China property: 4 SOE banks to provide offshore loan for selected developers to repay debts

Media reported that Chinese regulators gave four biggest SOE banks: ICBC, CCB, BOC and ABC 'window guidance' to provide offshore loans to some selected developers to repay offshore debts. The loans can be secured by developers' domestic assets and banks are urged to implement the loans before 9 Dec'22. Chinese regulators used to be strict for the offshore loan under domestic guarantee, this 'window guidance' further shows that Chinese government hopes to stabilize property sector via expanding developers' financing channels.

According to the news, Country Garden, CIFI, Longfor, Midea Real Estate and Seazen are included in the first round list. Though the specific loans amount is unknown yet, it may mitigate markets' concerns about developer's expiring debts repayment. As per our previous argument, re-opening the funding channels could help the developers to manage debts in the near-term. Over the longer-term, stabilizing economy, unwinding of lockdown policies and notable property sales recovery are keys to developers' survival.

See below table for developers' USD debts:

Maturity (USD mn)	2023	2024	2025	2026	2027+	Total
COGARD	617	1550	2794	2873.69	2700	10534.69
CIFIHG	295	1055	1067	850	867	4134
FUTLAN/FTLNHD	650	700	600	404	-	2354
LNGFOR	300	-	-	-	2000	2300
Total						19322.69

Source: Bloomberg

➤ Offshore Asia New Issues (Priced)

Issuer/Guarantor	Size (USD mn)	Tenor	Coupon	Yield	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)
No Offshore Asia New Issues Pipeline Today					

➤ News and market color

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- Regarding onshore primary issuances, there were 59 credit bonds issued last Friday with an amount of RMB61bn. As for Month-to-date, 128 credit bonds were issued with a total amount of RMB149bn raised, representing a 42% yoy decrease
- Media report Shanghai Pudong Development Bank to provide RMB530bn (cUSD75.2bn) intended credit line to 16 developers including Vanke, Longfor and Greentown, etc
- **[AGILE]** Moody's downgraded Agile CFR ratings to Caa1 and senior unsecured rating to Caa2, outlook negative
- **[CHFOTN]** China Fortune Land disclosed that 83.64% (vs the threshold of 75%) holders of the total principal of the offshore USD-denominated bonds (outstanding USD4.96bn) have entered offshore restructuring support agreement, among which holders owning USD1.32bn in principal of the bonds have opted to get paid via share for debt swap for part of the bonds they held
- **[COGARD]** Country Garden obtained up to RMB20bn credit line from Shunde Rural Commercial Bank, the company has got credit line exceeding RMB300bn from more than 10 lenders

- **[CTRP]** Trip.com Group signed USD1.5bn three-year sustainability-linked dual tranche term loan facility agreement for refinancing
- **[DEXICN]** Dexin claimed improved bond term-out proposal has majority holders' support and can't further sweeten terms
- **[FUTLAN]** Seazen Holdings received NAFMII approval for RMB15bn note offering
- **[MIDEAP]** Midea Real Estate raises RMB1.5bn via offering of three-year MTNs to fund project development; The company obtained approval from NAFMII for public offering of RMB15bn MTNs
- **[MOLAND]** Modern land further extend the longstop date of debt restructuring of its five USD bonds with o/s amount of 1.34bn to 9 Dec
- **[NWDEVL]** New World Development announces up to USD250mn tender offer for USD600mn NWDEVL 4.5 05/19/30, USD200mn NWDEVL 3.75 01/14/31, the purchase price is 81.4/76.5, respectively
- **[NWSZF]** NWS announces tender offer for USD1.3bn NWSZF 5.75 PERP (up to USD250mn) and USD650mn NWSZF 4.25 06/27/29 (amount not specified) with price of 95.5/86.5
- **[SINOCE]** Sino-Ocean Service appoints Fan, Chan & Co as new auditor following resignation of PWC. On 11 Nov'22, Sino-Ocean Group Holding, the parent of Sino-Ocean Service, replaced PWC with BDO as the auditor.
- **[SUNAC]** Media reported that Sunac China is trying to restructure over USD9bn unsecured offshore debt; The company expects to record loss of around RMB38.3bn for FY21
- **[ZHYIHC]** Zhou Hei Ya proposes to repurchase up to 32.5% of CBs ZHYIHC 1 11/05/25 (o/s HKD994mn with internal resources

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