

## CMBI Credit Commentary

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

- **IG:** new issue KOWEPW'25 & HWEUHC 25 opened high this morning with strong topping interest but soon faded away to +99 and +96 level toward noon. Longer-end IG spreads +/-2-3bps with limited flow and interests seen.
- **LGFV/SOE perps:** we saw more selling interest in front end paper again at high-3% while clients also turning more conservative in low-4% 2y papers. Weak BBB 3y papers gradually repricing towards 5% amid small better selling flows. Selling in SOE perps calmed down and began to see some dip buying in short-dated-to-call papers.
- **FOSUNI:** announced removal of USD200mn maximum acceptance amount for tender offer. Its curve jumped 4-8pts at open upon this news but gradually faded to +2-4pts toward noon. See below.

#### ❖ Trading desk comments 交易台市场观点

Yesterday, Chinese IG space was mixed with two-way trading. Longer-end high-beta names were driven by fast money accounts. AT1/T2 were still quiet and stuck in range, we saw some dip-buying but not as active as back when overall rates/funding were lower. Bank names saw some buying interest on the short end, but bids are cautious from onshore holders. In SOE sector, HAOHUA/CHGRID tightened 3-5bps. TMT names opened tight but soon fading after lunch. BIDU tightened 3-6bps and saw demand in line. BABA/MEITUA continued to tighten 3-4bps under street lifting. TENCNT '31 first tightened but widened 1-2bps towards the afternoon session, ending at ~+170 level on the day.

As rates stayed elevated, we saw more Chinese NBRM offloading front end LGFVs as their yields could barely cover the rising funding costs/ hurdle requirements now. In the morning, 22s repriced quickly from ~3% to mid-3% on the offer side led by a flurry of selling in SOE perps, whilst 23s leaked to high-3% amid selling in LGFV papers. We saw sellers at the moment still tried to hold onto tight yield targets, fighting against the downward momentum in the space. Weaker names/ longer dated papers indeed were relatively more resilient albeit the general weak tone thanks to their high absolute yields.

Chinese HY property space saw another weak day. In industrials, FOSUNI extended its loss under selling from RM/retail accounts, after the losing streak of ~20pts since last week. Its dollar bonds further marked down ~10+pts DTD. HONGQI/WESCHI also weighed down around 1pt. Macau gaming sector continued the weak tone. MGMCHI/WYNMAC/SJM HOL down 3.5-4.5pts. CIFIHG up 1.5-2pts on news that it plans to issue RMB500mn bond protected by CRMWs.

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➤ **Last Trading Day's Top Movers**

Top Performers	Price	Change	Top Underperformers	Price	Change
GRNLGR 5.9 02/12/23	42.9	2.4	FOSUNI 6.85 07/02/24	77.6	-9.8
HPDLF 6.8 12/28/23	80.0	2.2	FOSUNI 5 05/18/26	65.8	-8.4
GRNLGR 5 3/4 09/26/22	60.1	1.8	FOSUNI 5.95 10/19/25	72.4	-7.8
LGUANG 10.4 03/09/23	9.9	1.2	FOSUNI 6 3/4 07/02/23	84.4	-7.3
GRNLGR 6 3/4 09/26/23	35.3	1.2	FOSUNI 5.95 01/29/23	88.0	-7.2

❖ **Macro News Recap 交易平台市场观点**

**Macro** – U.S. stock market closed sharply higher on Tuesday as investors eased back into risk markets despite fears of a near-term recession. The S&P (+2.45%), Nasdaq (+2.51%), and Dow (+2.15%) ended higher. U.S. mortgage rate surged the most in 35 years following Fed's 75bps rate hike, as 30-year fixed mortgage rates climbed to 5.78%. Treasury yield rebounded slightly, with the 2/5/10/30 yield advancing to 3.21/3.38/3.31/3.39% respectively.

❖ **Desk analyst comments 交易平台市场观点**

➤ **FOSUNI: Removal of maximum acceptance amount for tender offer**

Fosun International announced today to remove USD200mn maximum acceptance amount of tender offer for FOSUNI 5.5% '23 (O/S USD 379.762mn, puttable on 17 Aug'22) and FOSUNI 3.3% '22 (O/S EUR 384.2mn, due 9 Oct'22). It means FOSUN will repurchase any and all of these two notes validly tendered at par. FOSUNI curve jumped 4-8pts at open upon this news but gradually faded to +2-4pts.

We view the tender offer as a gesture for the company to revive investors' confidence amid fragile offshore bond market. We envisage it would require FOSUNI a sizable asset disposal and clear bond repayment plan over next 12 months to boost offshore investors' confidence, against rising interest rate backdrop. Having said that, in a hypothetical scenario, Fosun has sizable offshore assets and businesses as recovery to offshore creditors. These include its 100% owned LONGFRUN Portugal (unlisted) which has an estimated value of RMB 20bn according to S&P report in Jun 2022. As of 31 Dec, 2021, Fosun Holdco had RMB 112.2bn total debt, in which 60% was offshore. We still believe Fosun can meet its offshore bullet maturities over next 6-12 months by internal resources and asset disposal, but expect high volatility of its bond price.

Please see our prior note in our [publication on 17 Jun'2022](#).

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

Issuer/Guarantor	Size (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 (mn)	Tenor	IPG	Issue Rating (M/S/F)
Fujian Jinjiang Urban Construction Investment Development Group	USD	-	364D	4.8	-/-
Linyi City Development International	USD	-	3	5.5	-/-

➤ **Market conditions and color**

- Regarding onshore primary issuances, there were 78 credit bonds issued yesterday with an amount of RMB59bn. As for Month-to-date, 1144 credit bonds were issued with a total amount of RMB1175bn raised, representing a 8.2% yoy decrease.
- Macau's Legislative Assembly approved the city's new gaming law on 21 June, ahead of a highly-anticipated license rebidding process; Officials are given the power to punish casino operators for reasons ranging from under-performing revenue to threatening national security
- **[COGARD]** Media reported that Country Garden plans to issue RMB370mn ABS partially protected by default insurance
- **[DALWAN]** Media reported that Wanda Commercial plans to issue both onshore and offshore default-protected bonds
- **[EVERRE]** Evergrand's subsidiary Guangzhou Kailong Property entered an agreement on 20 Jun to sell 2.11% stake in China Calxon Group to private investor Cao Sheng for RMB77.9mn
- **[GRNCH]** Greentown Property Group has raised RMB2bn via an offering of three-year MTNs at a coupon rate of 3.80%
- **[JINGRU]** Moody has downgraded the corporate family rating of Jingrui to Ca from Caa2, and the company's senior unsecured ratings to C from Caa3
- **[SHIMAO]** Media reported that Shimao has defaulted on the USD400mn private placement bond due on 14 Jun
- **[SUNAC]** Media reported that Sunac in talks with major bondholders ahead of extended bond payment due 30 June

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