

CMBI Credit Commentary

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

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- *Markets sentiment was overall firm this morning, We see buy from Chinese investors on LGFVs in Yangtze delta region and SOE perps. AT1 space was quiet as markets are awaiting tonight's U.S. July CPI.*
- **HONGSL/REDSUN:** *Media reports on the failure to cure missed coupon and appointment of financial advisor for debt restructuring. We believe that the developments are expected and impact to bond prices should be contained. REDSUNs were 0-0.5pt lower this morning while HONGSL'22 due 27 Aug'22, was firm on sporadic demand.*
- **Asia ex-JP USD bonds issuance:** *New issuance dropped 47.6% yoy in 7M22 on the back of weak market sentiment, escalating default rate and rising interest rate. LGFV is a rare bright spot in terms of new issuance. See below.*

❖ Trading desk comments 交易台市场观点

Yesterday, Yesterday, Chinese IG space was mostly unchanged as Singapore market out for the 57th National Day. With UST yield curve further inverted, market generally stayed put ahead of CPI release. Financial sector closed the day flat. AT1 space was stable and light, ending 0.125pt higher under small buying. AT1 benchmarks had the most upbeat price action with several laggard 5% and NC24-27 issues like CINDBK/CHOHIN/ CIMWLB grinding up another 1pt. HTISEC bonds continued to move generally 20-40bps wider with more RMs joined the selling. HTISEC 25 widened 75bps to end at resistance ~250s level with banks' support and its price fell down 1.5pt. Tier 2/ Leasing names slightly tightened with two-way flows while AMCs emerged lower liquidity. TMT sector still felt heavy. China HY space traded a touch weaker post-lunch. CIFIHG belly was -1 to 2pts. COGARD was unchanged to 0.5pt lower on two-way trading. XINHUZ short-dated notes up 6-8pts amid news that its shareholder, Ningbo Jiayuan pledged 0.16% stake. Among distressed names, GRNLGR due-Sept note further rallied ~15pts to close at mid-70s on PB chasing. Whereas GRNLGR 20-30 cash stuffs were 50c-1pt lower. Despite the company's commitment to pay upcoming coupon, KWGPRO 6%'22 was down 7pts amid Fitch rating withdrawal. Its other tranches were still traded at 30s level. CENCHI 23s/24s fluctuated at c30s level. Macau gaming sector showed not much conviction. SJMHOL/ WYNMAC down 0.5-1pt.

SOE perps remained afloat although buying flows slowed down a bit. Some longer dated to call SOE perps at ~5% were expected to follow the

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recent trend, to get lifted later after this round of rally in laggard AT1s. In LGFV space, onshore buyer came back to lift the recently new issue ZHAPIE 4.7% 25, trading up to 99.5 level. Elsewhere, LGFVs remained mixed but overall constructive. CQNANA 4.66% 24 found a new clearing level at ~7% (95.5/96.5) although flows remained skewed to rather better selling along with other weak names GSHIAV etc. Otherwise quality names remained sought after by Chinese fund managers particularly in the 24s. Several papers did see some (presumably outflow-driven) supply but it was digested fairly easily.

➤ Last trading day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
GRNLGR 5 3/4 09/26/22	60.3	14.8	KWGPRO 6 09/15/22	38.1	-6.7
XINHUZ 11 09/28/24	87.7	8.2	YLLGSP 6 3/4 04/23/23	88.9	-3.7
XINHUZ 11 03/27/23	94.2	5.9	EHOUSE 7.6 06/10/23	28.7	-3.0
GRNLGR 5.6 11/13/22	46.5	5.0	SHUION 5 1/2 06/29/26	57.8	-3.0
TSIVMG 1.55 12/17/29	23.2	2.0	FUTLAN 6.15 04/15/23	61.3	-2.7

