

CMBI Credit Commentary

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

- *Cautious tone this morning ahead of FOMC meeting tonight. We saw some buying interests driven by short covering but not much papers coming out.*
- **SINOCE:** *hit down 12-15pts over the past few days due mainly to news on non-payment onshore. As per Sino Ocean, the size of the obligations is only cRMB260mn and due date on 27 Jun'22. See below for more.*
- **Chinese properties:** *36 developers under our radar reported average 9% MoM contract sales growth in May'22 but YTD sales still down 53% yoy. See below.*

❖ Trading desk comments 交易台市场观点

Yesterday, Chinese IG space was in doldrums. IG spreads stayed defensive with fewer prints. High-beta SOE names hit down as rates rose again overnight, HAOHUA widened around 10bps. In TMT space, BABA/BIDU/MEITUA/TENCNT all widened 5-10bps. In financials, T2s generally widened 6-10bps under selling pressure. AT1s hit down 0.25-1pt, while liquid names like BOCOM 3.8 Perp/ICBCAS 3.2 Perp actually rebounded 50-75c when rates seems stabilized in the afternoon.

In SOE Perps/LGFV space, clients mostly sidelined in the morning as the market was gauging the overnight rates' surge. As rates retraced ~10bps off the highs after noon, we saw some buying flows in LGFVs from Chinese NBRM. On the other hand, SOE Perps saw bids came off quickly on the day from rather rich previous levels, which was largely pushed up by cash deployment from the past few weeks.

Chinese property space performed weak. The market eyed the Sino-Ocean Group in a dispute with Beijing Capital Land regarding non-payment of development loans to JV projects. SINOCE weighed down another 4.5-5.75pts yesterday after dropping 7-9pts over the past two weeks. COGARD/CIFIHG resumed 1pt after falling 3-5pts this week. ROADKG down 2-3pts. AGILE/CENCHI dipped around 1pt. SUNAC slightly rose 0.5pt. Macau gaming sector was mixed. WYNMAC was up 0.5pt while SJMHOL down 2pts.

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➤ **Last Trading Day's Top Movers**

| Top Performers | Price | Change | Top Underperformers | Price | Change |
|-----------------------|-------|--------|-----------------------|-------|--------|
| FTHDGR 9 1/4 07/28/23 | 9.5 | 1.1 | SINOCE 4.9 PERP | 47.1 | -10.1 |
| CHJMAO 4 7/8 PERP | 81.2 | 1.1 | SINOCE 2.7 01/13/25 | 56.0 | -5.5 |
| FUTULAN 23 | 73.1 | 0.9 | ROADKG 7 3/4 PERP | 56.2 | -4.5 |
| FTHDGR 23 | 73.1 | 0.8 | GZFYRE 13.6 07/27/23 | 47.9 | -3.8 |
| CHJMAO 6 PERP | 96.3 | 0.8 | LNGFOR 4 1/2 01/16/28 | 83.0 | -3.3 |

➤ **Macro News Recap 宏观新闻回顾**

Macro – U.S. stock market closed mixed on Tuesday, as traders increased their bet on a 75-basis-point hike at Wednesday's Fed meeting. The S&P (-0.38%), Nasdaq (+0.18%), and Dow (-0.50%) performed mixed. The dollar index rose to a new 20-year high of 105.86 against a basket of six global currencies following the inflation data for the month of May. In Asia, China will launch its largest offshore sovereign bond sale in six years. Treasury yield continued to climb up, with the 2/5/10/30 yield advancing to 3.45/3.61/3.49/3.45% respectively.

❖ **Desk analyst comments 分析员市场观点**➤ **Sino-Ocean: On-shore non-payment related to disagreement with BCL**

SINOCE moved 12-15pts lower over the past few days due mainly to the talks and media reports on non-payment of development loans incurred by its 50/ 50 JV project with Beijing Capital Land (BCL) in Tianjin. The project is operated by BCL and saleable resources of the 3-phase project is cRMB3-4bn. So far, the sale progress is slow, only about 10% of the saleable resources were sold. The construction loans at this project is RMB530mn and each of Sino Ocean and BCL is responsible for the repayment of half of the construction loans, i.e. RMB265mn. According to BCL, it had fulfilled its repayment obligations of RMB265mn by 6 Jun'22. Sino Ocean, on the other hand, told us that its committed liquidity support for the project was RMB260mn and the commitment would be due on 27 Jun'22. So Sino Ocean has not defaulted on any obligations of the project. The company emphasized that it had prepared the funding for the liquidity support and would honour the committed support in a timely manner.

➤ **Chinese properties: May contract sales up MoM but YTD sales down significantly**

For the 36 developers under our radar, 25 of them showed MoM pick up in contract sales. On average, the 36 developers reported 9% MoM growth in May'22. That said, the average cumulative first 5-month sales still declined 53% yoy. Among these developers, "outperformers" in 5M22 sales are YUEXIU (RMB34.6bn, -15% yoy), CRHZCH (RMB96.6bn, -23% yoy), SINOCE (RMB29.3bn, -28% yoy) and POLYRE (RMB159.2bn, -32% yoy). Distressed names recorded substantial sales deterioration, including SINHLD (RMB1.5bn, -97% yoy) and DAFAPG (RMB3.2bn, -85% yoy).

➤ **Offshore Asia New Issues (Priced)**

| Issuer/Guarantor | Size (mn) | Tenor | Coupon | Yield | Issue Rating (M/S/F) |
|--|-----------|-------|--------|-------|----------------------|
| Lishui Economic and Technological Development Zone Industrial Development (SBLC by Bank of Shanghai) | USD96.5 | 3 | 4.5 | 4.5 | -/-/- |
| Gansu Provincial Highway Aviation Tourism Investment Group (Tap of GSHIAV 4.9 03/30/25) | USD50 | Tap | 4.9 | 5.9 | BBB+/-/- |
| Taiyuan State-Owned Investment Group (Tap of TYSTOW 4.55 06/07/25) | USD40 | Tap | 4.55 | 4.49 | -/-/- |
| Tianjin Jizhou New City Construction Investment Development (SBLC by Bank of Zheshang) | USD70 | 3 | 3.9 | 3.9 | -/-/- |

➤ **Offshore Asia New Issues (Pipeline)**

| Issuer/ Guarantor | Currency | Size (mn) | Tenor | IPG | Issue Rating (M/S/F) |
|----------------------------|----------|-----------|----------|-----|----------------------|
| Kunming Traffic Investment | USD | - | 366 days | - | -/-/- |

➤ **Market conditions and color**

- Regarding onshore primary issuances, there were 79 credit bonds issued yesterday with an amount of RMB78bn.
- **[CATHAY]** Cathay Pacific Airways says consolidated losses in 1H22 are substantial but expects to be lower than 1H21 losses
- **[CHALUM]** Aluminum Corporation of China to distribute RMB544.89mn cash dividends to shareholders
- **[KWGPRO]** Media reported that KWG Group to raise RMB5.5-5.7bn via sale of office building assets
- **[ORIEAS]** China Orient Asset Management proposes to offer RMB270mn in asset-backed securities
- **[WYNMAC]** Wynn Macau gets USD500mn loan facility from the parent company, Wynn Resorts

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