

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.

- *Two way flows were back from last lackluster Friday. IG property benchmark SINOCE was traded down 4-5pts this morning. BB names CIFIHG/COGARD curves also dipped 1-2pts and CENCHI down 2-3pts by mid-day.*
- *The U.S. and China reached the agreement of audit sharing, which may avoid U.S.-listed Chinese companies being delisted. BIDU/BABA/JD tightened 2-6bps post the news while BIDU/BABA reversed to widen 1.5-5bps this morning.*
- **GRWALL:** *China Great Wall AMC managed to release FY21 results last Friday to avoid technical default. Long-dated GRWALLs/HRINTHs rallied 0.5-4.5pts on Friday but was stable to slightly lower this morning.*

❖ Trading desk comments 交易台市场观点

Last Friday, Chinese IG space remained firm with strong macro overnight, with spreads about 5bps tighter in benchmark TMT names. TMT space saw further rally, BABA/ BIDU/ TENCNT /JD tightened 2-6bps. MEITUA outperformed by tightening 45bps on the back of better-than-expected Q2 results with positive EBITDA. In financials, AMCs remained to be the focuses. GRWALL managed to release FY21 results before the end of grace period on 29 Aug'22 to avoid technical default despite reporting a loss of RMB8bn due mainly to asset impairment in FY21. A mixture of FM/RM buying in the space, pushing GRWALL/ HRINTH curve 0.25-3pts higher to end the day. HRINTH'47 up 4.4pts. AT1s saw several long-dated-to-call paper eg. CINDBK 4.8 were still chased after at north of 5%. IG property names kept resilient. China HY printed higher in all sectors with the squeeze going broad-based in the space. BB names CIFIHG/ COGARD up 1.5-4pts on the board. Mid-tier names drifted 1-3pts higher with sellers completely drying up and FM/ RM flows both continuously contributing to the buying flows. Elsewhere, GRNLGR'22 notably up ~7.5pts, and its other trenches up 0.5-2pts. CENCHI also rallied on the front-end papers, with 23-24 closing 5-7pts higher. ZENENT 22/24 surged 22.5/7.5pts respectively, post 1H22 results. In industrials, oil names ANTOIL/ HILOHO down 1-1.5pts. In Ex-China HY, AZUPOEs were up 2.5-4.5pts. VEDLN curve up 1-2.5pts.

LGFV/SOE Perp space had a fairly lackluster day in contrast with boosted sentiment in other spaces, as investors stayed put ahead of Powell's Jackson Hole speech on Friday night. Flows in LGFVs and SOE Perps were largely driven by two-way cash needs in the front end from asset managers,

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

CMBI Fixed Income
fis@cmbi.com.hk

followed by some deployment demand from onshore in 2y papers and slight risk trimming in the long end from regional AM/PB. SOE perps mostly unchanged on light two way flows. LGFV space was relatively quiet with front-end papers still better bidding. LZINVE retraced a bit with profit takings. Elsewhere, LGFVs prices were unchanged to a tough higher. 22-23s papers were skewed to better buying. Recent new issue 3 yr papers were firm amid thin trading.

➤ **Last trading day's Top Movers**

Top Performers	Price	Change	Top Underperformers	Price	Change
ZENENT 12 1/2 09/13/22	83.4	22.7	TSINGH 6 1/2 01/31/28	41.2	-1.5
GRNLGR 5.6 11/13/22	66.2	7.8	ANTOIL 7 1/2 12/02/22	94.5	-1.4
ZENENT 12 1/2 04/23/24	69.8	7.5	SINOCL 6 1/4 06/22/23	52.7	-1.4
CENCHI 7 1/4 04/24/23	50.1	6.9	CHMERC Float 08/28/23	100.1	-1.3
CENCHI 7.65 08/27/23	40.2	6.3	AACTEC 3 11/27/24	87.0	-1.1

