

## 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 calmed down this morning while there are some buying flows into IG/SOE names. HY space downed 0.5-1pts weighed by COGARD's profit warning. AMCs kept previous downside trends this morning.*
- *Chinese property overall down. LNGFOR/CIFIHG/VNKRLE lowered 1-3pts. COGARD down~4pts yesterday and lowered 0.5-2pts this morning after profit warning and credit rating downgrade.*
- *Lenovo will partially repurchase LENOVO 3.375 01/24/24 by proceeds from concurrent CBs issue of USD675mn due 2029. LENOVO'24 was largely flat to 0.25pts down this morning.*

#### ❖ Trading desk comments 交易台市场观点

Yesterday, Chinese IG space opened firm, then turned slightly negative into the afternoon post a historic high UK CPI release. IG spreads calmed down from the recent rally, ended unchanged to 1-3bps tighter amid FM profit taking on benchmark names. In financials sector, spotlight was AMCs tumbled on Huarong's profit warning. HRINTH spread widened as much as ~50bps and its cash price sold down to 1-2pts lower. Benchmark HRINTH 5.5%' 25's price stabilized down to 2.5pts lower. GRWALL marked 50c lower. AT1s were barely moved and closed up 0.125-0.25pt under RM buying, and offers on the big five state bank names were seen to come out in low-4%. TMT still saw street selling. IG property sector reverted to slight retreat post revenge rebound, as fundamentals had not changed. LNGFOR/VNKRLE down 1-3pts on the session. SINOCE 27 up 4pts. China HY space traded weaker on the session with low-beta benchmark names retreating 1-4pts. COGARD 24s-26s pared some losses by 3-4.5pts, adapting to its new rating status. CIFIHG down 1.5-3.5pts on Chinese accounts better selling, where shorts resetting also observed. Short-dated GRNLGRs, on the other hand, further climbed 5-6pts yesterday after rising 1-2pts earlier on the real estate fund support news. GEMDAL 24 kept the recent trend to close 4pts higher. Macau gaming sector had small selling in WYNMAC front end and STCITY kept underperforming as well. Ex-China HY also felt heavier on the day. AZUPOE 24 stayed put at 91/92 level after recovering 1-2pts yesterday, still 6-7pts below than the previous prices before its annual paper release's delay sparked sell-offs.

In LGFV/SOE Perp space, sentiment remained largely afloat despite more balanced two-way flows (as opposed to strong buying earlier this week) as

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

**CMBI Fixed Income**  
fis@cmbi.com.hk

valuations edged further richer. Flow-wise, cross-border flows continued to drive on the buying front, led by 2y LGFVs at mid-4% or above and long dated-to-call SOE perps at high-4% or above. Although overall buying was slower than in the previous few sessions with many mandates having deployed a decent chunk already. Meanwhile, more selling from offshore AM emerged from both Chinese and non-Chinese accounts, and also on prop desks in perps callable in or before 24s and yielding low-4%. These bonds were generally still absorbed quite well, especially for 22s and 23s callables. In LGFVs, as structured buying flows decelerated slightly, more offshore investors started trying to seize the window and offload high-beta names at low-90s. Meanwhile, bids remained generally supportive for these bonds. Otherwise, quality names and beta papers yielding ~6% were largely stable as flows were skewed slightly to better buying.

### ➤ Last trading day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
GRNLGR 5.9 02/12/23	33.8	6.1	COGARD 4.2 02/06/26	34.5	-4.3
GRNLGR 5 3/4 09/26/22	80.0	5.3	COGARD 3 1/8 10/22/25	34.4	-4.1
EAGRUY 7 1/2 05/01/25	78.0	4.5	COGARD 5 5/8 12/15/26	32.8	-4.1
SINOCE 5.95 02/04/27	32.5	4.0	COGARD 6 1/2 04/08/24	41.1	-3.8
GEMDAL 4.95 08/12/24	65.8	4.0	CIFIHG 6.55 03/28/24	39.0	-3.6

### ➤ Macro News Recap 宏观新闻回顾

**Macro** – U.S. stock indexes turned to downward on Wednesday after consecutive days climb. The S&P (-0.72%), Dow (-0.5%) and Nasdaq (-1.17%) closed at low level though some rebounds showed after the FOMC minutes was published. The FOMC minutes shows that meeting participants agreed that future rate hikes would depend on incoming information and it would be appropriate to slow the hike pace when inflation was alleviated. The U.S. treasury yields increased a lot as the curve is still twisted with 2/5/10/30 yield reaching 3.28%/3.04%/2.89%/3.15%, 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)
Xi'an Weiyang Urban Construction Group	USD74.5	3yr	5.1%	5.1%	-/-/-

#### ➤ 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 yesterday with an amount of RMB84bn. As for Month-to-date, 932 credit bonds were issued with a total amount of RMB923bn raised, representing a 9.2% yoy decrease

- Moody's said China AMCs will provide selective support to the property sector through investing in property projects that face liquidity issues
- **[COGARD]** Country Garden announced that it expects a RMB45-50bn profit in 1H22, a 67% yoy drop due to tough markets
- **[EVERRE]** Media reported that Evergrande New Energy Vehicle could be acquired by automaker, the acquisition may lead by local government
- **[FTHDGR]** Fantasia proposed a preliminary offshore debt restructuring plan to major holders of its USD notes, offering a up to 60% haircut on the principal and swapping the remainder into equity
- **[LENOVO]** Lenovo plans to partially repurchase USD450mn of LENOVO 3.375 01/24/24 by the proceeds from newly issuing USD675mn CB with 2.50% coupon and due 2029
- **[MCRLNH]** Macrolink Holding failed to make payment for 17XinhualiankongMTN001 extendable notes with maturity advanced to 9 August
- **[PWRLNG]** Powerlong obtained consent for one-year extension of its RMB600mn 7.4% due-15 July private domestic notes during added grace period
- **[ROADKG]** Road King expects a HKD80-90mn profit for 1H22, dropped 86.8% yoy due to RMB depreciation. The company further redeemed USD22mn of 7.875% guaranteed senior notes due 2023
- **[SECGRP]** Moody's downgraded Shanghai electric group to Baa3 from Baa2
- **[SHIMAO]** Shanghai Shimao shareholders approved proposals on guarantees to subsidiaries for RMB 860.85mn funding
- **[SUNKWP]** Sunkwan Properties expects to turn to loss about RMB120-180mn for 1H22 on fall in revenue recognized for properties sold
- **[TENCNT]** Tencent published 2Q22 results for RMB134.0bn revenue and RMB28.1bn profit, decreased 3% and 17% yoy, respectively

CMB International Securities Limited  
*Fixed Income Department*  
Tel: 852 3761 8867/ 852 3657 6291  
[fis@cmbi.com.hk](mailto: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.