

## CMBI Credit Commentary

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

- *China IG space was quiet this morning. SHIMAO down 1pt after announcement of non-payment. KWGPRO front end also down 2pts, affected by PWRLNG exchange offer.*
- *CENCHI: CB and share sales to HNRail in a more advanced stage. See below.*
- *PWRLNG: Exchange and consent solicitation for PWRLNG'22s. Bonds dropped 1-2pts this morning. See below.*

#### ❖ Trading desk comments 交易台市场观点

Last Thursday, Chinese IG space was quiet overall. Spread traded 7-15bp wider with risk appetite remained timid. SOE outperformed with names generally tightened 2-3bps. New issue CHRAIL'27 saw strong demand. In TMT sector, BIDU/JD widened 5-10bps. MEITUA widened 20bps on the longer end. In financials, two-way flows continued on AT1 among Chinese clients. CCB/ICBCAS widened 10bps. In AMC sector, GRWALL'27 price down around 2pts on the back of delay in results publication. Other AMC names also weakened, HRINTH'26 price fell 1.5pts.

For LGFV new issue, HKIQCL quickly slid to ~99.5 at open, then priced out at ~99.2-99.35 as demand then emerged from NBRM. Meanwhile selected long-end SOE papers picked up some more low-ball demand as rates crept lower again implying wider credit spreads.

China HY was unchanged to 2pt lower for benchmark low/medium beta names. Property sector was weak amid thin trading flow. COGARD saw diverse trends but curve ended up 1.5-2.5pts. CHJMAO down 3pts. CENCHI'22 bonds were indicated at 70s level as negotiation with provincial-owned LGFV was still ongoing despite the delay. GRNLGR also down 2.5pts. Macau gaming names retreated some of its gains last week. MGMCHI/WYNMAC down 2-2.5pts.

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➤ **Last trading day's Top Movers**

Top Performers	Price	Change	Top Underperformers	Price	Change
FUTLAN 4.45 07/13/25	59.1	2.9	ROADKG 7.95 PERP	45.7	-9.9
TPHL 6.6 03/02/23	19.2	2.4	KWGPRO 6 09/15/22	37.9	-6.3
COGARD 4.2 02/06/26	52.6	2.2	CHJMAO 4 1/4 07/23/29	76.4	-3.1
COGARD 7 1/4 04/08/26	54.5	2.2	WYNMAC 5 1/2 01/15/26	70.2	-2.6
COGARD 5.4 05/27/25	53.1	1.8	GRNLGR 6 3/4 09/26/23	31.3	-2.5

➤ **Macro News Recap 宏观新闻回顾**

**Macro** – U.S. stock market closed higher on Friday after the worst half of the trading year since 1970. The S&P (+1.06%), Nasdaq (+0.90%), and Dow (+1.05%) ended higher. The most recent PCE Price Index shows a modest decline in core inflation pressures, while it remains uncomfortably close to a multi-decade highs. The Atlanta Fed's forecasting tool suggested the economy shrank 1% over the second quarter, following-on from a 1.6% contraction over the first quarter and indicating a technical recession in the world's biggest economy. UST 10Y benchmark yield dropped sharply by 13bps, pulling back to 2.88%. U.S. Treasury curve bull-flattened, with the 2/5/10/30 yield retreating to 2.84/2.88/2.88/3.11% respectively.

❖ **Desk analyst comments 分析员市场观点**➤ **CENCHI: CB and share sales to HNRail in a more advanced stage**

On 30 Jun'22, Central China (CENCHI) updated that the definitive agreements for Henan Tongsheng Zhiye Co., Ltd. (HTSZY) to acquire 29.01% stakes from CENCHI's chairman and subscribe CENCHI CBs of HKD708mn has yet to be signed but the negotiations amongst CENCHI, its chairman and HTSZY continued. We continue to see the strong incentives for involved parties to go ahead with the transactions. We also see HTSZY has a strong ability to complete the transactions. Recalled that HTSZY is wholly owned by Henan Railway Construction & Investment Group Co. Ltd. (HNRail, rated A2 by Moody's), which, in turn, is wholly owned by Henan government. As at 30 Jun'21, it had total assets of RMB75.6bn and cash on hand of RMB3.1bn, compared with the aggregate value of RMB1.2bn in acquiring CENCHI stakes and CBs. As per our discussion with CENCHI, the negotiations are in advanced stage. We expect CENCHI, its chairman and HTSZY to sign the definitive agreements soon.

We expect HNRail's indirect shareholding to significantly enhance CENCHI's access to various funding channels for future refinancing, taking cues from the YTM of 4.1% of HNRail 2.2% '25. As per media report, CENCHI plans to repay CENCHI 6.875%'22 (o/s USD500mn) due 8 Aug'22 through RMB1bn from the Henan Railway deal, RMB500mn-1bn internal cash (vs. unrestricted cash RMB5.9bn as at 31 Dec'21), and RMB1-1.5bn proceeds from asset monetization.

