

## CMBI Credit Commentary

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

- *We saw active two way flows in new issue CNSHAN'25 with banks rushing to top up in secondary whilst most non-bank participants taking profit at 100.2 level. We had been seeing strong buying interests in CNSHAN 22/24/PERP as well as SDEXPR'23 since pricing was out yesterday.*
- **MOLAND:** *RSA approval from bondholders had already been secured. We estimate that the recovery rates for its existing bonds to be 57-83%, assuming discount rates of 15-25%. See below.*
- **HRINTH:** *announced an equity transfer of its entire 40.53% stake in Huarong Xiangjiang Bank for consideration of RMB11.98bn. We recommend Buy HRINTH 3.75 '24 and 3.25 '24 for its yield pick-up. See below.*

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#### ❖ Trading desk comments 交易平台市场观点

Yesterday, Chinese IG space was stable. In Financials, front-end 22-25s still very much well sought after. Tier 2/AT1 were relatively quieter, we did see some loose bonds coming out for the likes of CCB 32/BOCOHK 31. In TMT sector, beta names especially BABA tightened 10-15bps after chatters spread that Ant Financial is to restart IPO process. But the big hope quickly faded post official clarification. For other names, HAIDIL tightened 15bps.

For LGFV/SOE Perps, the market was hectic while Rates crept higher again on Thu. Flows in 3y-4y papers were overall two way and skewed to small better buying. New Issues QDJZWD 4.9 25 hanged in, now at 99.5 level, due to strong holding power of most RM participants. Another new deal SHGUOH 4.7 saw some demands after being initially marked 0.25pts lower to around 4.8%.

Chinese HY property space was largely weak and the flow felt slower. RONXIN down 0.5-1pt and TPHL down 0.5-4pts. COGARD fell around 2pts, after Fitch placed its BBB- rating on negative watch. PWRLNG was down 1-2pts on the back of refinancing concern. On the other hand, LVGEM continue to rise 1pt on the day. CSCHCN marked 1-3.5pts higher on the day, with its short-end climbing to the 90s. GRNLGR continued to rise 1-3pts across the curve, with buying interest from PB. CENCHI'22s and 25s continued the recent trend and further traded up 1pt on the short end.

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## ➤ Last Trading Day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
GRNLGR 6 1/8 04/22/23	38.5	3.1	AGILE 5 1/8 08/14/22	74.5	-3.0
GRNLGR 5.9 02/12/23	41.0	2.4	HRINTH 4 7/8 11/22/26	94.2	-2.4
GRNLGR 6 3/4 09/26/23	35.9	2.4	CHINSC 6 02/04/26	36.2	-2.3
GRNLGR 5 7/8 07/03/24	31.6	1.7	COGARD 4.2 02/06/26	60.7	-2.1
CENCHI 7 1/4 04/24/23	65.6	1.5	EXIMCH 4.1 03/29/26	98.3	-2.0

## ➤ Macro News Recap 宏观新闻回顾

**Macro** - U.S. stocks closed sharply lower yesterday, as investors anxiously await for ECB's inflation reading and rate hikes to end the era of QE in the Euro area. The S&P (-2.38%), Nasdaq (-2.75%), and Dow (-1.94%) all ended lower. The Nasdaq Composite Index has dropped more than 20% from its previous peak, which marked the current status as a bear market. In China, exports data in May shows a big rebound but Covid flares again in Shanghai. Treasury curve twist-flattened, with the 2/5/10/30yr yield further advancing to 2.83/3.07/3.04/3.18% respectively.

## ❖ Desk analyst comments 分析员市场观点

**MOLAND: Proposed debt restructuring is a done deal****RSA signed by over 75% by Mar'22...**

We have numerous inquiries on Modern Land China over the past few days on the progress of Modern Land's proposed debt restructuring. Indeed, [over 75% of holders in principal amount of its USD bonds had entered into the RSA](#) by the RSA fee deadline on 24 Mar'22. Recalled that the approval threshold of the scheme is 75%, i.e. approval from bondholders had already been secured.

**...Scheme meeting and court sanction are only procedural**

On 1 Jun'22, [Modern Land announced that the scheme meeting for the proposed debt restructuring plan on 29 Mar'22](#). As discussed before, with over 75% of holders in principal amount already had entered into RSA, the scheme is more of a formality to approve the proposed debt restructuring plan. The next milestone will be the Cayman court sanction hearing scheduled on 5 Jul'22. As Modern Land USD bonds are governed by NY law, the proposed restructuring plan is also filed with the US Bankruptcy Court. We believe that the Cayman and NY courts will "rubber-stamp" on the plan which is supported by an "overwhelming" majority of bondholders. Hence, we consider the scheme meeting and court sanction hearing are more of procedural. The long-stop of the plan is on 31 Jul'22.

**Estimated recovery rates for existing bonds are 57-83**

According to the proposed debt restructuring plan announced on 25 Feb'22, holders of every USD100 of its existing bonds will get USD1.7 upfront cash repayment and remaining USD98.3 in 5 tranches of new notes/bonds with maturities of 1-5 year(s). In addition, holders get RSA fee of USD0.2 they consent to the restructuring plan on or before 24 Mar'22. The approval threshold for the restructuring will be 75%. We estimate that the recovery rates for its existing bonds to be 57-83%, assuming discount rates of 15-25%. The recovery rate estimates include RSA fee but excluding the unpaid and accrual interests up to the expected restructuring effective date on 31 May'22. Please [read our comments on the plan and recovery estimates on 28 Feb22 for more details](#).

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

Issuer/Guarantor	Size (mn)	Tenor	Coupon	Yield	Issue Rating (M/S/F)
Shandong High-speed Group	USD500	3	4.1	4.1	-/-/-
Lianyungang Port Group	USD250	3	5	5	-/-/BBB
Jinan City Construction International	USD500	3	2.3	2.3	Baa2/-/BBB+
Bank of China Frankfurt Branch	USD500	3	T+20	T+20	A1/A/A

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

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 83 credit bonds issued yesterday with an amount of RMB72bn. As for Month-to-date, 78 credit bonds were issued with a total amount of RMB76bn raised, representing a 77.7% yoy decrease.
- **[CHJMAO]** China Jinmao proposes take-private of China VAST through scheme of arrangement. The cash consideration will be HKD2.6bn (cUSD330mn)
- **[CRHZCH]** China Resources Land signs HKD 4.95bn one-year loan facility letter
- **[HRINTH]** China Huarong Asset Management to transfer 40.53% equity in Huarong Xiangjiang Bank to Hunan Chasing, Central Huijin for RMB11.98bn
- **[SRCXFA]** Shangrao Innovation Development Industry Investment receives Shanghai bourse approval for CNY 2bn corporate bond offering
- **[VANKE]** China Vanke pays RMB57.15m for share repurchase
- **[YZCOAL]** Yankuang Energy offering CNY 2bn extendable MTNs to repay debts, boost working capital
- **[ZHOSHK]** Fitch upgraded Zhongsheng Group to BBB and placed its outlook stable

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