

CMBI Credit Commentary

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

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- *AT1 space continued ascending this morning with strong onshore buying flow on 25/26 callable bonds. SOE and LGFV space was relatively quiet. GRNLGR'22 due-Sep'22 marked another 14pts higher this morning after government showed supports.*
- **Chinese Properties:** *Overall decline of MoM sales in Jul'22 as uncompleted properties and the following mortgage halt event struck buyer's confidence severely. See below.*
- **CENCHI:** *Full redemption of CENCHI 6.875%'22. CENCHIs priced in excessive downside, taking cues of the valuation of CSCHCNs after liability management. CENCHIs were largely flat this morning. We maintain Buy on CENCHIs. See below.*

❖ Trading desk comments 交易平台市场观点

Yesterday, Chinese IG space went sideways, amid strong NFP pushed rates outlook higher. In financial sector, AMC notes were unchanged to 6-9bps weaker post the GRWALL headline. GRWALL' 24 was traded firm after closing at 93 level on Monday. T2 sector was mixed. CCB was 3-5bps tighter, while BNKEA traded 30bps wider to 315 level. HTISEC 24s/25s were hit on the street with the spread 35/15bps widened respectively. AT1s remained very resilient supported by short covering in Big 4/5/6 papers and on-and-offshore AM buying flows in high yielding laggards. CINDBK 4.8 PERP price notably went up by ~0.5pts. In TMT sector, TAISEM 25/ 27s saw more buyers. China HY space was relatively muted despite some positive headline of Zhengzhou rescue fund over weekend. RMs were still trimming exposure. Benchmarks COGARD/CIFIHG further down 1-2.5pts, rest of space down 0.5-1pt. GRNLGR 5.75%'22 marched up 6pts and closed at 60s on shareholder loan news. CENCHIs were unchanged to 2pts lower ahead of the maturity of CENCHI 6.875%'22. Among underperformers yesterday, AZUPOE was 4pts lower on the back of delay in publication of financial statements. LIHHK'26 dropped 3.5pts, offset the gain last Friday post the privatization news.

Overall, the LGFV/SOE perps spaces were not affected much by the rates move, given the cash/ absolute yield driven deployment demand originated from onshore. The cash deployment focused heavily on central SOEs plus a few selective quality LGFV names. Client preference remained strongly favoring the front end (0-3y) given rates volatilities this year. SOE perps were largely unchanged in terms of trading levels although two way marks

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came down 0.1-0.15pt, as NC24 papers from quality names edged towards 4.1%. LGFVs continued to be largely mixed. Names from weaker regions Henan/ Chongqing still under pressure as decent bids were promptly hit, whilst HKIQCL felt better offered. Quality names from coastal regions remained sought after, led by the recent high coupon issues from Zhangzhou, Fujian - ie. ZHAPIE/ ZZTRAN/ ZHANLO.

➤ **Last trading day's Top Movers**

Top Performers	Price	Change	Top Underperformers	Price	Change
GRNLGR 5 3/4 09/26/22	54.5	5.9	AZUPOE 5.65 12/24/24	98.8	-4.3
YLLGSP 6 3/4 04/23/23	92.6	2.9	DALWAN 7 1/4 01/29/24	58.5	-3.7
EHOUSE 7.6 06/10/23	25.8	2.8	SHUION 5 1/2 03/03/25	65.8	-3.6
SSW 5 1/2 08/01/29	83.8	2.7	LIHHK 4.8 06/18/26	76.9	-3.5
GRWALL 3 1/8 07/31/24	90.4	2.6	CIFIHG 6.55 03/28/24	34.2	-3.2

➤ **Macro News Recap 宏观新闻回顾**

Macro – U.S. stock market was mixed yesterday that Nasdaq opened high then knocked down by tech company, NVIDIA's pessimistic profit warning. The S&P (-0.12%), Dow (+0.09%) and Nasdaq (-0.10%) continued fluctuating as market is waiting for U.S. July CPI to be published on Wednesday. The New York Fed's survey about U.S. consumers' expectation indicating that July's inflation outlooks will drop. WTI/Brent crude oil's prices plunged to near USD90/95 per barrel, approaching the level before Russia-Ukraine crisis. The U.S. treasury yield curves downed slightly with 2/5/10/30 yield reaching 3.21%/2.91%/2.77%/3.00%, respectively.

❖ **Desk analyst comments 分析员市场观点**

➤ **Chinese Properties: Overall decline of MoM sales in Jul'22**

36 developers under our radar reported an average of 30% MoM decline in Jul'22 as uncompleted properties and boycott of mortgage payment struck buyer's confidence severely. The cumulative 7M22 sales declined 50% YoY on average. Amongst developers under our radar, "outperformers" in 7M22 are YUEXIU (RMB54.9bn, +4% YoY), SINOCE (RMB52.0bn, -17% YoY), CRHZCH (RMB149.0bn, -21% YoY) and GRNCH (RMB114.3bn, -24% YoY). Underperformers are distressed names such as DAFAPG (RMB4.1bn, -86% YoY), CAPG (RMB16.0bn, -79% YoY) and JINGRU (RMB4.9bn, -77% YoY).

