

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.

- *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. XINHUI 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

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

CMBI Fixed Income
 fis@cmbi.com.hk

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
GRNLGR 5 3/4 09/26/22	60.3	14.8
XINHUZ 11 09/28/24	87.7	8.2
XINHUZ 11 03/27/23	94.2	5.9
GRNLGR 5.6 11/13/22	46.5	5.0
TSIVMG 1.55 12/17/29	23.2	2.0

Top Underperformers	Price	Change
KWGPRO 6 09/15/22	38.1	-6.7
YLLGSP 6 3/4 04/23/23	88.9	-3.7
EHOUSE 7.6 06/10/23	28.7	-3.0
SHUION 5 1/2 06/29/26	57.8	-3.0
FUTLAN 6.15 04/15/23	61.3	-2.7

➤ Macro News Recap 宏观新闻回顾

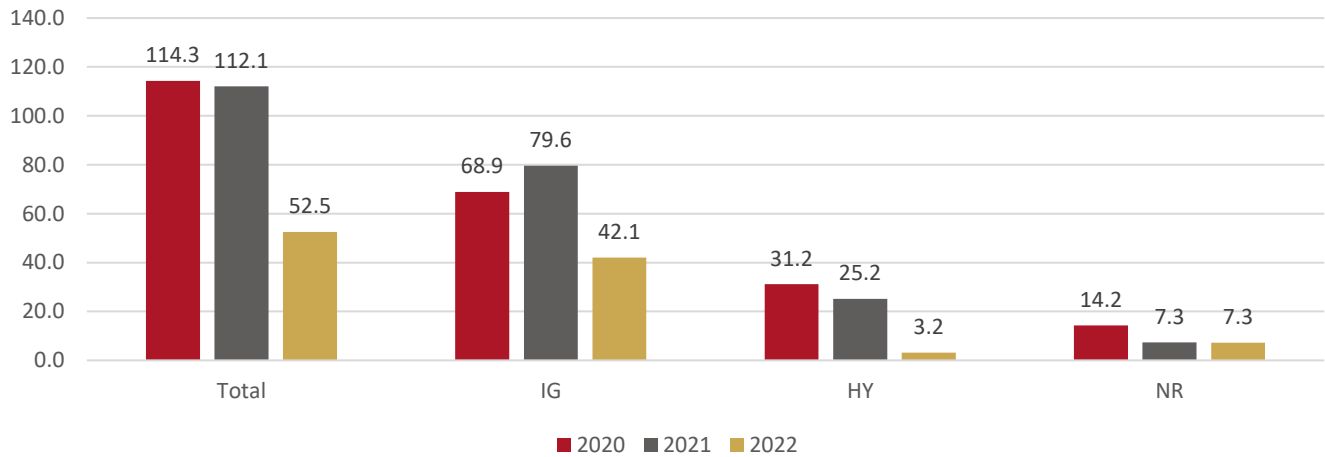
Macro – U.S. stock market downed on Tuesday as markets are awaiting July's CPI, which may strengthen the Fed's resolution to lift interest rates by 75bps. The S&P (-0.4%), Dow (-0.2%) and Nasdaq (-1.2%) were dragged by tech companies' pessimistic profit indication. U.S. worker productivity fell within 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

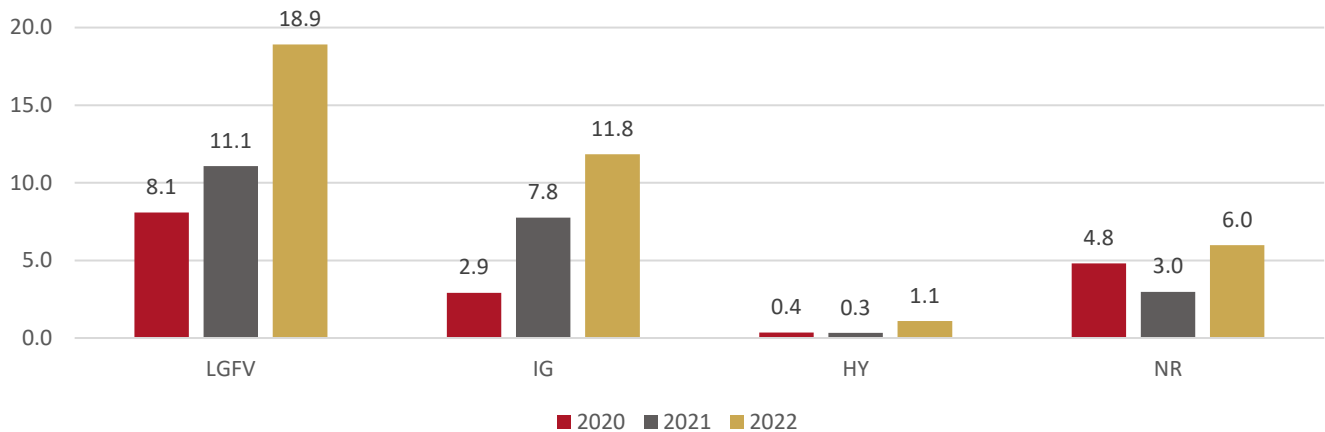
➤ Asia ex-JP USD bonds issuance: 47.6% yoy drop in 7M22

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

CMB International Securities Limited
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.