

CMBI Credit Commentary

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

We hope you found our commentaries and ideas helpful. We highly appreciate your support to us in Sell-Side Analysts of the polls of [“The Asset Asian G3 Bond Benchmark Review 2022”](#). Thank you for your time. Your support will mean a lot to us.

- *Markets sentiment were overall cautious this morning, otherwise flows were skewed to better selling in front end bonds at low-4% as investors prepared for potentially further higher hurdle rates post Sep'22 hike.*
- **MEITUA:** *Switch trade idea: Sell MEITUA 2.5%'25 due 28 Oct'25 at 88.3 for a YTM of 6.3%. Buy the MEITUA 0%'27 (CBs) at 84.5 for a YTP of 6.7%. See below.*
- *New issue GZUIHG 6% 09/14/25, a weaker name in Jiangxi, was traded down 0.5pts on back of selling from primary loose bonds despite priced at 6%. New Tianjin LGFV BINHCO 5.3% 09/09/25 priced at 5.3% today.*

❖ Trading desk comments 交易台市场观点

Yesterday, IG space embraced a firmer session as higher UST yields induced better yielding IGs to be well-bid. Financials space continued the constructive tone, with AMC closed unchanged to 0.5pt higher. We saw better buying in front-end HRINTHs, and some selling interests on the long-end, after Moody's affirmed rating with outlook negative. AT1s were stable with light volume. There were some loose bonds in T2 space with spread 1-2bps wider, whilst quality leasing names still found support from RM despite being at expensive levels. TMTs narrowed a bit on RM buying, with BIDU/TENCNT tightened 2-6bps. TAISEMs were still sought-after by retail accounts, with spread grinding 2-3bps. The sell-off of IG property benchmarks halted. China Property sector was active across the space. SINOCL'23 up 4pts, as onshore bondholders have approved proposals on bond payment adjustment and credit enhancement measures. COGARDs were up 1.5-3pts with RM and PB chasing. CIFIHGs were up 2.5-4pts on the new asset-sale plan. Lower-beta names FRESHK/GEMDAL curves were down 0.5-1pt. Elsewhere, GRNLGR 23-25s jumped 4-8pts. Front-end CHINSCs were notably down 3.5-6pts and long-end lowered 1.5-2.5pts. In the industrial space, FOSUNIs were down 1-2pts on the belly. Outside China, other HYs performed mixed. Indian industrial RILINs lowered ~3pts. Indonesian energy giant BUMI zero-coupon due-December note was quoted higher at 30 level at EOD, post Bumi announced the share private placement plan.

The LGFV space was largely steady. New ZZREAL 5.1%'25 leaked slightly with loose bonds from primary, but quickly found support at 5.15%-5.25% (-0.25pts), i.e. at similar levels as subsidiary ZHZHCC 5.2%'25 from

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onshore banks. Flows were generally light with most of them focused on cash management in the short end. Deployment flows were noticeably slower from Chinese fund managers, and selective in better yielding names - as investors kept a close eye on rates and funding costs. We saw Chinese and regional clients showing mounting concerns over another potential funding squeeze, and also over hurdle rates again since Sep. Secondary market was still in yield chasing mode among 23/24 LGFVs, with some client demand on CQNANA'24/SHGUOH'24. SOEs were traded firm today as bonds with tenor shorter than 3 years remained better bid. HAOHUAs tightened 5-7bps. With FOMC merely two weeks away, investors generally took a more conservative approach towards further deployment, especially given that prevailing valuations are largely rich, little upside was left beyond carry.

➤ Last trading day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
GRNLGR 5 7/8 07/03/24	44.4	7.9	CHINSC 7 1/4 04/19/23	32.2	-6.2
GRNLGR 6 3/4 09/26/23	48.9	7.4	PLNIJ 5 1/4 10/24/42	85.5	-5.3
GRNLGR 7 1/4 01/22/25	43.1	5.9	CHINSC 7 3/8 04/09/24	24.0	-3.7
SINOCL 6 1/4 06/22/23	40.5	4.1	RILIN 3 3/4 01/12/62	71.0	-2.7
MDLNIJ 3 06/30/25	45.7	3.9	CNOOC 3.3 09/30/49	67.9	-2.3

➤ Macro News Recap 宏观新闻回顾

Macro – U.S. stock markets closed with another fall on Tuesday. The S&P (-0.41%), Dow (-0.55%) and Nasdaq (-0.72%) kept downward trends that the 75bps hike in Sep'22 is becoming concrete after several better than expectation economic data's publication. The U.S. Aug'22 non-manufacturing PMI from ISM rose to 56.9 from 56.7 in July, booming service sector may bring pressure on inflation. The U.S. treasury yields edged higher yesterday and the curves bear steepened with 2/5/10/30 yield reaching 3.50%/3.43%/3.33%/3.49%, respectively.

