

CMBI Credit Commentary

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

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- *AT1 space is generally quiet this morning with mixed flows. We saw some retail still trying to sell CHOHIN/CIMWLB while some AMs are checking if any low offers for some more liquid names. In HY, CSCHCN curve basically now down to mid-30s to 40s.*
- *Sentiment stabilized a bit in LGFV space, seeing some Chinese AM resuming to buy quality short dated papers while non-Chinese accounts continued to sell. Elsewhere weaker provinces' names were mixed, little bit of short covering interests but AM also took the opportunity to offload unwanted risks.*
- **CSCHCN:** CSCHCNs moved 10-20 pts lower to mid-30s to 40s on media report on the mulling of maturity extension. See below.

❖ Trading desk comments 交易台市场观点

The sentiment remained fragile in Chinese IG market yesterday amid banking headlines and weak macro backdrop. Weaker AT1 like CHOHIN/CIMWLB down like 0.5-1pt. Spread in TMT/SOE space continued to widen 3-5bps, especially in longer end. Outside Chinese market, we saw some buying interest in KOWEPW and spread tightened 1-2bps.

In LGFV space, bonds from weaker regions such as Henan/Gansu/Western provinces marked 1-2pts lower, with real trading levels further 1-2pts lower at ~90/92. Flows were better selling with some cut loss hits into low-ball bids from onshore and/or short covering, which were the only remaining sources of bid liquidity. A few other weaker names (eg. BCDHGR 26 and ZHHFGR PERP) plunged ~5pts from screen levels until prices were low enough to lure dip buyers out and form new clearing levels. Nonetheless, overall the digestion of loose bonds still felt tough if not harder, particularly with more onshore liquidity (especially that from banks) draining out/ staying put. Elsewhere, SOE perps were relatively quiet today.

In HY space, China property sector still performed mixed. High beta names like COGARD/CIFIHG slight down 0.5-1pt. ROADKG/YLLGSP/DALWAN up 1-2pts. CSCHCN down 9-11pts amid rumors of potential exchange offer. In industrial space, Macau gaming space generally remained at similar level.

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➤ Last trading day's Top Movers

Top Performers	Price	Change
AGILE 5 1/8 08/14/22	83.1	3.8
ROADKG 6.7 09/30/24	39.0	2.5
CHJMAO 4 1/4 07/23/29	66.3	1.8
WYNMAC 5 1/8 12/15/29	63.1	1.8
WYNMAC 4 7/8 10/01/24	75.1	1.5

Top Underperformers	Price	Change
GRNLGR 5.6 11/13/22	47.7	-13.3
RONXIN 8 3/4 10/25/22	9.6	-12.3
BCDHGR 3 1/4 07/15/26	84.5	-10.1
SKYFAM 13 07/08/22	15.6	-9.6
CSCHCN 11.95 02/09/23	42.4	-8.5

➤ Macro News Recap 宏观新闻回顾

Macro – U.S. stock market closed with a slight fall on Monday, as the market was affected by the news that Apple Inc. plans to slow the recruitment pace in the next year for new economics situation. The S&P (-0.84%), Nasdaq (-0.81%), and Dow (-0.69%) ended down. U.S. home builder sentiment plummeted in July to its lowest level due to high inflation and heavy borrowing costs which impede customers to set house purchase plan. U.S. treasury yields were higher while key yield curves kept inverted on Monday. The 2/5/10/30 yield reached 3.15/3.06/2.96/3.14%, respectively.

❖ Desk analyst comments 分析员市场观点

➤ CSCHCN: Reports on maturity extension plan

Subsequent to the supposedly positive news of asset disposal, CSCHCNs moved 10-20 pts lower on media report on the mulling of maturity extension. Indeed, there has been talks of maturity extension over the past few weeks although we believe that China South City (CSC) has adequate liquidity to meet the 2H22 offshore bond maturities. Since May'22, CSC had received cUSD490mn from equity injection from SZCDG and sales of logistic assets. CSC will also receive another USD185mn from the sale of 50% equity stakes in its property management operations to SZCDG.

We believe that any maturity extension plan, if goes ahead, is a choice by SZCDG and CSC, to put a higher priority on preserving liquidity for CSC's longer-term development. We understand that the sale of the property management operations with a put option is the plan B, reflected the slower-than expected progresses in securing longer-term onshore loan facilities. This, to some extent, reflects the funding environment is also tight for entities with state-owned background. As more developers are turning to the route of maturity extension, we can envisage that peers' attitude on full repayment at maturity will be affected. From the management's perspective, when most of the peers can alleviate their liquidity pressure through maturity extension and preserve liquidity for future development, exhaustion of liquidity and sales of crown jewels for full repayment of maturity debts will increasingly be an odd choice.