➤ Macro News Recap 宏观新闻回顾

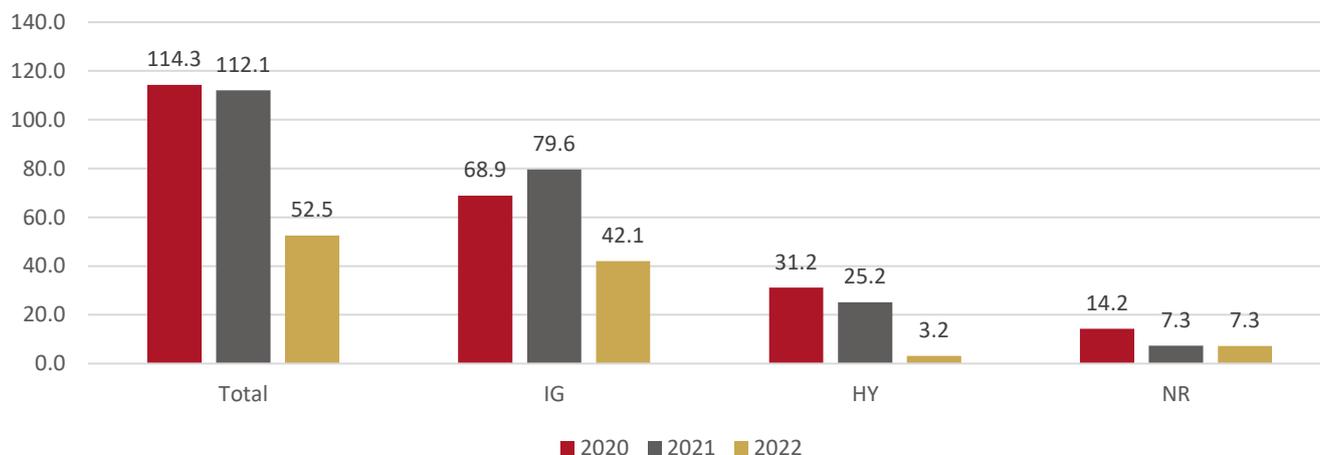
Macro – U.S. stock market downed on Tuesday as markets are awaiting July's CPI, which may strengthen the Fed's resolution to lift interest rates by 75bps. The S&P (-0.4%), Dow (-0.2%) and Nasdaq (-1.2%) were dragged by tech companies' pessimistic profit indication. U.S. worker productivity fell within two consecutive quarters steeply since 1948 while labor costs keep growing, increasing the probability that Fed takes more active measures to reduce inflation. China published July's CPI data as +2.7% yoy and PPI as +4.2% yoy. The U.S. treasury yield curve bounced slightly yesterday, the curve bear flattened with 2/5/10/30 yield reaching 3.28%/2.97%/2.80%/3.01%, respectively.

❖ Desk analyst comments 分析员市场观点

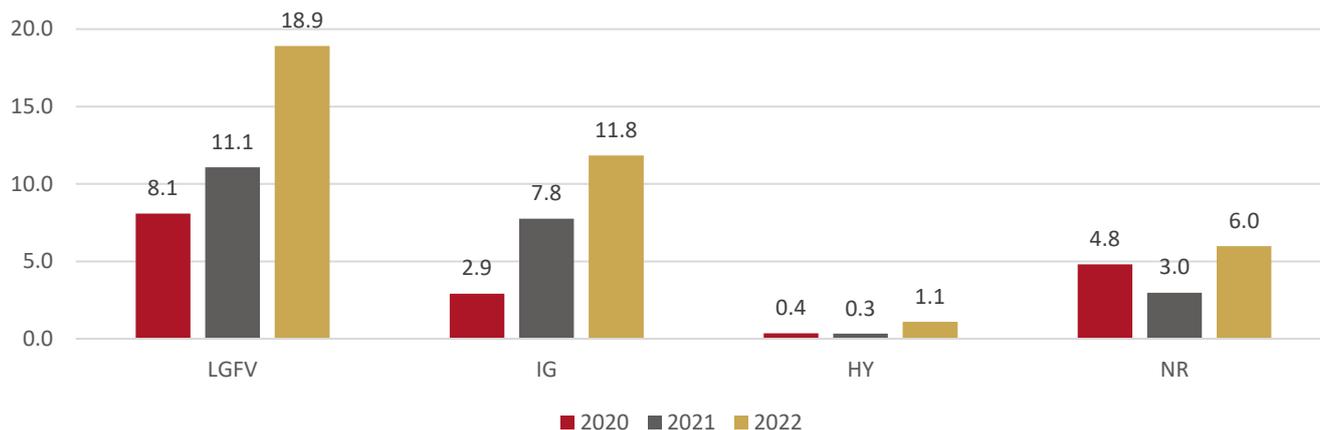
➤ Asia ex-JP USD bonds issuance: 47.6% yoy drop in 7M22

