

CMBI Credit Commentary

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

- *Market opened calmer from CIFI shock, as CT10 retreated from historical high rates amid BOE's bond-buying buoyed sentiment. We saw some short-covering in HY property/ IG AT1s. COGARD 8%'24 first climbed as much as 8pts and then ended back to unchanged by mid-day. Rates-sensitive beta names like ICBCAS 3.2%' Perp was also squeezed to 0.5-1pt higher but then still marked at 92 level.*
- **HRINTH:** *Huarong's decision on upcoming perps redemption in Nov'22 signify its ability and willingness to honor obligations. Our picks are HRINTH 4.25% perps (callable 30 Sep'25) and HRINTH 5.5%'25. See below.*
- **CIFIHG:** *CIFI Group clarified recent market news and paid the interest of its USD555mn CIFIHG 6.55 03/28/24 due 28 Sep, the bond price down 1pt and other CIFIHGs were fluctuated between -2-0.5pts this morning. See below.*

❖ Trading desk comments 交易台市场观点

Yesterday, IG space encountered a panic selling session amid UST 10y hit 4% for the first time since 2010. Market theme was players cashing out with liquid assets they can sell like AT1/Perps. Financials spreads were 5-15bps wider. In line with overall sentiment, AT1s were marked down 0.5-1.25pts on RM selling in block ahead of the onshore China long holiday. BCHINA 5%'24 was traded down to T+82 level. ICBCAS 3.2%/CINDBK 4.8% trended down 1pt. AMCs weakened another 0.5-0.75pts. TMTs had bank-books buying versus RM selling. BABA/TENCNT 10yr papers were trading 5-10bps wider. IG property suffered from the CIFI shock, with SINOCEs/LNGFORs down 4-6pts. China HY space had a bloodbath day in property sector as media reported CIFI was in trouble of the onshore trust loans. While the Chairman's internal letter saying that CIFI's top priority shall be ensuring its commitments to homebuyers, CIFIHGs generally plunged 8.5-14pts from yesterday EOD, and most of its tranches have come down to low-20s. Its nearest maturity CIFIHG'23 slumped 24pts to end at high-40s, despite it has paid the semi-annual coupon due today for the 6.55% due-28 Mar' 24 bonds. COGARDs were dragged down 4-7pts, touching new career lows of high-20s. FTLNHD/ROADKG 24-26s further drifted 1-5pts lower. Beaten down names were less affected, CHINSCs/CENCHIs dipped 0.5-1.5pts. Industrial space pulled back a little, FOSUNIs were quoted down 1-1.5pts as its front-end were now better offered after two days of rally. Gaming names SANLTDs/ STCITYs/ WYNMACs were all slightly down 1-2pts, as accounts were squaring away ahead of month end. Elsewhere, CITLTDs were up 2-2.5pts amid news that CITIC securities has proposed to offer up to RMB60bn (USD 8.31bn) corporate bonds to repay debts. Away from China, India renewables VEDLNs/RPVINs drifted 1-2pts lower and continued to see net selling from there. Indonesian energy names PERTIJs/PLNIJs fell 2.5-3.5pts.

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The spaces had another tough session amid a weak macro and more rates volatilities. The SOE Perps/AT1s/T2s were generally 0.5-0.1pt lower in cash price led by c25s-c27s as the UST yield curve steepened. Flow-wise, selling was initially street-driven again, plus some structured unwinding whilst in the afternoon we saw more selling from global RM and onshore Chinese NBRM as asset managers raised cash ahead of quarter end and National Day long holiday. At one point, some bonds were simply bidless and the traded prints could be 1-1.5pts further lower. Among SOE benchmarks, SINOPE/HAOHUA 10yr bullets were traded 5-10bps wider. The LGFV space pretty much the same story, except that activity was relatively slower for most names. Hence, LGFVs' screen prices haven't appeared to be marked down by a lot yet, but real trading levels could in fact be 1-1.5pts lower for everything below 7%. Buying support would only come from short covering, which was more apparent in several 25s LGFVs issued this year as well as in T2s, as previous shorts in AT1s/SOE Perps were largely consumed already. Meanwhile, client buying was focused only on 22s papers at 4%+. Sentiment remained nervous and bearish overall amid 10y UST breaking 4.01% for the first time since 2008 amongst headlines of USD/CNH coming to intraday high at 7.267 level.

