

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.

- *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. LIHKK'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

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

CMBI Fixed Income
fis@cmbi.com.hk

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		-9%	-38%	44,460	-17%
Aoyuan Property	中国奥园	CAPG	1,920	1,580	4,460	1,560	2,390	3,010	1,090		-4%	-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		-2%	-64%	14,880	-65%
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	-6%
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	-1%
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	-1%
China SCE	中骏集团控股	CHJNSC	5,022	4,219	8,010	4,490	4,790	6,050	5,049		-7%	-37%	37,630	-4%
China Vanke	万科企业	VNKRE	35,600	29,370	41,530	30,840	30,760	47,190	33,690		-9%	-35%	248,980	-3%
CIFI Holdings	旭辉集团	CIFIHG	8,440	8,300	12,000	10,100	10,800	13,500	16,100		-1%	-23%	79,240	-3%
Country Garden (Attributable)	碧桂园	COGARD	36,360	32,760	30,110	22,840	28,710	34,520	30,110		-3%	-45%	215,210	-10%
Data Properties	大发地产	DAFAPG	1,011	990	607	302	300	500	361		-8%	-88%	4,071	-65%
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	-3%
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	-3%
Gemdale	金地集团	GEMDAL	14,960	9,620	20,930	12,500	14,190	28,400	18,550		-5%	-28%	119,150	-7%
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	-6%
Greentown	绿城	GRNCH	11,700	11,500	15,100	15,500	11,900	25,600	23,000		-10%	-38%	114,300	-1%
Guangzhou R&F	富力地产	GZRFP	4,600	4,510	4,370	4,270	2,978	4,670	3,260		-10%	-51%	28,658	-1%
Jiayuan International	佳源国际	JIAYUA	1,727	1,276	1,516	892	983	1,386	1,047		-4%	-58%	8,827	-3%
Jingrui Holdings	景瑞控股	JINGRU	634	581	1,016	905	693	680	425		-9%	-83%	4,934	-7%
KWG Property	合景泰富集团	KWGP	4,160	4,381	4,533	4,352	4,121	4,681	4,761		-2%	-41%	30,989	-2%
Logan Property (Attributable)	龙光地产	LOGPH	9,010	4,200	3,910	3,200	3,540	3,740	3,220		-6%	-68%	30,820	-3%
Longfor (Attributable)	龙湖集团	LNGFOR	6,990	6,080	11,000	7,360	9,060	16,020	11,850		-	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	-3%
Powerlong	宝龙地产	PWRLNG	4,701	3,101	4,313	3,096	3,810	4,220	3,209		-4%	-66%	26,450	-8%
Radianse	金辉控股	JNHUIG/RDHGCL	4,320	3,050	3,150	3,690	3,910	6,250	4,050		-5%	-52%	28,420	-6%
Redco Properties	力高集团	REDPRO	2,617	1,903	1,025	1,502	2,317	2,901	2,516		-3%	-14%	14,781	-1%
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	-3%
Ronshine China	融信中国	RONXIN	6,506	8,329	5,396	4,336	5,067	9,103	7,570		-7%	-52%	46,307	-3%
Shimao	世茂房地产	SHIMAO	7,510	7,260	7,340	6,930	6,110	9,500	6,830		-4%	-89%	50,580	-7%
Sino-Ocean	远洋集团	SINOCE	4,490	3,730	6,850	6,830	7,410	13,700	8,990		-4%	-13%	52,000	-6%
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	-7%
Times Property	时代中国控股	TPHL	7,088	2,516	4,563	3,580	4,530	5,180	2,763		-7%	-65%	30,220	-4%
Yuexiu Property	越秀地产	YUEXIU	5,040	2,824	5,951	12,544	8,256	14,299	5,950		-3%	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	-6%
Zhenro Properties	正荣地产	ZHPRHK	7,897	3,529	2,585	2,301	2,316	2,689	2,055		-4%	-83%	23,372	-7%
Zhongliang	中梁控股	ZHLGHD	8,390	6,410	6,800	4,100	6,000	7,000	4,700		-3%	-61%	43,400	-6%

➤ **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

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

CMB International Securities Limited ("CMBIS") is a wholly owned subsidiary of CMB International Capital Corporation Limited (a wholly owned subsidiary of China Merchants Bank)

Author Certification

The author who is primary responsible for the content of this research report, in whole or in part, certifies that with respect to the securities or issuer that the author covered in this report: (1) all of the views expressed accurately reflect his or her personal views about the subject securities or issuer; and (2) no part of his or her compensation was, is, or will be, directly or indirectly, related to the specific views expressed by that author in this report.

