

## CMBI Credit Commentary

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

- *Market continued weak tone amid negative macro backdrop. GRWALL 4.25% 25 saw better selling flows, down another 0.5-1pt to 91/92 while GRWALL 3.125% 22 saw some buyers at 99.4 level.*
- ***FUTLAN/FTLNHD:** MOU to sell the cinema chain for cRMB3bn. Maintain buy on FUTLANs/FTLNHDs in view of its ability to maintain funding access. We prefer longer-ended FUTLANs/FTLNHDs for lower cash prices and a more symmetric risk-return profile. See below.*
- ***FOSUNI:** announced the result of tender offer. We maintain Hold recommendations. See below.*

#### ❖ Trading desk comments 交易台市场观点

Yesterday, Chinese IG space was unchanged to a touch weaker as the 2s/10s curve inverted again. Risk-off tone prevailed on back of negative macro development. In Financials, spreads broadly widened 5-10bps and flow was still skewed to better selling. BCHINA price up 0.25pt while new issue BNKEA'28 saw better seller. AMC names kept to be weak as GRWALL down another 1pt. In TMT sector, JD/MEITUA/XIAOMI widened 5-10bps.

LGFV/SOE Perps space was muted in the morning but activities picked up into the afternoon as UST yields crept a leg lower and 2s/10s went inverted for a while. LGFVs saw two-way flows in 24s-25s as valuations appeared to be reaching equilibrium - with single-As at ~4.0% and strong BBBs at ~4.2%. 26s/27s papers remained tough in finding a bid despite widening implied credit spreads at +180-200bps, as we saw robust demands on longer-dated papers in light of duration view. Whilst for 23s, the stalemate persisted between buying and selling targets each side of 4%. SOE Perps continued to see better selling flows and even in some of the previously rarer issues.

Chinese HY space opened slow with most papers unchanged to 1pt lower. Property benchmark names were 0.5-2pt lower. PWRLNG curve fell another 2-3pts with all trenches indicated below 20s. SHIMAO fell 1.5pts although non-payment was not much a surprise. CENCHI/KAISAG down 1.5-2pts. Among high beta names, CIFIHG/CHINSC down 1-1.5pt. Macau gaming sector continued the weak tone with SJMHOL/STCITY/WYNMAC down another 2-3pts. Among other sectors, FOSUNI down 0.5-1pt.

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➤ **Last trading day's Top Movers**

<b>Top Performers</b>	<b>Price</b>	<b>Change</b>	<b>Top Underperformers</b>	<b>Price</b>	<b>Change</b>
AGILE 6.05 10/13/25	<b>33.0</b>	<b>1.5</b>	HONGSL 9 7/8 08/27/22	<b>31.8</b>	<b>-4.8</b>
YUZHOU 8 5/8 01/23/22	<b>11.8</b>	<b>1.3</b>	CSCHCN 10 3/4 04/11/23	<b>69.2</b>	<b>-3.4</b>
GRNLGR 5 3/4 09/26/22	<b>59.3</b>	<b>1.1</b>	LSEAGN 10 3/4 10/21/22	<b>69.1</b>	<b>-3.4</b>
XIAOMI 4.1 07/14/51	<b>68.8</b>	<b>1.1</b>	STCITY 6 1/2 01/15/28	<b>54.1</b>	<b>-3.0</b>
JIAYUA 12 1/2 23	<b>10.7</b>	<b>1.0</b>	PWRLNG 7 1/8 11/08/22	<b>16.5</b>	<b>-2.9</b>

➤ **Macro News Recap 宏观新闻回顾**

**Macro** – U.S. stock market closed mixed on Tuesday, as investors enter the holiday-shortened week focused on growth and inflation prospects in the world's biggest economy. The S&P (+0.16%), Nasdaq (+1.75%), and Dow (-0.42%) ended mixed. The U.S. dollar was trading at the highest levels in 20 years against a basket of its global peers. The Treasury 10y yield retreated 7.5bps amid ongoing growth concerns, leaving the 2s/10s curve inverted for the first time in three months. Treasury curve bull flattened, with the 2/5/10/30 yield retreating to 2.82/2.82/2.82/3.05% respectively.

❖ **Desk analyst comments 分析员市场观点**➤ **FUTLAN/FTLNHD: MOU to sell the cinema chain for cRMB3bn**

Seazen Group entered into a MOU to sell its 97.6% interests in a subsidiary which operates and manages the cinema chain of 128 cinemas to Hengdian Entertainment (603103 CH), a Shanghai-listed company principally engages in the investment, production and distribution of film and television programs. Under the MOU, Hengdian is also interested in the remaining 2.4% in the cinema chain owned by Seazen's employees. The total considerations for the 100% stakes in the cinema chain will be no less than RMB3bn (cUSD450mn). Seazen targets to enter into a formal S&P agreements on or before 8 Oct'22.

While the proceeds from the cinema chain sale will unlikely be able to meet 2H22 maturities of FUTLAN/FTLNHD, the potential sale demonstrated Seazen's ability and willingness to monetize maturing assets to shore up its liquidity. We also note Seazen's ability to access funding channels in a very challenging capital market environment. Seazen is one of the few developers being "selected" for onshore issues with CRMW/CDS. In late May'22, It raised RMB1bn 3-yr (2+1) onshore MTN at a coupon rate of 6.5%. Bank of Shanghai and China Bond Insurance Co. Ltd. offer CRMW of RMB100mn and RMB30mn, respectively at a cost of 3.5%. Additionally, it issued USD100mn 364-day in a small club deal. We have buy recommendations on FUTLANs/FTLNHDs in view of its ability to maintain funding access. We prefer longer-ended FUTLANs/FTLNHDs for lower cash prices and a more symmetric risk-return profile.

