

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 kept recovering this morning. There are buying flows into SOE perps, especially in high grade names. We saw selling flows on longer tenor LGFVs.*
- *Chinese property names that were included in government support news rallied yesterday. CIFIHG/COGARD/SINOCE/LNGFOR jumped 7-14pts and FUTLAN/GEMDAL edged 1-3pts on Tuesday while all of six stalled out this morning.*
- *Chinese AMCs were weak after Huarong announced a profit warning of RMB18.9bn(cUSD2.8bn) loss for 1H22 yesterday. HRINTH/GRWALL widened 8-14bps while CCAMCL weakened 2-3bps slightly.*

❖ Trading desk comments 交易台市场观点

Yesterday, Chinese IG space closed an overall constructive day supported by property sector uplift, as rescue funds news shored up market confidence. Market focus was on renewed hopes of regulatory support for selected names. LNGFOR longer-dated notes led the rise by surging 10-12pts across the curve, as the developer planned to issue interbank notes fully guaranteed by state-owned China Bond Insurance Corp. VNKRL bonds were up 4-6pts, while other IG property names were 1-3pts up. TMT space encountered panic selling, as Tencent was reported to plan on selling a roughly 17% stake in Meituan. MEITUA spreads first widened 30-50bps but then firmed up to only 10-20bps wider with strong short-squeezing. Overall TMT was mixed on the long-end. In financials sector, bank names were relatively stable, while AMC weighed down the sentiment. GRWALL/HRINTH widened 8-14bps, as China's Huarong expected equivalent of USD2.8bn net loss in the 1H22, due to credit impairments surged. China HY space embraced recovery from property, with especially active flows on the front end. CIFIHG 23s/24s jumped 10-14pts higher from Monday close and stalled out around the highs, amid increased confidence that the developer shall redeem the short-dated notes on time with new support. COGARDs rallied 9-10pts on the front end, despite being downgraded to junk grade by Fitch. Macau gaming sector slightly retraced. WYNMAC/STCITY down 1.5-2.5pts. Ex-China HY also had a strong session as some short covering continued in names. VEDLNs were traded slightly higher but saw better selling interest at those levels.

The LGFV/SOE Perp space was active, in line with other spaces with boosted sentiment. Though property upbeat arguably also diverted some

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

CMBI Fixed Income
fis@cmbi.com.hk

attention away from especially offshore investors. Flow wise, the same theme went on as robust cross-border buying from onshore banks and structured products persisted in papers yielding from mid-4% to 6%+. More buying interests moved towards longer dated/ longer dated-to-call instruments, notably a few 26s/27s LGFVs for the first time in the past few months. As sentiment marching bullish and valuations getting richer, more selling also emerged as contrarian investors seized the window to offload unwanted risks, particularly long-end LGFVs that struggled to find a bid before this week. Otherwise, offers continued to be within front end papers yielding low-4% or below out of rebalancing/ yield enhancement flows. While sentiment has been broadly upbeat MTD, demand among LGFVs remained largely selective. Overall, the tone was generally optimistic towards near-term repayment for the front end papers - even for names from weaker regions thanks to the positive onshore news flow of late. Nonetheless for >=2y papers buying remained very name specific and those outside the buying list could stay heavy technically.

➤ **Last trading day's Top Movers**

Top Performers	Price	Change	Top Underperformers	Price	Change
SINOCE 3.8 04/26/25	52.2	14.6	HILOHO 9 3/4 11/18/24	45.7	-4.5
CIFIHG 6.45 11/07/24	39.1	14.2	WYNMAC 5 1/8 12/15/29	75.2	-2.6
LNGFOR 4 1/2 01/16/28	77.6	12.3	WYNMAC 5 5/8 08/26/28	78.3	-2.3
SINOCE 6 07/30/24	40.9	11.9	ROADKG 7.95 PERP	23.9	-2.1
LNGFOR 3.85 01/13/32	68.3	11.9	ICBPIJ 4.805 04/27/52	78.3	-2.0

➤ **Macro News Recap 宏观新闻回顾**

Macro – U.S. stock indexes overall rallied yesterday as the Walmart published robust result and optimistic outlook that boosted market sentiment. The S&P (+0.19%), Dow (+0.72%) and Nasdaq (-0.23%) continued rebounding in the dovish atmosphere that the probability of 75bps interest hike in September is gradually decreasing. Crude oil price fell again on Tuesday, WTI and Brent prices decreased 2.54% and 2.46%, approaching the level before Ukraine crisis. The U.S. treasury yields edged higher as the curve bear flattened with 2/5/10/30 yield reaching 3.25%/2.95%/2.82%/3.11%, respectively.

❖ **Desk analyst comments 分析员市场观点**

➤ **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 72 credit bonds issued yesterday with an amount of RMB58bn. As for Month-to-date, 830 credit bonds were issued with a total amount of RMB836bn raised, representing a 12.8% yoy decrease
- Henan province published a policy to encourage provincial enterprises to finance by issuing bonds, the government will grant subsidy to companies up to 50% of issuance fees
- **[CAPG]** China Aoyuan suspended trading of 19Aoyuan02 as the company was uncertain about the schedule for payment for the RMB1.5bn(cUSD221.1mn) principal and interest of the bonds
- **[CENCHI]** S&P downgraded CCRE to CCC+ from B- due to CENCHI's unsustainable financial commitments and removed CreditWatch of it
- **[COGARD]** Fitch downgraded Country Garden downgraded to BB+ from BBB- due to its weak financial flexibility and maintained Rating Watch Negative
- **[HRINTH]** Huarong announced that it expects to turn to losses about RMB18.9bn(cUSD2.8bn) for 1H22 due to capital market volatility and real estate downturn; Huarong agreed to sell 76.79% equity interests in Huarong International Trust to China Trust Protection Fund for RMB6.15bn (cUSD909mn)
- **[JIAYUA]** Jiayuan Chuangseng, the sister company of Jiayuan, seeks for one year extension of 19JYCSHG03 which is originally due on 19 Aug'22, the outstanding balance of it is RMB645mn
- **[KIJAIJ]** Jababeka hired Morrow Sodali to identify the holders of its USD300mn bonds without stating the purpose after a 40pts slump since May'22. The company is expected to announce its 1H22 financial results in one or two weeks
- **[KWGPRO]** KWG has paid all three coupons due over the past week
- **[LNGFOR]** Media reported that Longfor has emerged with 3%- 4.3% guidance for a planned 24 Aug'22 issuance of RMB1bn-1.7bn onshore interbank notes, which are guaranteed by China Bond Insurance
- **[SHANG]** China based real estate developer SRE Group announced that it expects RMB120-180mn loss in 1H22, cited lower revenue from property sales and rentals
- **[SZCONS]** Suzhou City Construction Investment Group (Holding) announced to issue USD100mn 5.5% credit enhanced bonds due 2025
- **[TENCNT/MEITUA]** Media reported that Tencent has no plan to sell Meituan stake, after the market rumour that Tencent plans to sell the entire or a majority of its USD24bn stake in Meituan
- **[ZHPRHK]** Zhenro's unit has scheduled the put option exercise for its RMB1bn(cUSD148.3mn) 20Zhengrong03 bonds from 30 August to 1 September

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.

