

## 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.

- *SOE perps continued tightening with strong buying flow this morning while the flow may decelerates as the yields close to 4%. LGFV kept two way balanced like few days before. AT1 continued calm after previous active short covering.*
- *Macau border control policy downgraded, no quarantine needed for Macau-Zhuhai travelers. Macau gaming names WYNMAC/SANLTD up 1-2pts yesterday and continued recovering slightly this morning.*
- *SJMHOLs: Relaxed quarantine policy and shareholder's support. See below.*

#### ❖ Trading desk comments 交易台市场观点

Yesterday, Chinese IG space opened strong in the morning as risk-off sentiment relieved. In financials, flows were relatively quiet after recent short covering, amid front-end rates surging. AMC continued to tighten 3-5bps. AT1s were relatively slow still but edged 0.125-0.25pts higher late afternoon, whilst CCAMCL 4.4 Perp popped up 1pt on back of short covering. TMT benchmarks were largely unchanged. TAISEM tightened 10bps. On the flip side, IG property benchmarks LNGFOR/VNKRLE prices dropped down 2-4pts. In Chinese HY space, property sector was broadly 2-3pts lower as well. The theme was institutional selling here, as more offshore RMs joined in axing China HY property bonds. CIFIHG down 1.5-3.5pts. Distressed space traded a touch softer again. On the other hand, Macau gaming space recovered from the previous sell-off mainly on macro weakness, amid headlines of Macau broader re-openings. WYNMAC up ~1pt and SANLTD up 1.5-2pts.

In SOE Perp/LGFV space, the tone was overall constructive. Chinese NBRM and asset managers resumed cash deployment with liquidity still abundant from onshore. SOE perps remained the most sought after ones, led by high-grade senior perps and infrastructure names' sub perps. Under the strong buying flows from clients and the active covering shorts from dealers, sub-perps surged 0.5-0.75pts on the day with flows 90% buying. Some selling emerged in lower beta SOE names but felt easily absorbed for now. For LGFVs, flows were actually rather mixed but consolidated to a positive tone. The new issue JNHTE 5.5 25 remained resilient with bank demands, and became the only recent issue that held on around primary RO on the first day. Meanwhile 23-26 papers from stronger names generally grounded ~0.125-0.25pts higher amid better buying interests from onshore banks. Whereas names from weaker regions, ie. Yunnan/

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Chongqing/Shandong/ Henan remained better offered in the 5%-6% range and some of them still struggled to find buyers.

### ➤ Last trading day's Top Movers

Top Performers	Price	Change
BJHKWY 14 3/4 10/08/22	101.5	5.1
TIANFS 4 03/15/24	98.1	2.2
SANLTD 3 1/4 08/08/31	76.0	2.2
SANLTD 2.85 03/08/29	77.0	2.1
PRUFIN 2.95 11/03/33	84.7	1.8

Top Underperformers	Price	Change
XINHUZ 11 06/06/25	91.2	-5.7
KWGPRO 5.2 09/21/22	34.8	-4.1
VEDLN 8.95 03/11/25	70.9	-3.6
CIFIHG 5.95 10/20/25	30.1	-3.6
VNKRLE 3.975 11/09/27	79.7	-3.4

### ➤ Macro News Recap 宏观新闻回顾

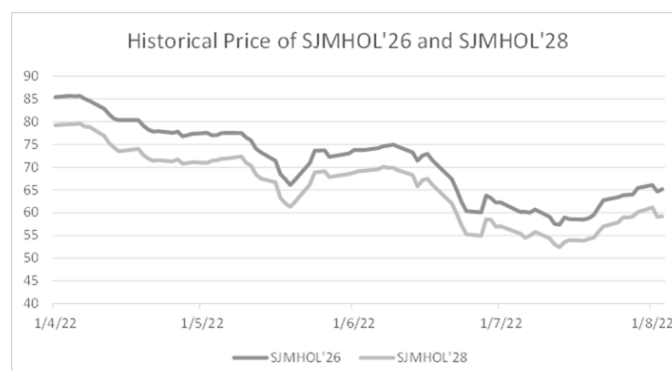
**Macro** – U.S. stock market rebounded strongly yesterday. The S&P (+1.56%), Dow (+1.29%) and Nasdaq (+2.59%) opened and walked high as tech companies like PayPal published positive outlook. US service sector activity improved 1.4 points to 56.7 in July from the previous month. Chinese July service PMI was published as 55.5 that Chinese service sector expanded second consecutive month. U.S. treasury yields' continued being inverted. Yield curves steepened with 2/5/10/30 yield reaching 3.10%/2.86%/2.73%/2.96%, respectively.

### ❖ Desk analyst comments 分析员市场观点

#### ➤ SJMHOLs: Trading buy opportunities on relaxed quarantine policy and shareholder's support

##### Trading buy on SJMHOLs

Further to [our comments on 2 Aug'22](#), we see SJMHOLs trading buy opportunities upon the considerable relaxation of quarantine policy and earlier than expected provision of shareholder's support. We expect SJMHOLs to trade higher and closer to the high end of the trading range of over the past few months. As written before, SJMHOL'26 and '28 were mostly traded within the ranges of high 50 to high 70, and low 50 to low 70, respectively, since the strict quarantine policy implemented in late Mar'22. We also consider SJMHOLs a leveraged play on further relaxation of quarantine policy and gradual recovery of the Macau gaming sector. Nonetheless, we still believe that SJMHOLs, as well as other Macau gaming bonds, to continue to be range-bounded as the full recovery of the Macau gaming sector is hindered by the strict, albeit relaxing, quarantine policy and the tightened travel approval policy of Mainland China. There could also be more ups and downs of COVID-19 cases in Macau. SJMHOL'26 and '28, offered at 69 and 64, moved 3pts higher this morning.