Besides, the author confirms that neither the author nor his/her associates (as defined in the code of conduct issued by The Hong Kong Securities and Futures Commission) (1) have dealt in or traded in the stock(s) covered in this research report within 30 calendar days prior to the date of issue of this report; (2) will deal in or trade in the stock(s) covered in this research report 3 business days after the date of issue of this report; (3) serve as an officer of any of the Hong Kong listed companies covered in this report; and (4) have any financial interests in the Hong Kong listed companies covered in this report.

Important Disclosures

There are risks involved in transacting in any securities. The information contained in this report may not be suitable for the purposes of all investors. CMBIS does not provide individually tailored investment advice. This report has been prepared without regard to the individual investment objectives, financial position or special requirements. Past performance has no indication of future performance, and actual events may differ materially from that which is contained in the report. The value of, and returns from, any investments are uncertain and are not guaranteed and may fluctuate as a result of their dependence on the performance of underlying assets or other variable market factors. CMBIS recommends that investors should independently evaluate particular investments and strategies, and encourages investors to consult with a professional financial advisor in order to make their own investment decisions.

This report or any information contained herein, have been prepared by the CMBIS, solely for the purpose of supplying information to the clients of CMBIS and/or its affiliate(s) to whom it is distributed. This report is not and should not be construed as an offer or solicitation to buy or sell any security or any interest in securities or enter into any transaction. Neither CMBIS nor any of its affiliates, shareholders, agents, consultants, directors, officers or employees shall be liable for any loss, damage or expense whatsoever, whether direct or consequential, incurred in relying on the information contained in this report. Anyone making use of the information contained in this report does so entirely at their own risk.

The information and contents contained in this report are based on the analyses and interpretations of information believed to be publicly available and reliable. CMBIS has exerted every effort in its capacity to ensure, but not to guarantee, their accuracy, completeness, timeliness or correctness. CMBIS provides the information, advices and forecasts on an "AS IS" basis. The information and contents are subject to change without notice. CMBIS may issue other publications having information and/or conclusions different from this report. These publications reflect different assumption, point-of-view and analytical methods when compiling. CMBIS may make investment decisions or take proprietary positions that are inconsistent with the recommendations or views in this report.

CMBIS may have a position, make markets or act as principal or engage in transactions in securities of companies referred to in this report for itself and/or on behalf of its clients from time to time. Investors should assume that CMBIS does or seeks to have investment banking or other business relationships with the companies in this report. As a result, recipients should be aware that CMBIS may have a conflict of interest that could affect the objectivity of this report and CMBIS will not assume any responsibility in respect thereof. This report is for the use of intended recipients only and this publication, may not be reproduced, reprinted, sold, redistributed or published in whole or in part for any purpose without prior written consent of CMBIS.

Additional information on recommended securities is available upon request.

Disclaimer:

For recipients of this document in the United Kingdom

This report has been provided only to persons (I) falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended from time to time) ("The Order") or (II) are persons falling within Article 49(2) (a) to (d) ("High Net Worth Companies, Unincorporated Associations, etc.") of the Order, and may not be provided to any other person without the prior written consent of CMBIS.

For recipients of this document in the United States

CMBIS is not a registered broker-dealer in the United States. As a result, CMBIS is not subject to U.S. rules regarding the preparation of research reports and the independence of research analysts. The research analyst who is primary responsible for the content of this research report is not registered or qualified as a research analyst with the Financial Industry Regulatory Authority ("FINRA"). The analyst is not subject to applicable restrictions under FINRA Rules intended to ensure that the analyst is not affected by potential conflicts of interest that could bear upon the reliability of the research report. This report is intended for distribution in the United States solely to "major US institutional investors", as defined in Rule 15a-6 under the US, Securities Exchange Act of 1934, as amended, and may not be furnished to any other person in the United States. Each major US institutional investor that receives a copy of this report by its acceptance hereof represents and agrees that it shall not distribute or provide this report to any other person. Any U.S. recipient of this report wishing to effect any transaction to buy or sell securities based on the information provided in this report should do so only through a U.S.-registered broker-dealer.

For recipients of this document in Singapore

This report is distributed in Singapore by CMBI (Singapore) Pte. Limited (CMBISG) (Company Regn. No. 201731928D), an Exempt Financial Adviser as defined in the Financial Advisers Act (Cap. 110) of Singapore and regulated by the Monetary Authority of Singapore. CMBISG may distribute reports produced by its respective foreign entities, affiliates or other foreign research houses pursuant to an arrangement under Regulation 32C of the Financial Advisers Regulations. Where the report is distributed in Singapore to a person who is not an Accredited Investor, Expert Investor or an Institutional Investor, as defined in the Securities and Futures Act (Cap. 289) of Singapore, CMBISG accepts legal responsibility for the contents of the report to such persons only to the extent required by law. Singapore recipients should contact CMBISG at +65 6350 4400 for matters arising from, or in connection with the report.