2022 YTD Sales (in RMB mn)														
Company	CN Name	BBG Ticker	Jan	Feb	Mar	Apr	May	Jun	Jul	Trend	Jul'22 MoM Growth	Jul'22 YoY Growth	Jul'22 YTD Sales	Jul'22 YTD Sales Growth
Agile	雅居乐	AGILE	7,380	6,720	7,010	3,940	6,130	8,270	5,010		-39%	-39%	44,460	-17%
Aoyuan Property	中国奥园	CAPG	1,920	1,580	4,460	1,560	2,390	3,010	1,090		-44%	-89%	16,010	-73%
Central China Real Estate	建业地产	CENCHI	2,007	1,158	3,102	2,630	2,170	2,973	840		-22%	-64%	14,880	-85%
China Jinmao	中国金茂	CHJMAO	10,000	7,000	14,860	10,240	9,000	19,000	10,497		-5%	-40%	80,397	-62%
China Overseas	中国海外发展	CHIOU	14,779	10,839	22,662	20,362	26,391	43,467	17,468		-10%	-23%	155,968	-12%
China Resources Land	华润置地	CRHZCH	15,262	9,813	20,896	15,057	20,320	39,890	28,000		9%	22%	149,038	13%
China SOE	中骏集团控股	CHJNSC	5,022	4,219	8,010	4,490	4,790	6,050	5,049		17%	-37%	37,630	-43%
China Vanke	万科企业	VNKRLE	35,600	29,370	41,530	30,840	30,760	47,190	33,690		9%	-35%	248,980	-26%
CIFI Holdings	旭辉集团	CIFIHG	8,440	8,300	12,000	10,100	10,800	13,500	16,100		-	-23%	79,240	-39%
Country Garden (Attributable)	碧桂园	COGARD	36,360	32,760	30,110	22,840	28,710	34,520	30,110		13%	-45%	215,210	-10%
Data Properties	大发地产	DAFAPG	1,011	990	607	302	300	500	361		-28%	-88%	4,071	-89%
Dexin China	德信中国	DEXICN	2,830	2,480	4,040	3,040	2,640	4,350	2,810		-5%	-36%	22,190	-53%
Future Land	新城控股	FUTLAN/FTLNHD	7,862	11,231	11,966	9,029	11,081	13,991	10,890		2%	-36%	76,050	-33%
Gemdale	金地集团	GEMDAL	14,960	9,620	20,930	12,500	14,190	28,400	18,550		-5%	-28%	119,150	-37%
Greenland Holding	绿地控股集团	GRNLGR	12,010	8,040	10,750	7,990	10,930	18,680	7,900		-8%	-61%	76,300	-69%
Greentown	绿城	GRNCH	11,700	11,500	15,100	15,500	11,900	25,600	23,000		10%	-38%	114,300	-13%
Guangzhou R&F	富力地产	GZRFPR	4,600	4,510	4,370	4,270	2,978	4,670	3,260		-10%	-51%	28,658	-83%
Jiayuan International	佳源国际	JIAUYA	1,727	1,276	1,516	892	983	1,386	1,047		-4%	-58%	8,827	-78%
Jingrui Holdings	景瑞控股	JINGRU	634	581	1,016	905	693	680	425		-8%	-83%	4,934	-77%
KWG Property	合景泰富集团	KWGPPO	4,160	4,381	4,533	4,352	4,121	4,681	4,761		2%	-41%	30,989	-72%
Logan Property (Attributable)	龙光地产	LOGPH	9,010	4,200	3,910	3,200	3,540	3,740	3,220		-4%	-68%	30,820	-83%
Longfor (Attributable)	龙湖集团	LNGFOR	6,990	6,080	11,000	7,360	9,060	16,020	11,850		-26%	N/A	68,360	N/A
Poly Real Estate	保利地产	POLYRE	28,302	23,978	38,415	30,519	38,003	51,003	33,001		-5%	-22%	243,221	-32%
Powerlong	宝龙地产	PWRLNG	4,701	3,101	4,313	3,098	3,810	4,220	3,209		-24%	-66%	26,450	-38%
Radianse	金辉控股	JNHUIG/RDHCGL	4,320	3,050	3,150	3,690	3,910	6,250	4,050		-5%	-52%	28,420	-60%
Redao Properties	力高集团	REDPRO	2,617	1,903	1,025	1,502	2,317	2,901	2,516		13%	-14%	14,781	-44%
Redsun	弘阳地产	REDSUN/HONGSL	4,020	3,062	2,738	2,587	3,108	4,094	2,832		1%	-59%	22,441	-60%
Ronshine China	融信中国	RONXIN	6,506	8,329	5,396	4,336	5,067	9,103	7,570		17%	-52%	46,307	-35%
Shimao	世茂房地产	SHIMAO	7,510	7,260	7,340	6,030	6,110	9,500	6,830		-28%	-89%	50,580	-71%
Sino-Ocean	远洋集团	SINOCE	4,490	3,730	6,850	6,830	7,410	13,700	8,990		-24%	-13%	52,000	-37%
Sunac China	融创中国	SUNAC	27,920	22,360	22,080	13,570	12,850	14,040	11,030		1%	-78%	123,850	-37%
Times Property	时代中国控股	TPHL	7,088	2,516	4,563	3,580	4,530	5,180	2,763		17%	-65%	30,220	-43%
Yuexiu Property	越秀地产	YUEXIU	5,040	2,824	5,951	12,544	8,256	14,299	5,950		-38%	16%	54,864	4%
Yuzhou Properties	禹洲地产	YUZHOU	4,520	3,354	3,520	2,612	2,911	4,031	2,380		-1%	-78%	23,328	-63%
Zhenro Properties	正荣地产	ZHPRHK	7,897	3,529	2,585	2,301	2,316	2,689	2,055		-24%	-83%	23,372	-75%
Zhongliang	中梁控股	ZHLGHD	8,390	6,410	6,800	4,100	6,000	7,000	4,700		3%	-61%	43,400	-59%

