

CMBI Credit Commentary**Fixed Income Daily Market Update 固定收益部市场日报**

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- *Markets were calm this morning as waiting for the Fed's tonight speak. CHINSC 24-26s were traded stable at mid-20s to low-30s, after rallying 6-9pts yesterday, CIFIHG rose another 2-4pts this morning. SDEXPR perps edged slightly due to short squeeze.*
- **CARINC:** *Better than expected 1H22 results. Buy CARINC'24 as a carry play. See below.*
- **Chinese Property:** *Longfor successfully issued SOE guaranteed RMB1.5bn onshore bonds on 25 Aug'22, LNGFORs rebounded ~17pts within two weeks. CIFI plans to issue RMB1-1.5bn SOE backed bonds in Sep'22 and CIFIHG jumped 4-8pts up yesterday. JIAYUAs closed unchanged to 1pts higher this morning after the restructuring news.*

❖ Trading desk comments 交易台市场观点

Yesterday, Chinese IG space performed strong with spreads broadly tightened 5-10bps. Financial papers saw decent amount of yield buying led by front end leasing papers and T2 papers callable 2-3y, notably ICBCAS 2.875 29 (c24) was lifted from +110 to +100 in street as the all in ytc of 4.3%-4.4%. AMC sector was roughly stable whilst HRINTH 26/27 cash prices continued the recent move to drop another 0.5-1.5pts. TMT sector broadly opened ~5bps tighter and hanged firm thereafter. TENCNT/BABA tightened 4-10bps, MEITUA outperformed by tightening ~30bps. China HY rebounded on beaten down names. Among higher-quality names, CIFIHG jumped 4-8pts across the curve, amid headlines on its perp and the CBICL-guaranteed onshore interbank notes. CIFIHG Perp closed at ~44, a monthly high. COGARDs also generally ended up 2.5-4pts. CHINSC soared another 6-9pts after rallying 3-7pts on Thursday. Among state-backed names, GRNLGR/SINOCE 23-25s notably up 7-10.5pts. Elsewhere, AGILEs/CENCHIs up 3.5-7pts. Outside the property space, AACTEC down 1-4pts across the curve on YoY -62% net profit loss in 1H22. In Ex-China HY, Indonesian tire and tube manufacturer GJTILJ ended down 3pts. LPKRIJ closed 3-4pts higher post the headline on refinancing its due 2025 dollar bonds at EOD. VEDLN up 1-2.5pts.

Sentiment in LGFV/SOE Perp spaces remained generally upbeat despite rates edging higher ahead of Jackson Hole. In SOE perps space, flows were overall mixed among Chinese NBRM as some chased long-dated-to-call laggards while some continued to take profit off bonds bought earlier. Specifically, SOE perps callable in 24 at 4.1%-4.3% saw some buying

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traction being distracted by financial names with similar yields. In LGFV, flows remained better buying in high-yielding/ laggard names amid the hunt for yield, of note CNSHAN 4.3 Perp was lifted 97.5 in street and returned to the higher part of the trading range. As we approach September after Jackson Hole, market theme turned to focus on US economic data prints and rates again. A significant rise in expectation of a 75bp hike in the Sep FOMC may have an implication of bringing forward the current Fed's median dots data, hence there could be risk of front end rates breaking YTD high towards 3.6%. Having said that, technicals in the spaces are more favorable this time than in June/ July given strong liquidity from onshore and less outflow pressure from global money.

➤ Last trading day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
SINOCE 3.8 04/26/25	71.6	10.5	AACTEC 2 5/8 06/02/26	75.2	-4.1
GRNLGR 6 3/4 09/26/23	37.5	10.2	AACTEC 3 3/4 06/02/31	60.1	-3.0
CHINSC 7 3/8 04/09/24	31.9	8.9	GJTLIJ 8.95 06/23/26	75.3	-2.7
GRNLGR 5 7/8 07/03/24	35.6	8.4	NXPI 2.65 02/15/32	82.5	-1.4
CIFIHG 4 3/8 04/12/27	44.9	8.1	HRINTH 4 5/8 06/03/26	82.4	-1.3

➤ Macro News Recap 宏观新闻回顾

Macro – U.S. stock indexes rebounded a lot on Thursday and mainly pushed by tech companies. The S&P (+1.46%), Dow (+0.98%) and Nasdaq (+1.75%) edged higher before Powell's speak tonight which may show Fed's view on interest hike. U.S. Dollar Index reached highest point of 109 since 2002 within this week. Germany announced a better than expectation 2Q22 GDP growth rate with 1.8% yoy. The U.S. treasury yields lowered slightly as the curve bull flattened with 2/5/10/30 yield reaching 3.35%/3.15%/3.03%/3.25%, respectively.

