

CMBI Credit Commentary

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

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- *Markets saw buying flow slowed down as onshore buyers stayed put amid mixed rates outlook, and increasing volatility of CNH exchange rates overnight. LGFV/SOE perps slightly softened this morning and flows still mostly within short dated-to-call names. Long-end SOE bullets traded 10-20c weaker. AT1s retraced on selective names.*
- **AZUPOE:** *The investors' call failed to alleviate concerns on delay in filing results, led to a further sell-off, AZUPOEs were once traded down 12-14pts post the call but bounced ~2pts up this morning. See below.*
- **COGARD:** *supported by the plan to issue onshore bonds guaranteed by SOE-China Bond Insurance. COGARs moved higher about 3-4pts and recovered price decline affected by the 67% yoy drop profit warning.*

❖ Trading desk comments 交易台市场观点

Yesterday, China IG space steadily tightened 2-4bps with strong demand on the short-end. In financials space, Leasing names outperformed with BOCAVI/ICBCIL lifted to 2-4bps tighter. CCB T2 started to see profit taking. AMC space saw selling on HRINTH/GRWALL. Financials overall traded a bit soft, but selling induced by Huarong profit loss was notably slower. HRINTH 25 down 2pts. AT1/ Perp closed largely flat amid light two ways and a cautious tone. In TMT sector, MEITUA widened ~15bps. IG property names went sideways. Long-end property benchmarks kept at the downside on RM selling while front-end quality names hanged well at the boosted levels, trading unchanged to 25-50c higher. China HY space saw low beta benchmarks opened 1-3pts higher. COGARD first opened 1-2pts lower post its announcement on 67% yoy drop in profit, but then bounced up from the low prints. COGARD 24-26s still closed at high 30s, 2-3pts higher on the day. CIFIHG up 1-2pts. XINHUZ down 4-12pts across the curve. Distressed names felt well-bid while unchanged on price. Elsewhere, GRNLGR 24s were traded up 1.5-4pts. Macau gaming names fluctuated and generally consolidated to 1-3pts lower, but feeling better bid in context despite not bouncing off the lows. WYNMAC notably down 3-4pts. In Ex-China HY space, AZUPOEs opened down 12-14pts as of Friday morning, as investor call failed to address concerns on its annual report delay. VEDLN 25/26 also underperformed by dropping 1.5-2.5pts, and both were still traded at low-70s level.

Glenn Ko, CFA 高志和
(852) 3657 6235
glennko@cmbi.com.hk

CMBI Fixed Income
fis@cmbi.com.hk

While sentiment remained largely afloat in LGFV/SOE Perp spaces, buying slowed down a bit as investors reassessed the rates outlook after the creep up in UST yields in the past two days. Buying flows were more focused parking on more defensive papers, notably 23s LGFVs and =<3y SOE bullets where funds were primarily deployed within the China credit space. In particular, LGFV 23s yielding 6% or above were quite well sought after amid the hunt for yield thanks to the more optimistic near term outlook on weaker LGFV names nowadays. Previously high-beta/ bidless/ freefalling names LZINVE/ XIANGY/ SHGUOH/ SHUGRP 23s were all better bid today as sellers would hold on for higher targets. Elsewhere, a fair bit of profit taking flows emerged in longer dated to call SOE perps and tighter LGFVs into the WTD/ MTD rally, as bids remained largely supported by dealer shorts. Market patiently waited for Fed officials' mixed signals to consolidate the recent macro jittery, ahead of next Jackson Hole meeting.

➤ **Last trading day's Top Movers**

| Top Performers | Price | Change | Top Underperformers | Price | Change |
|------------------------|-------|--------|-----------------------|-------|--------|
| GRNLGR 5.6 11/13/22 | 63.4 | 3.9 | XINHUZ 11 06/06/25 | 79.8 | -11.4 |
| COGARD 8 01/27/24 | 49.5 | 3.2 | MPEL 5 3/4 07/21/28 | 71.9 | -4.7 |
| FUTLAN 4 1/4 09/22/22 | 97.7 | 2.8 | XINHUZ 11 09/28/24 | 90.5 | -4.4 |
| COGARD 4.2 02/06/26 | 37.1 | 2.6 | XINHUZ 11 03/27/23 | 95.1 | -4.1 |
| LSEAGN 10 3/4 10/21/22 | 76.3 | 2.6 | WYNMAC 5 5/8 08/26/28 | 74.0 | -3.8 |