➤ Last trading day's Top Movers

| Top Performers | Price | Change | Top Underperformers | Price | Change |
|-----------------------|-------|--------|-----------------------|-------|--------|
| GRNLGR 5.6 11/13/22 | 84.5 | 7.7 | CIFIHG 5 1/2 01/23/23 | 48.7 | -24.3 |
| CITLTD 5.07 04/18/48 | 96.0 | 2.6 | CIFIHG 11.581 PERP | 15.9 | -14.3 |
| CITLTD 4.85 04/25/46 | 92.7 | 2.5 | CIFIHG 6.55 03/28/24 | 26.6 | -14.0 |
| CITLTD 4 7/8 02/04/41 | 93.3 | 2.4 | CIFIHG 6.45 11/07/24 | 24.6 | -14.0 |
| CITLTD 4.485 09/07/46 | 87.9 | 2.4 | HYSAN 4.1 PERP | 84.0 | -11.1 |

➤ Macro News Recap 宏观新闻回顾

Macro – U.S. stock markets technically rebounded on Wednesday. The S&P (+1.96%), Dow (+1.88%) and Nasdaq (+2.05%) closed a bit higher but still at low level. The Bank of England decided to buy long-dated bonds to boost the treasury prices which plunged after the U.K. government announced a huge tax cut plan. PBOC held a meeting to stabilize FX rate, USD/CNH down to 7.1x level from 7.26. The UST yields were affected by BOE announcement and the yields curves bull steepened that 2/5/10/30 yield reaching 4.07%/3.92%/3.72%/3.70%, respectively.

❖ Desk analyst comments 分析员市场观点

➤ HRINTH: Huarong to redeem perps on the first call date, third time in a row

Huarong has decided to redeem its USD700mn HRINTH 4 perp on 7 Nov'22. It follows its trend of redeeming perps on the first call date, i.e. HRINTH 4.5 perp and HRINTH 2.875 perp were called on the first call dates, totaled USD2bn. In addition, it paid USD1.87bn bonds on maturity YTD.

We view the decision is a positive signal that Huarong has the ability and willingness to redeem its perps on the first call date, as well as to honor upcoming payment. Our picks within HRINTH curve remain HRINTH 4.25% perp (callable 30 Sep'25) and HRINTH 5.5%'25 for better valuation, and its improving credit story. For lower beta plays with stronger fundamentals, we prefer CCAMCLs and our picks are CCAMCL 5.2%'29, CCAMCL 3%'31 and CCAMCL 4.4% perp (callable 3 Nov'26).

See our [Chinese AMCs comments](#).

➤ CIFIHG: CIFI clarifies recent media reports and paid USD bond coupon punctually

After its bond and stock prices plunged due to the trust product non-payment news yesterday, CIFI made an announcement to clarify recent media reports. It said the proceeds raised from the trust product were used for financing of its Tianjin project - Binhaijianglai, of which CIFI owns 60% interests. The cash distribution of this trust product was affected by local sluggish housing markets while the company is in active negotiation with the issuer of the trust to reach a reasonable solution.

As for the media report related to RMB30bn restricted cash from an internal letter issued by its Chairman, CIFI clarified that it is only a factual statement and does not imply any inability of the company to pay its debts on time. Actually, CIFI paid the interest of its USD555mn CIFIHG 6.55% 03/28/24 due 28 Sep, we believe that the repayment of public bonds remains a near-term priority of CIFI. CIFIHG 6.55 03/28/24 down 1pt and other CIFIHGs were fluctuated between -2-0.5pts this morning.

➤ 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) |
|--|----------|-----------|-------|-------|----------------------|
| Tongling State-owned Capital Operation Holding Group Company Limited | USD | - | 3yr | 6.45% | -/-/- |

➤ Market conditions and color

- Regarding onshore primary issuances, there were 87 credit bonds issued yesterday with an amount of RMB85bn. As for Month-to-date, 1459 credit bonds were issued with a total amount of RMB1451bn raised, representing a 0.6% yoy decrease
- **[CKPH]** CK Asset agreed to sell HK property project 21 Borrett Road to Sino Suisse Capital for HKD20.8bn
- **[INDYIJ]** Indika acquired 100% stake of local bauxite miner Perkasa Investama Mineral for USD5mn
- **[JNUCGC]** Fitch affirmed the long-term foreign IDR of Jinan City Construction Group at BBB+ and maintain stable outlook
- **[REDPRO]** Fitch downgraded Redco 's long-term foreign IDR to CC from CCC-
- **[SINOCE]** Media reported that Sino-Ocean Capital is close to mandating Haitong International to work on extending the USD286m notes 6% due on 25 Oct with keepwell support from Sino-Ocean Group
- **[SOFTBK]** Softbank announced to spend up to USD1.75bn to purchase a portion of its outstanding USD denominated perpetual NC6 hybrid notes via tender offer, USD and EUR denominated senior notes via several tender offers

- **[YUEXIU]** Yuexiu Property announced that it has signed a HKD500mn one-year revolving loan facility agreement with bank

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