❖ Desk analyst comments 分析员市场观点

➤ Car Inc: Better than expected 1H22 results. Buy CARINC'24 as a carry play

Buy CARINC'24 as a carry play in non-distressed HY space

Offer at 85.2 CARINC '24 is trading at a YTM of 21.9%. We recommend buy on CARINC'24 as a carry play in the non-distressed space. While a full recovery to the pre-pandemic level remains challenging given the stringent COVID-19 policy and sporadic pandemic outbreak in China, we take comfort that Car Inc. (Car) has been adjusting its fleet size efficiently. It has also opened up finance lease as a new funding channel to purchase new vehicle. Between CARINC and EHICAR, we are more comfortable with CARINC for the time being as we have more data points after Car announced the better-than-expected operating results in 1H22 when key cities in China were under strict lock-down, and car rental operations was under severe pressure. We shall provide updates on EHICAR after the interim result announcement in Sep'22.

Better than expected 1H22 results in a challenging operating environment

	1H21	1H22	2Q21	1Q22	2Q22
Average fleet	89,756	82,285	88,506	82,788	81,788
Utilization rate	62.8%	62.8%	68.7%	67.5%	58.1%
ADRR (RMB)	191	187	193	195	179
RevPAC (RMB)	120	118	133	131	104

Due mainly to the strict lock-down policy in 2Q22, Car's operating performance weakened notably. In 1H22, its revenue and EBITDA declined 8.4% and 23.7% to RMB2.3bn and RMB721.8m, respectively. The EBITDA margin narrowed to 31.3% in 1H22 from 37.5% in 1H21. That said, we take some comfort that Car has been

flexible in adjusting its fleet size such that the overall utilization rate in 1H22 were largely flat, and impact on ADRR and RevPAC were contained. As per Car, operating statistics showed notable improvement in Jul'22 and early Aug'22. ADRR, RevPAC and utilization rate rebounded to RMB233, RMB160 and 68.6%, respectively. The improving trends continued up to the first half of Aug'22 but had moderated since then given the sporadic outbreak of COVID-19. We expect its operating performance to rebound from that in 2Q22 although a full recovery to the pre-pandemic level remains challenging in the near-term.

Finance lease as a new funding channel for more active fleet replenishment

Car has been actively adding new vehicles starting 2Q22 in anticipation of more relaxed COVID-19 policies. In 2Q22, its net fleet addition is 8,353 units compared with net reductions of 3,236 units in 1Q22 and 3,764 units in 4Q22. The net fleet investments in 1H22 was RMB1.5bn. Given the slow progress in securing new bank loans, Car turned to finance leases for new vehicle acquisitions. Car obtained new facilities of RMB2.7bn in 1H22 (RMB8bn YTD), most of them are finance leases and cRMB3bn remains undrawn as at Jun'22. Car plans to acquire new vehicles of 30-40k units in 2H22 for RMB3-4bn. It plans to sell used vehicles of 20-30k units for RMB900mn-1.3bn over 2H22. As per our discussions with Car, the funding cost of finance leases is 7-8% while that of bank loans is 5-6%. In general, the down-payments for using bank loans to acquire vehicles is 20-30%. We estimate the down-payments for using finance leases is c40% based on deposit of RMB500mn paid in 1H22. Finance lease offer an alternative funding channel for Car to adjust its fleet size in view of increasing demand, although the funding cost and down-payment requirements are higher.