In 7M22, the gross issuance of Asia ex-JP fell 47.6% yoy, on the back of weak market sentiment, escalating default rate and rising interest rate. The new issuance from China fell 53.2% yoy to USD52.5bn over the same period. Specifically, IG, HY and NR dropped 47.1%, 87.5% and 0.3% to USD42.1bn, USD3.2bn and USD7.3bn, respectively. The HY Chinese properties USD bonds was largely frozen, down 92.2% to only USD2.2bn. LGFV is an exceptional segment. The new issuance from the sector increased 70.9% yoy to USD18.9bn. By credit ratings, IG, HY and NR issuances increased 52.4%, 237.4% and 101.1% to USD11.8bn, USD1.1bn and USD6.0bn, respectively. The proportion of LGFV issuance in the total issuance amount increased to 36.0% in 7M22 from 9.9% in 7M21.

7M22 Chinese USD bonds new issuance amount(Total, USD bn)



7M22 Chinese USD bonds new issuance amount(LGFV, USD bn)



➤ 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 73 credit bonds issued yesterday with an amount of RMB73bn. As for Month-to-date, 441 credit bonds were issued with a total amount of RMB499bn raised, representing a 2.3% yoy increase
- **[BJCONS]** Beijing Construction Engineering proposes to offer up to RMB3bn (~cUSD444.3mn) extendable corporate bonds to repay debts on 11/12 Aug
- **[CCAMCL]** S&P revised China Cinda Asset Management and its core subsidiary China Cinda (HK) Holdings Co. Ltd., outlooks from stable to negative while ratings kept at 'A-'
- **[CHCOMU]** China Communications Construction proposes to offer RMB1.5bn two-year MTNs to repay debts and boost working capital
- **[EXCECP]** Excellence Commercial Management repurchases USD50mn of 6.8% guaranteed senior notes due August while USD100mn remains outstanding
- **[KWGPRO]** Media reported that KWG would pay three looming USD bond: KWGPRO 5.95 08/10/25, KWGPRO 6.3 02/13/26 and KWGPRO 6 08/14/26 coupons on time; Fitch Ratings has withdrawn KWG Long-Term Foreign-Currency Issuer Default Rating (IDR) of 'CCC+' and senior unsecured rating of 'CCC+' at the request of KWG
- **[MIANYA]** Mianyang Investment Holding raises RMB1bn via offering of five-year MTNs to repay debts
- **[REDSUN]** Media reports that Redsun will hire of Haitong to deal with offshore bonds. Additionally, the company does not plan to cure the missed USD coupons of REDSUN 7.3 01/13/25 and REDSUN 9.7 04/16/23 was originally due last month
- **[RISSUN]** RiseSun shareholders approve the proposal on up to RMB590mn (cUSD87.32mn) guarantees for subsidiary and business partner
- **[SHDOIS]** Shandong Iron and Steel proposes to offer RMB1bn 180-day bills to repay debts
- **[TPHL]** Times China informally says remitted funds to trustee to cure missed 14 July, 16 July offshore-coupons for TPHL 5.75 01/14/27 and TPHL 6.75 07/16/23
- **[YUNINV]** Yunnan Provincial Investment Holdings proposes to offer RMB1bn two-year MTNs to repay debts

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