Thanks to PB buying, CENCHI was largely flat this morning despite the weaker tone of the overall market. We maintain Buy on CENCHI on the expectation of the deal with HTSZY to go through despite the potential delay.

➤ **PWRLNG: Exchange and consent solicitation**

Powerlong announced the exchange for PWRLNG 4.0% 07/25/22 (o/s USD200mn) and PWRLNG 7.125% 11/18/22 (o/s USD300mn) to extend maturity, as well as the concurrent consent solicitation for 4 bonds due from 2023-2026 to carve out cross-default trigger for the exchanged notes. The maturity extension should not be a surprise given the sluggish property sales in China and effective shutdown of capital markets for most developers.

The terms are in line with other Chinese property issuers such as JIAZHO and YUZHOU. Please see below for the key terms of exchange offer and consent solicitation.

**EXCHANGE AND CONSENT SOLICITATION FOR PWRLNG 4.0% 07/25/22**

<b>INCENTIVE FEE</b>	1pt
<b>PRINCIPAL REPAYMENT</b>	5pt
<b>NEW NOTES/BONDS</b>	95pt
<b>COUPON</b>	4.0% (unchanged)
<b>MATURITY</b>	Jul'23 (12 month extension)
<b>ACCRUED INTERESTS</b>	Paid in cash, to be accrued up to settlement date (to be on or before 15 Jul'22)
<b>MINIMUM ACCEPTANCE LEVEL</b>	90%
<b>DEADLINE</b>	13 Jul'22 4pm London Time

**EXCHANGE AND CONSENT SOLICITATION FOR PWRLNG 7.125% 11/18/22**

<b>INCENTIVE FEE</b>	1pt
<b>NEW NOTES/BONDS</b>	100pt (5pt mandatory redemption by 18 Oct'22)
<b>COUPON</b>	7.125% (unchanged)
<b>COUPON OF NEW NOTES/BONDS</b>	Jan'24 (14 month extension)
<b>ACCRUED INTERESTS</b>	Paid in cash, to be accrued up to settlement date (to be on or before 15 Jul'22)
<b>MINIMUM ACCEPTANCE LEVEL</b>	90%
<b>DEADLINE</b>	13 Jul'22 4pm London Time

**CONCURRENT CONSENT SOLICITATION**

<b>CONSENT SOLICITATION NOTES</b>	PWRLNG 6.95% Jul'23 (o/s 419.6mn) PWRLNG 6.25% Aug'24 (o/s 500mn) PWRLNG 5.95% Apr'25 (o/s 535mn) PWRLNG 4.9% May'26 (o/s 200mn)
<b>CONSENT FEE</b>	0.25pt
<b>APPROVAL THRESHOLD</b>	50%
<b>DEADLINE</b>	13 Jul'22 4pm London Time

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

<b>Issuer/Guarantor</b>	<b>Currency</b>	<b>Size (mn)</b>	<b>Tenor</b>	<b>IPG</b>	<b>Issue Rating (M/S/F)</b>
Nanjing Jiangbei New District Industrial Group	USD	-	364D	4.8	-/-/BBB+

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Guangxi Communications Investment Group	USD	-	-	-	-/-/BBB

➤ **Market conditions and color**

- Regarding onshore primary issuances, there were 48 credit bonds issued last week with an amount of RMB54bn. As for Month-to-date, 86 credit bonds were issued with a total amount of RMB83bn raised, representing a 12.5% yoy decrease.
- **[CHIPOW]** China Power International Development announces that it has agreed to acquire equity interests in a group of companies from State Power Investment Corporation for RMB7.45bn, and the target companies are engaged in clean energy power generation business
- **[KAISAG]** Media reported that a CITIC Group unit has taken over the fourth Kaisa property, one project in Shenzhen; CITIC was one of Kaisa's major creditors and it has reportedly helped on behalf of Kaisa to amend the relationship with the Shenzhen government
- **[LINREI]** Link REIT has suspended a plan to sell the Stanley Plaza in Hong Kong as potential buyers cannot come to the site to visit due to the stringent COVID-related containment measures in Hong Kong
- **[RONXIN]** Ronshine China unit will hold a bondholders' meeting on 4 Jul regarding its onshore bonds
- **[SHIMAO]** announced non-payment for its SHIMAO 4.75% bond due yesterday (o/s USD1bn) following Asia Ex-Japan Determinations Committees determines that a "Failure to Pay Credit Event" occurred under the company. Company has also appointed Admiralty Harbour as financial adviser to come up with asset liability management plan.

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