The current valuation of CSCHCNs have priced in that CSC will go for a liability exercise no more generous than those of other peers. We believe that CSC has the ability to offer a more generous plan with larger upfront cash repayment and shorter maturity extension given the money it raised in recent funding exercises. Additionally, we still believe that SZCDG's majority shareholding, commitment (as reflected in the recent consent solicitation to include itself in the COC clause) and support (equity injection and purchase of CSC's stakes in property management operations) will help CSC in securing longer-term loan facilities to resume its funding access soon.

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

Issuer/Guarantor	Size (mn)	Tenor	Coupon	Yield	Issue Rating (M/S/F)
No Offshore Asia New Issues Pipeline Today					

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

Issuer/Guarantor	Currency	Size (mn)	Tenor	IPG	Issue Rating (M/S/F)
Taiwan Semiconductor Manufacturing Company (TSMC)	USD		5yr	T+150	Aa3/AA-/-
Taiwan Semiconductor Manufacturing Company (TSMC)	USD		10yr	T+200	Aa3/AA-/-
Zhangzhou Jiulongjiang Group Co.	USD		3yr		-/-/BBB-

➤ **Market conditions and color**

- Regarding onshore primary issuances, there were 61 credit bonds issued yesterday with an amount of RMB56bn. As for Month-to-date, 725 credit bonds were issued with a total amount of RMB761bn raised, representing a 4.4% yoy decrease
- China's financial regulators are considering proposals to allow homeowners to temporarily halt mortgage payments on stalled property projects without incurring penalties or any negative impact on their credit scores, in the hope of helping developers buy time to complete projects
- [CCAMCL]** Zhang Weidong was elected as China Cinda Asset Management's chairman
- [CHNAAR]** China Aircraft Leasing expected a net write-off of HKD438.6m for 1H22 due to the write-down of two owned aircraft following termination of leasing arrangements with Russian lessees in compliance with the "Sanctions"
- [CIFIHG]** CIFI Holdings' independent non-executive director Lin Caiyi has acquired 200,000 company shares from the open market for approximately HKD484,000
- [CNSHAN]** Shandong Hi-Speed Road and Bridge, a firm controlled by state-backed Shandong Hi-Speed Group, raised RMB500mn through five-year corporate bonds at a coupon rate of 3.03%. The company will have the option to adjust the coupon rate while the bondholders will have puttable option
- [DALWAN]** Wanda set aside funds in an offshore account for the redemption of its USD550mn 7.5% due-24 July notes
- [GZRFPR]** Fitch downgraded IDR on Guangzhou R&F Properties and its subsidiary, RFHK to 'RD' (Restricted Default) from 'C' on the completion of Guangzhou R&F's exchange offer, in accordance with the distressed debt exchange section in Fitch's Corporate Rating Criteria
- [HUIJHK]** Huijing Holdings further extended the Settlement Date of the exchange offer for its outstanding 12.5% senior notes due 2022 from July 19, 2022 to July 21, 2022

- **[LVGEM]** LVGEM (China) Real Estate Investment gained shareholders' approval at an EGM for a RMB2.3bn capital injection from China Vanke into a subsidiary that owns a major urban renewal project in Shenzhen
- **[NWDEVL]** Media reported New World Development planned to dispose of HKD9bn – HKD10bn of non-core assets in FY23 and FY24
- **[PWRLNG]** Media reported Powerlong Real Estate's core domestic subsidiary Shanghai Baolong Industry Development obtained the consent of holders of its RMB600mn 7.4% unsecured domestic private notes due-15 July to add a 30-day cure period to the notes, giving it more time to obtain consents to extend the bonds' maturity by one year
- **[RISSUN]** RiseSun Real Estate Development failed to get consents for 15-month deferral plan from holders of "20RongshengdichanMTN001" notes and "20RongshengdichanMTN00s" notes at the noteholders' meetings
- **[SOFTBK]** Media reported SoftBank Group suspended plans to list Arm in London after the collapse of Boris Johnson's government earlier this month
- **[VNKRLE]** CSRC has approved the Hong Kong listing of property management services provider Onewo
- **[ZHPRHK]** Media reported an ad hoc group of Zhenro Properties' offshore bondholders selected Moelis & Co as its financial advisor to negotiate a restructuring of the debt

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