

CMBI Credit Commentary

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

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- *Market was largely muted as the US market was closed for holiday. Chinese funds resumed deploying in SOE perps as rates retraced after Friday NFP. In LGFV space, LANCNS/LZINVE still remained in the spotlight as Lanzhou construction was downgraded to Caa1 by Moody's with outlook negative.*
- **KWGPRO:** *Exchange and concurrent consent to extend maturities of KWGPRO 6%'22, 5.2%'22 and 7.875%'23 for 11-16 months, and carve out cross default clauses for the remaining 6 outstanding bonds. KWGPRO '22/23 up ~3-5pts post the debt restructuring plan. See below.*
- **JIAYUA:** *Jiayuan extended the expiration deadline for the debt restructuring plan from 7 Sep to 16 Sep. JIAYUAs were largely unchanged.*

❖ Trading desk comments 交易平台市场观点

Last Friday, IG flows hovered on front-end papers that are more sensitive to CT2. Financials space had another firm day amid thin flows ahead of NFP. Quality T2s continued the rally. CCB/ BCHINA T2s tightened 2-5bps further to the very tight level. Short-covering pushed Leasing names to be another 1-5bps tighter. ICBCIL 24s/BOCAVI 23s were lifted amid fund managers shuffling. AT1s felt soft and were unchanged to 0.25pt weaker with less FM activities. AMCs were weighed down after Moody's downgraded GRWALL's rating to Baa1 with a outlook negative. GRWALL curve down 0.5-1pt post downgrade. Benchmark TMT remained well bid mostly on the back of robust street demand. IG property space had mixed two-way flows with slightly better buying. CHIOIL 26/YUEXIU 26 were up 2-6pts. China HY space was weaker with benchmark property names broadly 2-3pts lower, under Props/HF selling. Beta names COGARD/ CIFIHG lowered 2-6pts across the curve. CHINSC 23/FTLNHD 23 were 1.5/2.5pts respectively. Elsewhere, CENCHIs lowered 2-4pts on the screen. LIFUNG '25 also down ~4.5pts as S&P's downgraded the rating from BBB- to BB+. KWGPRO 22s were up 2.5-3.5pts post the exchange offer news. Ex-China HY had a non-event day as market took a break from hectic activities during the week. Indian renewables were calmer with AZUPOE was more or less unchanged, GRNKEN/HBSPIN saw two-way interest based on positioning. Indonesian conglomerate LPKRIJ '26 stabilized at 68.5 level after falling 6pts on the previous trading day.

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LGFV/SOE Perp space had a calm end to finish the week as investors awaited the US job print. The historical high UST yields still underscored risk-off sentiment. Flows were skewed to better selling in SOE Perps as fund managers trimmed exposure in short-dated-to-call papers given little upside room from here anyway. That said, these SOE papers were well digested by cash parking demand. LGFVs stayed stable within context, cross-border flows continued to be better buyer of bonds but would not chase higher. Meanwhile dealers tried to cover a few short-heavy names in street but offers were stubborn. New issue JNCHED was priced at 6.9% for 200mn. LGFV 22s were trading tight, and quality name HKIQCL 4.25%'22 were lifted to around 100.05 level. Overall, front-end LGFVs remained well bid despite the rising rate hike expectations.

➤ Last trading day's Top Movers

| Top Performers | Price | Change | Top Underperformers | Price | Change |
|----------------------|-------|--------|-----------------------|-------|--------|
| CHIOIL 4.7 06/30/26 | 83.1 | 5.9 | COGARD 5 1/8 01/17/25 | 43.8 | -6.1 |
| KWGPRO 6 09/15/22 | 32.6 | 3.4 | CHJMAO 3.2 04/09/26 | 75.7 | -5.5 |
| FUTLAN 6.15 04/15/23 | 76.8 | 3.3 | SINOCL 6 1/4 06/22/23 | 36.4 | -5.1 |
| KWGPRO 5.2 09/21/22 | 31.4 | 2.8 | COGARD 6 1/2 04/08/24 | 50.3 | -5.1 |
| YUEXIU 2.8 01/20/26 | 91.2 | 2.6 | LIFUNG 4 1/2 08/18/25 | 86.0 | -4.6 |

➤ Macro News Recap 宏观新闻回顾

Macro – U.S. stock indexes closed lower on last Friday. The S&P (-1.07%), Dow (-1.07%) and Nasdaq (-1.31%) turned to downward from previous day's slight rebound as the better than expectation NFP increased the probability that the Fed take hawkish effort to subdue inflation. The U.S. Labor Department disclosed that nonfarm payrolls rose by 315k jobs in Aug'22 and unemployment rate climbed to 3.7% while the labor force participation rate ascend to 62.4%, the highest level since Mar'20. The U.S. treasury yields down on Friday and the curves bull steepened with 2/5/10/30 yield reaching 3.40%/3.30%/3.20%/3.35%, respectively.

