

CMBI Credit Commentary

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

- *Quality LGFV papers edged a higher in anticipation of deployment demand in 2H22. On the other hand asset managers tried to offload weaker names ahead of T+2 half-year end.*
- *Profit taking in CHOILI/FOSUNI, price down 1-3pts. AT1/T2 saw selective dip buying interest for ICBCAS Perps and BOCHKL. Korean new issue NACF 26/27 were lackluster and closed slightly outside reoffer before lunch.*
- *BNKEA: We see fair value for new BNKEA 6NC5 LAC at 5yr USDT+190-195bps.*

❖ Trading desk comments 交易台市场观点

Yesterday, IG hovered in the recent range despite 10yr benchmarks feeling more competitive on the bid side. Among SOE names, HAOHUA/CSSSHI tightened 3-4bps. In financials, street was relatively firm in AT1s. In TMT space, we saw both international/Chinese accounts looking to sell longer-end/ belly part of the weaker TMT names, like AACTEC. Spreads in stronger names like BABA/TENCNT were actually holding alright. TENCNT'30s was traded at +180 level. Meanwhile MEITUA/XIAOMI widened 4-6bps.

LGFV/SOE space was quiet as most clients staying on the sidelines. 24 shorts before deployment saw 2nd half.

Chinese HY space was mixed. FOSUNI continued to climb up 1.5-2pts. China properties was largely unchanged to a touch lower across low beta benchmarks and saw demand holding off for now. SHIMAO officially default on the offshore market.

Among higher-quality names, CIFIHG up 0.5-1pt. COGARD rebounded as much as 1pt, after losing 3pts last week. Macau gaming continued underperform as well. MGMCHI up 0.5pt but STICTY/WYNMAC continued to drop 1-1.5pts.

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➤ **Last Trading Day's Top Movers**

Top Performers	Price	Change	Top Underperformers	Price	Change
AGILE 5 1/8 08/14/22	79.7	2.5	EAGRUY 7 1/2 05/01/25	81.5	-5.5
YUZHOU 7.7 02/20/25	10.1	2.4	ROADKG 7 PERP	46.9	-2.8
AGILE 6 7/8 PERP	22.9	2.4	RONXIN 8 3/4 10/25/22	23.1	-2.2
FOSUNI 5.05 01/27/27	63.6	2.0	ROADKG 5.2 01/12/26	51.2	-2.2
FOSUNI 5.95 10/19/25	66.5	1.9	ROADKG 6.7 09/30/24	55.6	-2.0

❖ **Macro News Recap 宏观新闻回顾**

Macro – U.S. stock market closed lower on Monday, ending a modest rally that has lifted stocks higher in the face of persistent recession concerns. The S&P (-0.30%), Nasdaq (-0.72%), and Dow (-0.20%) ended lower. According to the data from the Bank of America “Flow Show” report, stock funds saw their biggest outflow in nine weeks last week. Treasury yield rebounded slightly, with the 2/5/10/30 yield advancing to 3.08/3.24/3.20/3.31% respectively.

- QT in the UK and its likely impact on the curve
- Potential for wider Euro IG spreads on oil and gas pressure and value strategies if this were to occur
- Near-term risk off is likely to continue in the equity market on projections for weaker growth

Whilst some fear higher rates in China on its reopening, we expect a near-term consolidation and therefore a range trade

❖ **Desk analyst comments 交易台市场观点**

➤ **BNKEA: Inaugural 6NC5 Non-Preferred Loss Absorbing Notes New Issue**

BNKEA [Baa2/BBB/- by M/S/F]

- **Issuer:** The Bank of East Asia Limited (23.HK)
- **Tenor:** 6 year Non-call 5 year
- **Ranking:** Non-Preferred Loss Absorbing Notes (senior to AT1 and T2 but junior to senior unsecured notes)
- **Expected issue rating:** Baa2/BBB by Moody's/S&P
- **UOP:** general corporate purposes
- **Issuance size:** USD300mn
- **IPT:** T=210bps

FV for new BNKEA 6NC5 LAC at 5-yr UST+190-195bps

The closest peer is BNKEA's existing Tier 2 Notes BNKEA'32C27 (rated Baa2/BBB- by Moody's/S&P) which is trading at 220bps over 5yr UST. We believe that the spread multiple between BNKEA's T2 and LAC should be slightly tighter than that of its peers such as STANLN and SOCGEN (c1.4x) in view of BEA's higher CET1 of 17.0% compared to Standard Chartered Bank of 15.5% and SocGen of 13.6%). Factored in this, the 1 notch higher in rating (on S&P side) to reflect LAC's seniority over T2, as well as the premium for the new instrument, we believe that the FV for BNKEA 6NC5 LAC should be 5-yr UST +190-195bps.

➤ **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	FPG/IPG	Issue Rating (M/S/F)
Hong Kong International Qingdao	USD	-	-	-	-/-/BBB+
China Railway Xunjie Co	USD	-	5	T+125	-/-/A-
Bank of East Asia	USD	-	6NC5	T+210	Baa2/BBB/-
Nomura Holdings	USD	-	7	T+250	Baa1/BBB+/-
Nomura Holdings	USD	-	5	T+230	Baa1/BBB+/-
Nomura Holdings	USD	-	3	T+205	Baa1/BBB+/-

➤ **Market conditions and color**

- Regarding onshore primary issuances, there were 69 credit bonds issued yesterday with an amount of RMB55bn. As for Month-to-date, 1,508 credit bonds were issued with a total amount of RMB1,473bn raised, representing a 7.3% yoy decrease.
- **[BTSDf]** Health and Happiness International Holdings announces the utilization of USD1.125bn refinancing facilities
- **[CQNANA]** Chongqing Nan'an District Urban Construction & Development has raised RMB1bn via an offering of five-year MTNs at a coupon rate of 3.28%
- **[EVERRE]** China Evergrande announces that it will vigorously oppose the winding-up petition against the company filed by Top Shine Global Limited of Intershore Consult (Samoa) Limited; China Evergrande unit seeks consent to extend its RMB8.2bn notes due 8 Jul by six months
- **[GEELZ]** Zhejiang Geely Holding Group has raised RMB1.5bn via an offering of 270-day super short-term bills at a coupon rate of 2% to repay interest-bearing debts and boost working capital
- **[JINGRU]** Jingrui Holdings announces that Elite Partners CPA has been appointed as the new auditor of the company to fill the casual vacancy following the resignation of PwC
- **[KAISAG]** Kaisa Group announces that Elite Partners CPA has been appointed as the new auditor of the company to fill the casual vacancy following the resignation of Grant Thornton
- **[RISSUN]** RiseSun Real Estate Development announces that its controlling shareholder Rise Sun Holding entered an agreement to sell a 5% stake in the listed company to Bull Fund (Shanghai) for RMB217.41mn
- **[ROADKG]** Road King Infrastructure's Chairman has acquired USD9.5mn of the company's USD bonds from April to June

- **[SKYFAM]** Skyfame Realty announces the suspension of trading on its bonds due to the occurrence of cross-default caused by non-payment of a secured loan of the outstanding principal amount of HKD340mn
- **[YUNAEN]** Yunnan Provincial Energy Investment has proposed to offer RMB1bn one-day short-term bills on 29 Jun to repay interest-bearing debts
- **[YUNINV]** Yunnan Provincial Investment Holdings Group has proposed to offer RMB2bn 195-day super short-term bills to repay interest-bearing debts

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