## Quarantine policy relaxed but remains harsh

On 2 Aug'22 evening, Macau government announced to cut the quarantine period considerably to 7+3 from 10+7. Starting from last evening, the quarantine-free customs entry policy were resumed between Macau and Zhuhai. We see the Macau government's effort in cutting the quarantine period. Starting from 6 Aug'22, travelers can enter into casinos on the 11th day after their arrivals compared with the 22th before 15 Jun'22. Nonetheless, the quarantine policy remains a big hindrance for Macau gaming sector (compared with the average tourist stay of only 1.6 days), especially for the efforts to bring in non-mainland travelers given the tightened travel approval policy of Mainland China. Before the pandemic, Mainland China, HK and Taiwan contributed 71%, 19% and 3% of Macau's tourist visitation, respectively. For a speedier recovery of the sector and bonds to break through the range-bound, we still need to see further significant relaxation of the quarantine policy.

## Positive surprises of the shareholder's support

Last night, SJM also announced the shareholder's support of HKD5bn (HKD3bn rights issue and HKD2bn loans from STDM) to pre-fund the additional cash capital required for the tender process of new casino concession. The shareholder's support of HKD5bn is not a surprise (See our comments 2 Aug'22) but we consider the rights issue of HKD3bn and timing of the shareholder's support positive surprises. We originally expected all the shareholder's support of HKD5bn to be in the form of shareholder's loan and the timing of the shareholder's support to be in 4Q22, closing to the end of the tender process. We also acknowledge that the rights issue is fully underwritten, and terms of shareholder's loan is favourable (unsecured, 6-year and interest rate of 4% p.a.). These demonstrate STDM's strong ability and commitment to support.

Click [here](#) for full report.

### ➤ Offshore Asia New Issues (Priced)

Issuer/Guarantor	Size (mn)	Tenor	Coupon	Yield	Issue Rating (M/S/F)
Danyang Investment Group Co., Ltd.	USD205	3yr	6.40%	6.40%	-/-/-

### ➤ 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 75 credit bonds issued yesterday with an amount of RMB91bn. As for Month-to-date, 77 credit bonds were issued with a total amount of RMB74bn raised, representing a 64.4% yoy increase
- [CAPG]** Aoyuan Group, a subsidiary of China Aoyuan Group, announced a change of the bond trading method for its "20Aoyuan02" bonds to only trade via the fixed income securities integrated electronic

platform of the Shanghai Stock Exchange and only qualified institutional investors are allowed to purchase the bonds

- **[CENCHI]** Media reported Central China Real Estate readied sufficient funds for the timely redemption of its USD472.675mn outstanding 6.875% due 8 Aug'22 notes, and shelved over the past week a planned possible exchange offer
- **[CHINSC]** Moody's placed China SCE's B1 CFR and B2 senior unsecured ratings on review for downgrade. The outlook prior to the review for downgrade was stable
- **[CHOHEC]** Fitch planned to withdraw the ratings on Chongqing Hechuan City Construction Investment
- **[CNBG]** China National Bluestar, a business majority-owned by China National Chemical Corp, raised RMB1.5bn via an offering of two-year MTNs at a coupon rate of 2.67% to repay interest-bearing debts
- **[CNSHAN]** Shandong Hi-Speed Group raised RMB2bn via an offering of three-year MTNs with a coupon rate of 2.73% to repay interest-bearing debts
- **[FAEACO]** Far East Consortium announced on a USD2bn guaranteed MTN programme
- **[GRNLGR]** Greenland Holding forecasted a net profit of RMB4.202bn for the first half of 2022, down 48.97% yoy, compared with that of RMB8.233bn in 1H21. The company forecasted a revenue of RMB204.73bn for the first half of 2022, down 27.64% yoy, compared with that of RMB282.93bn in 1H21
- **[JIAZHO]** Jiangsu Zhongnan Construction posted contracted sales of RMB4.91bn in July, with contracted gross floor area amounted to approximately 0.464mn square meters
- **[LNGFOR]** Media reported two of the original members of the syndicate of banks that provided Longfor Group's HKD8.75bn unsecured due-Jan'25 bullet term loan since at least Jul'22 have been separately offering to sell part of their holds in the secondary market
- **[PINIFL]** Ping An International proposed to offer RMB1.5bn two-year MTNs. The company scheduled exercise of the put option for its RMB1.6bn "19Anzu07" bonds on 5-12 Aug'22
- **[RGETDC]** Rugao Economic and Trade Development raised RMB300mn via an offering of one-year short-term bills with a coupon rate of 2.40% to repay interest-bearing debts
- **[SHIMAO]** Shimao Services expected to make payment of the consent fee and ineligible beneficial owner payment under the consent solicitation for the 2.25% guaranteed due 2022 convertible bonds
- **[ZHPRHK]** Zhenro Properties announced the non-payment of the 8.7% senior notes due Aug'22. The company also said it may not be in position to make the USD13.26mn interest payment on its 6.63% senior notes due Jan'26 before the last day of the grace period on 6 Aug'22. Zhenro Properties debt securities enter trading suspension

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