❖ Desk analyst comments 分析员市场观点

➤ KWGPRO: Exchange and concurrent consent

KWG announced well-expected exchange offer for its 3 outstanding bonds (6% 0915/22, 5.2% 09/21/22 and 7.785% 09/01/23) to effectively the maturities for 11-16 months. The total outstanding amount of 3 exchange bonds is USD1.6bn. At the same time, KWG is conducting the concurrent consent solicitation for the remaining 6 bonds to carve out cross default to be triggered by the 3 bonds subject to exchange and the non-payment of coupon of KWGPRO 7.4 03/05/24 on 5 Sep'22. Total outstanding amount of consent bonds is cUSD2.5bn. The details of the exchange and concurrent consent solicitation are below:-

CENCHI has unrecognized sales of RMB71.7bn (incl sales of JCE) as at Jun'22. The gross margin of these unrecognized sales is 11%. Hence, we should see some pick-ups in recognized sales and profit margin going forward. In 7M22, its contract sales were RMB16.2bn, down 51% yoy. It completed c40% of its FY22 sales target of RMB40bn. To achieve the sales target, its sell-through rate will have to increase to 51% in 2H22 from 43% in 1H22. The sales target appears a bit challenging.

| Exchange | Exchange consideration | | | | Amortization schedule | | | | | | | |
|-------------------|--------------------------|-----------------------|-----------------------------|-------------------|-----------------------|-----------------|-------------------|-----------------|--------|--------|--------|--------|
| | Minimum acceptable level | Incentive fee per 100 | Principal repayment per 100 | New bonds per 100 | Original maturity | Original coupon | New bond maturity | New bond coupon | May'23 | Aug'23 | Jan'24 | |
| KWGPRO 6 | | | | | | | | | | | | |
| 09/15/22 | 90% | 0.5 | 5 | 95 | 15/9/2022 | 6% | Jan'24 | 6% | 15% | 20% | 60% | |
| KWGPRO | | | | | | | | | | | | |
| 5.2 09/21/22 | 90% | 0.5 | 5 | 95 | 21/9/2022 | 5.2% | Jan'24 | 6% | 15% | 20% | 60% | |
| | | | | | | | | | Jul'23 | Sep'23 | Mar'24 | Aug'24 |
| KWGPRO 7 | | | | | | | | | | | | |
| 7/8 09/01/23 | 80% | 0.50 | | 100.00 | 1/9/2023 | 7.875% | Aug'24 | 7.875% | 5% | 15% | 50% | 30% |
| Exchange deadline | 9 Sep'22 | | | | | | | | | | | |
| Consent | | | | | | | | | | | | |
| Threshold | 50% | | | | | | | | | | | |
| Consent fee | 0.25 | | | | | | | | | | | |
| Consent deadline | 9 Sep'22 | | | | | | | | | | | |

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

| Issuer/Guarantor | Size (mn) | Tenor | Coupon | Yield | Issue Rating (M/S/F) |
|---|-----------|-------|--------|-------|----------------------|
| Zhenjiang Transportation Industry Group Co., Ltd. | USD57.5 | 3yr | 5.2% | 5.2% | -/-/- |

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

| Issuer/Guarantor | Currency | Size (mn) | Tenor | IPG | Issue Rating (M/S/F) |
|---------------------------------------|----------|-----------|-------|------|----------------------|
| Zhengzhou Real Estate Group Co., Ltd. | USD | - | 3yr | 5.6% | -/-/BBB+ |

➤ **Market conditions and color**

- Regarding onshore primary issuances, there were 57 credit bonds issued yesterday with an amount of RMB78bn. As for Month-to-date, 156 credit bonds were issued with a total amount of RMB225bn raised, representing a 43.6% yoy increase
- [ABMMIJ]** Moody's affirmed ABM Investama B1 corporate family rating and unchanged the outlook as stable
- [BUMIJ]** Bumi announced that it plans to issue USD200bn new series C shares to repay all remaining debt(cUSD1.54bn)
- [CRHZCH]** China Resources Land announced to contribute RMB1.05bn(cUSD152mn) to form a JV for 70% stake with Shenzhen Hukun to develop a land parcel in Suzhou
- [ESR]** ESR paid HKD11.9mn(cUSD1.5mn) to repurchase 558k shares
- [GZRFPR]** Guangzhou R&F plans to exercise an option to buy-back a UK development for GBP106.6mn(cUSD122.7mn) from Far East Consortium

- **[JINGRU]** Jingrui Holdings announced preliminary findings of RMB4.91bn bank deposits investigation conducted by Mazars CPA
- **[KAISAG]** Media reported that Kaisa bondholder group proposes up to USD600mn new equity plan and a 20% haircut on offshore bonds(o/s USD12.5bn)
- **[KWGPRO]** KWG Group's unit scheduled put option exercise for 20Hejing06, the o/s amount is RMB1bn(cUSD144.9mn)
- **[LANCNS]** Moody's downgraded the corporate family rating of Lanzhou Construction Investment Group to Caa1 from B3 and gave negative outlook
- **[LIFUNG]** S&P downgraded Li & Fung from BBB- to BB+ on divestment of logistics unit and kept the outlook stable
- **[SHIMAO]** Shimao Property to sell stakes in 4 project companies to Beijing Runzhi Business Operation Management for RMB3.316bn, after deducting RMB373.94mn debts owed
- **[SJM HOL]** Media reported that SJM Holdings plans to negotiate with creditors for loan amendments
- **[ZOOMLI]** Zoomlion paid RMB23.9mn(cUSD3.5mn) to repurchase 4.1mn shares

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