

## CMBI Credit Commentary

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

- *The sentiment remained weak even though rates moved lower overnight. 3-5y LGFV papers moved back to +140 level or 4.7% meanwhile perps were selling off and repricing quicker given the more diverse investor base outside home buyers. HY properties were down around 1pt, and Macau gaming marked 1-3pt lower.*
- **FOSUNI:** *We expect Fosun to meet its offshore bullet maturities over next 6-12 months yet lack of catalyst to outperform. We change our recommendation of FOSUNIs to Hold from Buy. We continue to see retail selling in FOSUNI curve, further to 2-5pts drop yesterday. See below.*
- **JIAYUA:** *Jinke Smart Services announced termination of framework agreement to acquire 73.56% of Jiayuan Services. JIAYUA bonds are now trading at distressed level with short end at 25 and longer end at 10.*

#### ❖ Trading desk comments 交易台市场观点

Yesterday, Chinese IG held well in the morning. However, sentiment sharply turned negative into the noon session. In financials, AT1/Perp prices opened 0.25pt higher but ended 0.25pt lower at day end. We saw IG space heavily skewed to selling in the afternoon, largely driven by fast money. In SOE sector, SINOPE/HAOHUA widened 3-8bps. In TMT sector, MEITUA/TENCNT/XIAOMI also traded 5-10bps wider.

As Fed dot plot indicates the median FFR moving towards 3.4%, LGFV started to show correction on valuation instead of a “relief rally” upon Fed’s rates hikes. We saw the expected “repricing” pressured on previously rich credit spreads in LGFV space, first on front end, and weighing down on 25s late afternoon. SOE perps also saw better selling driven by Chinese and regional asset managers.

In Chinese HY space, COGARD was up 1-2pts on the morning but ended 2-3pts lower amid weak sentiment. FOSUNI longer end down another 2-5pts, mostly driven by retail selling. Among benchmark names, CIFIHG up 1-3pts. CSCHCN down around 0.5-1pt. GRNLGR prices performed mixed after the developer announced 25 Jun’22 note extension by one year. KWGPRO/PWRLNG up 0.5-1pt. ROADKG/YUZHOU down 2-3pts. Macau gaming sector was mixed and STCITY/SJMHOL up around 1pt.

**Glenn Ko, CFA 高志和**  
(852) 3657 6235  
glennko@cmbi.com.hk

**Polly Ng 吴宝玲**  
(852) 3657 6234  
pollyng@cmbi.com.hk

**James Wen 温展俊**  
(852) 3757 6291  
jameswen@cmbi.com.hk

**CMBI Fixed Income**  
fis@cmbi.com.hk

## ➤ Last Trading Day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
STCITY 5 01/15/29	59.5	1.3	FOSUNI 5.05 01/27/27	71.1	-6.6
SINOPE 4 1/4 04/12/47	88.5	1.2	FOSUNI 5 05/18/26	74.2	-5.8
BEIENT 6 3/8 05/12/41	113.4	1.2	FOSUNI 5.95 10/19/25	80.2	-5.2
SINOPE 4 1/4 04/12/47	88.4	1.2	ROADKG 6.7 09/30/24	64.6	-3.9
CHIOLI 6 3/8 10/29/43	108.3	1.1	FOSUNI 6.85 07/02/24	87.4	-3.8

## ➤ Macro News Recap 宏观新闻回顾

**Macro** – U.S. stock market sank on Thursday, powered by the growing concerns over a near-term recession after the 75bps rate hike on 16 Jun. The S&P (-3.25%), Nasdaq (-4.08%), and Dow (-2.42%) all ended lower. BOE raised interest 25bps to 1.25%, highest since 2009, to tame inflation. The tightening gesture along with high inflation rate, fueled concerns on UK economy shifting from slowdown to a recession. UST yields generally pulled back 8-10bps. Treasury curve slightly bull-steepened, with the 2/5/10/30 yield retreating to 3.14/3.35/3.28/3.35% respectively.

## ➤ Desk analyst comments 分析员市场观点

➤ **FOSUNI: Change recommendations on FOSUNIs to Hold from Buy**

We lower our recommendation of FOSUNIs from Buy to Hold. We expect that Fosun can meet its offshore bullet maturities over next 6-12 months by internal resources and asset disposal, i.e. management expects to complete Meadowbrook Insurance Group disposal and receive USD 740mn cash by end-2022. That said, we see little catalyst for FOSUNIs to outperformance given its relatively high ST debt level, and a prolonged offshore bond market weakness towards Chinese POEs. Indeed, we expect a negative rating action from S&P after interim results in August 2022, subsequent to the Moody's recent negative rating action.