➤ CENCHI: Full redemption of CENCHI 6.875%22

Central China made the full repayment of USD500mn bonds due 8 Aug'22. We believe that the full repayment in such a challenging situation reflected the support of Henan government and Henan Rail. Recalled that the chairman of CENCHI and Henan Tongsheng Zhiye Co., Ltd (HTSZY), the wholly-owned subsidiary Henan Railway (rated A2 by Moody's), entered into S&P agreement for the shares transfer and continue to work on issuance of CBs of HKD708mn. On 1 Aug'22, CENCHI announced the appointments of 2 non-executive directors (DENG Gaoqing and SHI Song). Both of them are senior officials of HTSZY. The appointments before the completion of share transfer and CB issues, in our view, signaled the share transfer and CB issuance are moving on the right track. We expect to see more concrete support from the Henan government going forward. At 30ish, CENCHIs priced in excessive downside, taking cues of the valuation of CSCHCNs after liability management. We maintain Buy on CENCHIs.

➤ 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)
No Offshore Asia New Issues Pipeline Today					

➤ **Market conditions and color**

- Regarding onshore primary issuances, there were 65 credit bonds issued yesterday with an amount of RMB57bn. As for Month-to-date, 367 credit bonds were issued with a total amount of RMB426bn raised, representing a 0.2% YoY decrease.
- **[CAPG]** Aoyuan launches offshore bondholders' identification exercise for its 12 tranches of public and private USD notes, following implementation efforts on debt restructuring
- **[EVERRE]** China Evergrande's 1,281,855,435 shares in Shengjing Bank up for sale in online auction on 6-7 September, due to the company's failure to repay loans
- **[HRINTH]** Huarong has signed a bailout and strategic collaboration agreement with Yango Longjing Group, which aims at implementing the government's requirements to stabilize the property market, guarantee home deliveries, revitalize unfinished projects and safeguard livelihood
- **[JIAYUA]** Jiayuan International expects around 25% YoY decrease in revenue for 1H22 due to COVID-19, citywide lockdown in China
- **[KCMIN]** Kunming Traffic Investment raises RMB1bn via offering of 265-day bills to repay debts
- **[PWRLNG]** Powerlong pays on time coupon and 5% principal of RMB1bn due-2023s as part of waiver of 7 Aug put while extension of RMB600mn due-15 July private notes still pending; Powerlong unit schedules '20BaolongMTN001' note put option exercise on 8-12 August
- **[SANLTD]** Sands China announces results of exchange offer for outstanding dollar notes: USD700mn 2.30% senior notes due 2027, USD650mn 2.85% senior notes due 2029 and USD600mn 3.25% senior notes due 2031
- **[TCLTEC]** TCL to sell 25,230,000 directional CBs where TCL closed at RMB 4.43/share on 8 Aug'22; The CBs carry interest of 0.1% and the price of conversion is RMB4.1/share
- **[VANKE]** China Vanke proposes to offer RMB2bn MTNs to fund real-estate projects, including a 3-yr tranche, and a 5-yr tranche
- **[YNPOWE]** Yunnan Provincial Energy Investment proposes to offer RMB1bn one-year bills to repay debts
- **[ZHHFGR]** Zhuhai Huafa Properties raises RMB1.6bn via offering of five-year MTNs to repay debts

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