❖ Desk analyst comments 分析员市场观点

➤ MEITUA: Switch trade idea

Switch trade idea:-

Sell MEITUA 2.5%'25 due 28 Oct'25 at 88.3 for a YTM of 6.3%. The outstanding amount of the issue is USD750mn;

Buy the MEITUA 0%'27 (CBs) at 84.5 for a YTP of 6.7%. The CBs is puttable at 100.37 on 27 Apr'25. The outstanding amount of the issue is USD1,483.6mn

The trade will be credit neutral, allowing investors to pick up yield of c40bps (back-loaded), take out cash of 3.8pts, cut tenor by 6-month and to have a free equity option (though parity is only c40).

Meituan is rated at Baa3/BBB- by Moody's/S&P. Both rating agencies have a negative rating outlook on the company. We expect the price volatility resulting from the potential "fallen angel risk" of the straight bonds will be larger than that of the CBs as CB investors are in general less sensitive to rating changes.

Despite the "fallen angel risk", Meituan maintains a strong liquidity profile with an improving operating fundamental. Its unrestricted cash and ST investments totaled RMB107.5bn, compared with ST debts of

RMB12.9bn. Excluding restricted cash, Meituan was in a net cash position of RMB42.1bn as at Jun'22. Meituan will have sufficient internal resources to redeem the CBs of cRMB10.4bn.

Click [here](#) for full report.

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

Issuer/Guarantor	Size (mn)	Tenor	Coupon	Yield	Issue Rating (M/S/F)
Ganzhou Urban Investment Holding Group Co., Ltd	USD250	3yr	6%	6%	-/-/BBB-
Tianjin Binhai New Area Construction and Investment Group Co., Ltd. (SBLIC by Bank of Shanghai)	USD100	3yr	5.3%	5.3%	Baa2/-/-
Export-Import Bank Korea	USD1000	2yr	4%	T+55	Aa2/AA/AA-
Export-Import Bank Korea	USD1000	5yr	4.25%	T+90	Aa2/AA/AA-
Export-Import Bank Korea	USD500	10yr	4.5%	T+120	Aa2/AA/AA-
Korea Development Bank	USD1000	3yr	4%	T+60	Aa2/AA/AA-
Korea Development Bank	USD450	10yr	4.25%	T+115	Aa2/AA/AA-
Republic of Indonesia	USD750	5yr	4.15%	4.4%	Baa2/BBB/BBB
Republic of Indonesia	USD1400	10yr	4.65%	4.8%	Baa2/BBB/BBB
Republic of Indonesia	USD500	30yr	5.45%	5.55%	Baa2/BBB/BBB

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

Issuer/Guarantor	Currency	Size (mn)	Tenor	IPG/FPG	Issue Rating (M/S/F)
Suqian Economic Development Group Co., Ltd	USD	-	3yr	6.7%	-/-/BBB-
Tianjin Binhai New Area Construction and Investment Group Co., Ltd. (SBLIC by Bank of Bohai)	USD	-	3yr	5.6%	Baa2/-/-
Tianjin Binhai New Area Construction and Investment Group Co., Ltd.	USD	-	366d	7%	Baa2/-/-
Korean Air Lines Co., Ltd	USD	-	3yr	-	Aa2/AA/-

➤ **Market conditions and color**

- Regarding onshore primary issuances, there were 41 credit bonds issued yesterday with an amount of RMB37bn. As for Month-to-date, 223 credit bonds were issued with a total amount of RMB292bn raised, representing a 34.9% yoy increase
- [CHINSC]** Media reported that China SCE Group is in talks with some holders of its RMB2bn bond due 2025 to dissuade them from exercising the put option on 21 Oct'22
- [CHIOLI]** China Overseas has obtained 5-year GBP100mn sustainability-linked club loan arranged by BOC Hong Kong

- **[CIFIHG]** CIFI to sell a land site in Hong Kong for HKD1.338bn(cUSD170mn) to Wang On Properties and APG fund
- **[EVERRE]** China Evergrande to cash out RMB7.3bn(cUSD1bn) from remaining 14.57% stake in Shengjing Bank via forced sale
- **[HRINTH]** Moody's confirmed Huarong AMC at Baa2 with negative outlook, removed from review for downgrade
- **[LOGPH]** Media reported that Logan proposed a par-for-par exchange and will offer each offshore investor a basket of nine new logan bonds for its USD8bn debt restructuring
- **[SHIMAO]** Shimao Group said that it will not pay interest from Sep'22 on its three offshore syndicated loans until restructuring completed
- **[SINOCL]** Sino-Ocean Capital's 20Yuanzi01 bondholders have approved proposals at the bondholders' meeting held on 5 Sep on bond payment adjustment and credit enhancement measures
- **[YIDCHL]** Yida China to sell stake in China properties for RMB84.6mn(cUSD12.2mn) to boost cash flow

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