Weakened coverage ratio but liquidity profile remains adequate

Given the weakened 1H22 results, its credit profile deteriorated with net debt/EBITDA and EBITDA/int ratios at 3.6x and 2.8x in 1H22 compared with 2.1x and 3.3x in 1H21, respectively. However, we take comfort with Car's ability to consistently generate positive free cash flow, partly through fleet size adjustment and sales of used vehicles. In 1H22, its free cash flow was RMB692mn. Even in 2Q22 when the operating environment was considerably affected by the strict lock-down policy, Car generated positive free cash flow of cRMB158mn. Car guided that its cash inflow from car rental operations and sales of used vehicle would be RMB2-2.4bn while the down-payment for acquisitions of new vehicles to cRMB1bn in 2H22. Its cash balance as at the FYE22 would be cRMB1bn, roughly the same as that in Jun'22. Subsequent to the full repayment of USD bonds of 372.3mn in 1H22, the only offshore bonds (except the CBs of USD175mn placed to its shareholder MBK, puttable in Jan'24) of Car is CARINC'24 (o/s USDS250mn due Mar'24). We believe that its offshore maturities are manageable.

Click [here](#) for full report.

➤ Offshore Asia New Issues (Priced)

Issuer/Guarantor	Size (mn)	Tenor	Coupon	Yield	Issue Rating (M/S/F)
Weifang Urban Construction and Development Investment Group Co., Ltd.	USD100	3yr	6.0%	6.0%	Baa3/-/BBB-

➤ Offshore Asia New Issues (Pipeline)

Issuer/Guarantor	Currency	Size (mn)	Tenor	IPG	Issue Rating (M/S/F)
Chengdu Xisheng Investment Group Co., Ltd.	USD	-	3yr	4.8%	Baa2/-/-

➤ **Market conditions and color**

- Regarding onshore primary issuances, there were 123 credit bonds issued yesterday with an amount of RMB127bn. As for Month-to-date, 1460 credit bonds were issued with a total amount of RMB1470bn raised, representing a 8.7% yoy decrease
- Media reported that Chinese and U.S. regulators are nearing a deal that would allow Chinese companies to remain listed in the U.S.
- **[AGILE]** Agile has deposited sufficient funds in to designated bank account for the full payment of its HKD719.6mn and USD60mn loan due on 28 Aug'22
- **[ASRIIJ]** Alam Sutera announced 1H22 results that revenue up 76% yoy to USD132mn and recording profit of USD14.8mn
- **[AZUPOE]** Media reported that Azure Power is in talks with state-owned non-bank lender REC over USD503mn loan to refinance debt, the tenor of loan is 10-14 years and pricing is 8.5%-8.75%
- **[CIFIHG]** Media reported that CIFI plans to issue RMB1-1.5bn three-year 3%-4.5% onshore interbank notes, which are fully guaranteed by SOE China Bond Insurance in Sep'22
- **[DAFAPG]** Dafa properties expected to turn to a RMB1.1-1.3bn loss in 1H22, as compared to a RMB201mn profit in 1H21
- **[GRNCH]** Greentown disclosed 1H22 result that revenue increases 79.1% yoy to RMB64.7bn and profit increase 36.7% yoy to RMB3.7bn
- **[GZRFPR]** Media reported that R&F has engaged CICC to work on a restructure plan of all of its RMB14.5bn domestic debts; S&P withdrew R&F's SD long-term credit rating and its unit R&F(HK)'s CC long-term rating at the R&F's request
- **[JFTLIN]** S&P downgraded Tongchuangjiuding long-term credit rating to BB- from BB and the outlook remains negative
- **[JIAYUA]** Moody's downgraded Jiayuan's family rating to Ca from Caa1 and the company's senior unsecured ratings to C from Caa2. Besides, the outlook of Jiayuan remains negative
- **[LNGFOR]** Longfor issued RMB1.5bn 3.3% due 2025 MTNs guaranteed by SOE China Bond Insurance on Thursday
- **[LPKRIJ]** Media reported that Lippo Karawaci is talking with banks for a USD400mn dual-currency syndicated loan to refinance its due 2025 USD bond; The company is considering to acquire 26% stake held by CVC in Siloam International hospitals whose market cap is USD923.3mn right now
- **[THSCPA]** Tus-holdings' bondholders determined to reject Tus holding's second extension plan of USD902.5mn bonds unless they are engaged in and the company provides due diligence material; Tus-holdings said to sell 70% stake of its unit Beijing Tsing Yun Energy for upfront payment on extension proposal

- **[YANGOG]** Yango's controlling shareholder Fujian Sunshine Group said that it is unable to disclose its FY21 and 1H22 results by 31 Aug as scheduled

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