➤ **Macro News Recap 宏观新闻回顾**

Macro – U.S. stock indexes slumped due to the Fed's hawkish speak on last Friday. The S&P (-3.37%), Dow (-3.03%) and Nasdaq (-4.10%) fell as the Fed would continue increasing interest rate to contain inflation. The markets expect there is likely a 75bps hike in September. U.S and China signed the agreement on audit affairs of U.S-listed Chinese companies which may avoid more than 200 Chinese companies being banned from U.S. exchange. The U.S. treasury yields edged slightly as the curve bear flattened with 2/5/10/30 yield reaching 3.37%/3.20%/3.04%/3.21%, 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)
Chengdu Xisheng Investment Group Co., Ltd.	USD92.5	3yr	4.8%	4.8%	Baa2/-/-

➤ **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 100 credit bonds issued last Friday with an amount of RMB72bn. As for Month-to-date, 1565 credit bonds were issued with a total amount of RMB1558bn raised, representing a 9.4% yoy decrease
- The U.S. Public Company Accounting Oversight Board and China Securities Regulatory Commission signed the agreement related to governing inspections and investigations of audit firms based in China and Hong Kong last Friday. The agreement could avoid U.S.-listed Chinese companies expulsion from the exchanges

- Macau government set formal caps of 6,000 gaming tables and 12,000 gaming machines for new casino operators as well individual income thresholds for each operator as it tightens casino oversight, the minimum yearly gross income of per gaming table/machines is MOP7/0.3mn, respectively
- **[COGARD]** Country Garden Holdings has purchased its RMB280.6mn domestic bonds to maintain price stability
- **[GRWALL]** China Great Wall disclosed FY21 result that revenue down 35.8% to RMB22.7bn and net loss was RMB8.6bn, its short-term borrowings was RMB97.7bn and cash was RMB6.8bn in the end of 2021
- **[HONGSL]** Hong Yang Group missed to pay the interest and principal of USD275mn HONGSL 9.875 08/27/22 on the maturity date of 27 Aug'22
- **[HUIJHK]** Huijing expected to turn to a RMB400-450mn loss in 1H22 from a RMB453.4mn net profit in 1H21
- **[JIAYUA]** Jiayuan will launch separate extension process for CBs and will not repay any of the original notes remaining (o/s USD1.3bn) after the completion of the exchange offer
- **[LENOVO]** Lenovo has paid USD546.7mn to repurchase USD455mn of its 3.375% CBs due 2024 and completed the issue of USD675mn 2.5% CBs due 2029
- **[LIHHK]** Lifestyle International announced that the dispatch of the scheme document relating to its HKD5 per share privatization proposal will be delayed to 10 OCT
- **[LNGFOR]** Longfor announced 1H22 result that revenue increased 56.4% yoy to RMB94.8bn and profit increased 6.1% yoy to RMB7.5bn, the total average debt cost is 3.99%
- **[MOLAND]** Modern Land announced that the majority creditors have consented to extend the deadline of signing RSA to 9 Sep
- **[OCTOWN]** Overseas Chinese Town expected to get a up to RMB70mn loss in 1H22, turning from a RMB18.17mn profit in 1H21
- **[RISSUN]** Risesun delayed the disclosure of the results for 1H22 and postponed it to 30 Aug, the given reason is that there is negative impact from COVID-19
- **[SHIMAO]** The bondholders of Shimao unit's 20Shimao06 approved the proposal on deferred interest payment, the bonds' o/s amount is RMB2.7bn and coupon rate is 3.9%
- **[THHTGP]** Tahoe delayed the disclosure of the results for 1H22 and postponed it to 30 Aug
- **[WB]** Media reported that Weibo signed a USD900mn five-year senior unsecured loan with a USD300mn greenshoe option with 20 lenders
- **[ZENENT]** Zensun disclosed its 1H22 results that revenue decreased 29.6% yoy to RMB3.9bn and net profit decreased 43.1% yoy to RMB63.3mn
- **[ZHLGHD]** Zhongliang disclosed the 1H22 results that revenue decreased 32.1% yoy to RMB22.3bn and net profit decreased 68.3% yoy to RMB438.3mn. Its interest bearing debts was RMB30.7bn and the net debt ratio lowered to 24.4%

Fixed Income Department

Tel: 852 3761 8867/ 852 3657 6291

fis@cmbi.com.hk

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.