➤ **Macro News Recap 宏观新闻回顾**

Macro – U.S. stock indexes edged higher and pushed by energy and tech companies' climb on Thursday. The S&P (+0.23%), Dow (+0.06%) and Nasdaq (+0.21%) increased while the markets are still mulling and evaluating the FOMC. The U.S. second-hand home sales slumped about 20% in Jul'22 compared to Jul'21 due to high interest rate. The U.S. treasury yields slightly lower yesterday as the curve bull steepened with 2/5/10/30 yield reaching 3.22%/3.02%/2.88%/3.14%, respectively.

❖ **Desk analyst comments 分析员市场观点**

➤ **AZUPOE: Timeline for filing FY22 annual report is still unknown**

Azure Power Energy organized an investor call on 18 Aug'22 regarding the company failure to publish its FY22 annual report by 16 Aug'22, the extended date after the delay. In our view, Azure failed to address investors' concern on the reason of delay, the timeline for filling the results and impact on its funding access resulting from the delay. As a result of delay, the company cannot raise equity before 16 Aug'23 according to SEC rules. The delay appears not an event of default to AZUPOEs but as per Azure, the failure of its parent (Azure Power Global) to comply with reporting requirement could be an EOD at its parent's level. AZUPOE'24/26 were once traded down 12-14pts post the call but bounced ~2pts this morning.

➤ **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 88 credit bonds issued yesterday with an amount of RMB102bn. As for Month-to-date, 1018 credit bonds were issued with a total amount of RMB1026bn raised, representing a 8.8% yoy decrease
- **[AGILE]** Agile Group signed a block trade agreement to sell 3.45% of its property management services arm A-Living Smart City Services shares to raise HKD343.49mn(cUSD43.8mn)
- **[CHINSC]** China SCE Group expects a profit of RMB120-130mn in 1H22, a 52.6% yoy fall due to decrease in area of properties delivered
- **[COGARD]** COGARD said that it is preparing to offer onshore medium-term interbank bonds guaranteed by state-backed China Bond Insurance Corp
- **[GEELY]** Geely Auto's 1H22 revenue rises 29% yoy to USD8.58bn while profit before tax down 54.9% yoy to USD194.7mn
- **[HRINTH]** Huarong announced that it has gained shareholder's approval for subscription of USD163.1mn private perpetual bonds of Huarong international
- **[JINKE]** Jinke Property unit pledges 60% stake in Guigang Bixiang Real Estate Development to guarantee payment for JINKE 6.8 06/20/2022 about RMB1bn(cUSD147.2mn)
- **[LENOVO]** Lenovo has partially purchased LENOVO 3.375 01/24/24 and the outstanding amount of it is USD219.5mn
- **[MPEL]** Melco Resorts announced its 2Q22 results that revenue down 48% yoy at USD296.1mn, Adjusted EBITDA is USD13.8mn and cash balance is USD1.65bn; The company announced to buyback 5.84% stakes from Melco International for USD152.7mn
- **[SINOCE]** Fitch rating downgraded Sino-Ocean downgraded to BB+ from BBB- and all ratings are placed on Rating Watch Negative
- **[SUNAC]** Media reported that Sunac is about to begin restructuring talks with USD bondholders in next two week, Sunac has USD7.28bn outstanding bonds right now

- **[TPWRIN]** Tata Power Renewables approved the allotment of 83.6m preferred shares at INR239.22 for a total amount of USD252mn to complete first tranche of the USD525mn investment led by BlackRock
- **[ZENDA]** Shanghai Zendai Property expects 1H22's revenue decreased 55% yoy to RMB161mn and profit down 37% to RMB76.9 due to decrease in properties delivered

CMB International Securities Limited
Fixed Income Department
Tel: 852 3761 8867/ 852 3657 6291
fis@cmbi.com.hk

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