

## CMBI Credit Commentary

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

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- *Markets calmed down this morning while there are some buying flows into IG/SOE names. HY space downed 0.5-1pts weighed by COGARD's profit warning. AMCs kept previous downside trends this morning.*
- *Chinese property overall down. LNGFOR/CIFIHG/VNKRLE lowered 1-3pts. COGARD down~4pts yesterday and lowered 0.5-2pts this morning after profit warning and credit rating downgrade.*
- *Lenovo will partially repurchase LENOVO 3.375 01/24/24 by proceeds from concurrent CBs issue of USD675mn due 2029. LENOVO'24 was largely flat to 0.25pts down this morning.*

#### ❖ Trading desk comments 交易台市场观点

Yesterday, Chinese IG space opened firm, then turned slightly negative into the afternoon post a historic high UK CPI release. IG spreads calmed down from the recent rally, ended unchanged to 1-3bps tighter amid FM profit taking on benchmark names. In financials sector, spotlight was AMCs tumbled on Huarong's profit warning. HRINTH spread widened as much as ~50bps and its cash price sold down to 1-2pts lower. Benchmark HRINTH 5.5%' 25's price stabilized down to 2.5pts lower. GRWALL marked 50c lower. AT1s were barely moved and closed up 0.125-0.25pt under RM buying, and offers on the big five state bank names were seen to come out in low-4%. TMT still saw street selling. IG property sector reverted to slight retreat post revenge rebound, as fundamentals had not changed. LNGFOR/VNKRLE down 1-3pts on the session. SINOCE 27 up 4pts. China HY space traded weaker on the session with low-beta benchmark names retreating 1-4pts. COGARD 24s-26s pared some losses by 3-4.5pts, adapting to its new rating status. CIFIHG down 1.5-3.5pts on Chinese accounts better selling, where shorts resetting also observed. Short-dated GRNLGRs, on the other hand, further climbed 5-6pts yesterday after rising 1-2pts earlier on the real estate fund support news. GEMDAL 24 kept the recent trend to close 4pts higher. Macau gaming sector had small selling in WYNMAC front end and STCITY kept underperforming as well. Ex-China HY also felt heavier on the day. AZUPOE 24 stayed put at 91/92 level after recovering 1-2pts yesterday, still 6-7pts below than the previous prices before its annual paper release's delay sparked sell-offs.

In LGFV/SOE Perp space, sentiment remained largely afloat despite more balanced two-way flows (as opposed to strong buying earlier this week) as

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valuations edged further richer. Flow-wise, cross-border flows continued to drive on the buying front, led by 2y LGFVs at mid-4% or above and long dated-to-call SOE perps at high-4% or above. Although overall buying was slower than in the previous few sessions with many mandates having deployed a decent chunk already. Meanwhile, more selling from offshore AM emerged from both Chinese and non-Chinese accounts, and also on prop desks in perps callable in or before 24s and yielding low-4%. These bonds were generally still absorbed quite well, especially for 22s and 23s callables. In LGFVs, as structured buying flows decelerated slightly, more offshore investors started trying to seize the window and offload high-beta names at low-90s. Meanwhile, bids remained generally supportive for these bonds. Otherwise, quality names and beta papers yielding ~6% were largely stable as flows were skewed slightly to better buying.

#### ➤ Last trading day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
GRNLGR 5.9 02/12/23	33.8	6.1	COGARD 4.2 02/06/26	34.5	-4.3
GRNLGR 5 3/4 09/26/22	80.0	5.3	COGARD 3 1/8 10/22/25	34.4	-4.1
EAGRUY 7 1/2 05/01/25	78.0	4.5	COGARD 5 5/8 12/15/26	32.8	-4.1
SINOCE 5.95 02/04/27	32.5	4.0	COGARD 6 1/2 04/08/24	41.1	-3.8
GEMDAL 4.95 08/12/24	65.8	4.0	CIFIHG 6.55 03/28/24	39.0	-3.6

#### ➤ Macro News Recap 宏观新闻回顾

**Macro** – U.S. stock indexes turned to downward on Wednesday after consecutive days climb. The S&P (-0.72%), Dow (-0.5%) and Nasdaq (-1.17%) closed at low level though some rebounds showed after the FOMC minutes was published. The FOMC minutes shows that meeting participants agreed that future rate hikes would depend on incoming information and it would be appropriate to slow the hike pace when inflation was alleviated. The U.S. treasury yields increased a lot as the curve is still twisted with 2/5/10/30 yield reaching 3.28%/3.04%/2.89%/3.15%, respectively.

#### ❖ Desk analyst comments 分析员市场观点

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

Issuer/Guarantor	Size (mn)	Tenor	Coupon	Yield	Issue Rating (M/S/F)
Xi'an Weiyang Urban Construction Group	USD74.5	3yr	5.1%	5.1%	-/-/-

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

Issuer/Guarantor	Currency	Size (mn)	Tenor	IPG	Issue Rating (M/S/F)
No Offshore Asia New Issues Pipeline Today					

##### ➤ Market conditions and color

- Regarding onshore primary issuances, there were 100 credit bonds issued yesterday with an amount of RMB84bn. As for Month-to-date, 932 credit bonds were issued with a total amount of RMB923bn raised, representing a 9.2% yoy decrease

- Moody's said China AMCs will provide selective support to the property sector through investing in property projects that face liquidity issues
- **[COGARD]** Country Garden announced that it expects a RMB45-50bn profit in 1H22, a 67% yoy drop due to tough markets
- **[EVERRE]** Media reported that Evergrande New Energy Vehicle could be acquired by automaker, the acquisition may lead by local government
- **[FTHDGR]** Fantasia proposed a preliminary offshore debt restructuring plan to major holders of its USD notes, offering a up to 60% haircut on the principal and swapping the remainder into equity
- **[LENOVO]** Lenovo plans to partially repurchase USD450mn of LENOVO 3.375 01/24/24 by the proceeds from newly issuing USD675mn CB with 2.50% coupon and due 2029
- **[MCRLNH]** Macrolink Holding failed to make payment for 17XinhualiankongMTN001 extendable notes with maturity advanced to 9 August
- **[PWRLNG]** Powerlong obtained consent for one-year extension of its RMB600mn 7.4% due-15 July private domestic notes during added grace period
- **[ROADKG]** Road King expects a HKD80-90mn profit for 1H22, dropped 86.8% yoy due to RMB depreciation. The company further redeemed USD22mn of 7.875% guaranteed senior notes due 2023
- **[SECGRP]** Moody's downgraded Shanghai electric group to Baa3 from Baa2
- **[SHIMAO]** Shanghai Shimao shareholders approved proposals on guarantees to subsidiaries for RMB 860.85mn funding
- **[SUNKWP]** Sunkwan Properties expects to turn to loss about RMB120-180mn for 1H22 on fall in revenue recognized for properties sold
- **[TENCNT]** Tencent published 2Q22 results for RMB134.0bn revenue and RMB28.1bn profit, decreased 3% and 17% yoy, respectively

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