**RMB50bn, i.e. 45% of Holco debts of RMB112.2bn as of Dec'2021 are short-term debt.** 55% and 60% of its holdco debts were public bonds and offshore debts, respectively. These renders Fosun subject to ongoing refinancing requirements in both onshore and offshore loans and capital markets.

**Having said that, as at 31 Dec' 2021 Fosun had RMB 10.6bn cash and RMB 36bn liquid financial investments at holdco,** this can serve as liquidity sources for its short-term debt repayment. We also understand that as at 31 Mar '2022, cash balance at Holdco has increased moderately, after Fosun received operating loans based on 40%-50% LTV of the Bund Finance Center. Fosun paid out RMB 6.342bn cash to acquire 50% stake in Bund Finance Center before 31 Dec '2021. We understand that Fosun identified over RMB50bn in market value non-core/financial assets for disposals. Majority of these assets are unencumbered.

**Fosun has also leveraged its good banking relationships to obtain more bank loans.** In Mar '2022, Fosun International refinanced its maturing syndication loan (USD 660mn) with a new syndication loan of (USD 870mn, 3-year bullet, at 70bps lower all-in interest margin). For its upcoming offshore bonds maturity in 2H2022, Fosun has arranged for new bank loan of USD 200mn – USD 300mn to refinance puttable bond on 17 Aug'22 (USD 379.8mn) and Euro bond due on 9 Oct 2022 (EUR 382mn).

**Fosun's good banking relationship also support its onshore bond issuance,** this is because Chinese banks and asset managers represent large bond investors onshore. Although Fosun could only refinance its onshore bonds due with short-term notes in 2022 year-to-date, we expect that the company can continue to issue new

notes to refinance upcoming onshore maturities. We note that 2 onshore puttable bonds (21 复星 05 and 20 复地 02 for aggregate RMB 2.66bn) did not put back to Fosun in Mar and Jun '2022. Fosun's large asset base supports its good banking relationship. Fosun International reported top 20 holdings of subsidiaries and investment with an effective market value of RMB 126.7bn as of 31 Dec' 2021. If necessary, Fosun can also use its unencumbered assets/shares for credit enhancement. For an upcoming onshore bond of its subsidiary Forte Land (RMB 3bn) puttable on 17 July 2022, Fosun has prepared to refinance it with a bank loan obtained with Yuyuan's share as pledge.

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

Issuer/Guarantor	Size (mn)	Tenor	Coupon	Yield	Issue Rating (M/S/F)
Linyi Investment Development (Tap of LYINDE 4.5 03/30/25)	USD100	Tap	4.5	5.5	-/-
Kunming Traffic Investment	USD110	366 days	7	7	-/-

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

Issuer/Guarantor	Currency	Size (mn)	Tenor	FPG/IPG	Issue Rating (M/S/F)
Xi'an Weiyang Urban Construction Group	USD	-	3	4.8	-/-

➤ **Market conditions and color**

- Regarding onshore primary issuances, there were 88 credit bonds issued yesterday with an amount of RMB172bn. As for Month-to-date, 927 credit bonds were issued with a total amount of RMB89bn raised, representing a 5.4% yoy decrease. Regarding onshore primary issuances, there were 0 credit bonds issued yesterday with an amount of RMB0bn. As for Month-to-date, 927 credit bonds were issued with a total amount of RMB0bn raised, representing a 11.9% yoy decrease.
- Indonesia's financial ministry imposes new export duty tariffs on palm oil products
- **[CSCHCN]** China South City announced the appointment of three new directors
- **[JIAYUA]** Jinke Smart Services Group announced that it has terminated the framework agreement with Jiayuan International Group to acquire approximately 73.56% of Jiayuan Services
- **[JINKE]** Jinke Property has scheduled interest payment for RMB1bn SCP bills on 20 June and deferred principal payment to 17 Mar'23
- **[SINOCE]** Sino-Ocean has repaid the remaining RMB260mn development loan due 27 June for a Tianjin JV project to counter speculation about liquidity issues
- **[TQLTHI]** Media reported that Tianqi Lithium has successfully passed a listing hearing with the HKEX on 16 Jun

- **[YESIN]** Yes Bank announced that it has accepted for purchasing USD200mn in aggregate principal amount of the USD477mn outstanding 3.75% senior notes due 2023

*CMB International Securities Limited*

*Fixed Income Department*

*Tel: 852 3761 8867/ 852 3657 6291*

[fis@cmbi.com.hk](mailto:fis@cmbi.com.hk)

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