➤ **FOSUNI: Result of Tender Offer and maintain Hold recommendations**

Fosun International announced that USD291.4mn of FOSUNI 5.5% '23 and EUR4.2mn of FOSUNI 3.3% '22 have been validly tendered, representing 76.72% and 1.09% of outstanding amount. USD88.4mn and EUR380mn of notes will remain outstanding after the tender offer.

We believe Fosun will expedite sizable asset disposals and lay out a clearer bond repayment plan over coming 12 months to boost offshore investors' confidence. Having said that, in a hypothetical scenario, Fosun has sizable offshore assets and businesses as recovery to offshore creditors. These include its 100% owned LONGFRUN

Portugal (unlisted) which has an estimated value of RMB20bn according to S&P report as of Jun 2022. As of 31 Dec, 2021, Fosun Holdco had RMB112.2bn total debt, in which 60% was offshore.

We take comfort from Fosun's moderate LTV at 38.6% of its investment portfolio. Also, 44% of its RMB 290bn investment portfolio is listed, which can enable gradual divestment in secondary market, in our view. For example, Fosun's minority stake in New China Life (1336.HK), Beijing Sanyuan Foods (600429 CH), Zhongshan Public Utilities (000685 CH) and Zhaojin Mining (1818.HK) are worth RMB6bn at current market value. Indeed, Fosun management publicly communicated it had identified over RMB50bn in market value non-core/financial assets for disposals. Majority of these assets are unencumbered.

FOSUNI curve down 1-4pts this morning but have paired quite some losses over the past two weeks. We maintain our Hold recommendations on FOSUNIs given its relatively high ST debt level and a prolonged offshore bond market weakness towards Chinese POEs, which leads to high volatility of its bond price. Indeed, we expect a negative rating action from S&P after interim results in August 2022, subsequent to the Moody's recent negative rating action.

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

Issuer/Guarantor	Size (mn)	Tenor	Coupon	Yield	Issue Rating (M/S/F)
Guangxi Communications Investment Group	USD300	3	3.95	3.95	-/-/BBB
Xi'an Baqiao Investment Holding (SBLC by Shanghai Pudong Development Bank)	USD50.8	34Month	4.1	4.1	-/-/-
Korea Gas Corp	USD500	5	T+145	T+145	Aa2/AA/AA-

#### ➤ 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 64 credit bonds issued yesterday with an amount of RMB104bn. As for Month-to-date, 211 credit bonds were issued with a total amount of RMB206bn raised, representing a 2.1% yoy decrease.
- **[DALWAN]** Dalian Wanda Commercial Management Group discloses that holders of RMB3.425bn "20DalianwandaMTN003" notes (RMB5bn original principal amount) have exercised put option
- **[FTHDGR]** Fantasia Holdings announces that the maturity date of its 8.20% bonds with RMB724mn outstanding principal amount has been extended to December
- **[GRWALL]** Moody's has placed the A3 long-term and P-2 short-term issuer rating, as well as the ba3 Baseline Credit Assessment, of China Great Wall Asset Management under review for downgrade

- **[LNGFOR]** Longfor Group announces that it has issued RMB1.7bn six-year domestic corporate bonds with 4.1% coupon
- **[PWRLNG]** Moody's has downgraded Powerlong Real Estate Holdings's corporate family rating to Caa2 from Caa1 and senior unsecured rating to Caa3 from Caa2. Media also reported that the company has informally proposed one-year extension for RMB600mn private notes due 15 Jul
- **[RONXIN]** Ronshine China unit's bondholders have approved all proposals at the bondholders' meeting on 4 Jul regarding "19Rongxin01" and "19Rongxin02" bonds. The proposal include the bond amortization schedule in 2023 and the company's credit enhancement measures
- **[SANLTD]** Sand China announces that it has filed a fourth amended registration statement with the SEC in relation to the proposed exchange offer for its outstanding USD700mn 2.300% senior notes due 2027, USD650mn 2.850% senior notes due 2029 and USD600mn 3.250% senior notes due 2031
- **[SJMOL]** SJM Holdings casino hotel 'the Grand Lisboa' has been locked down by the local government as a dozen COVID-19 cases were found
- **[SSHGHK]** Moody's has downgraded Sansheng Holdings's corporate family rating to Ca from Caa2
- **[VNKRLE]** China Vanke has proposed to offer up to RMB3.4bn corporate bonds to repay interest-bearing debts and boost working capital
- **[WB]** Weibo launches up to USD1.2bn five-year senior unsecured loan, offering a top-level early bird all-in of SOFR+148bps via a margin of SOFR+128bps
- **[YUZHOU]** Media reported that Yuzhou Group Holdings informally proposed two-year deferral of 24 Jul put on RMB1.5bn domestic private notes
- **[ZHHFGR]** Zhuhai Huafa Properties has raised RMB3bn via an offering of five-year MTNs and the proceeds will be used to repay interest-bearing debts

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