

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.

- *Market is generally quite muted this morning with sellers calmed a bit. AMC space saw some dip buying interest. Macau gaming sector also reacted to the 1-week lock-down calmly with bond prices down 0.5-1pt.*
- **GZRFPR:** *obtained requisite consent for all the 10 outstanding USD bonds. Slight positive surprises. See below*
- **JIA YUA:** *signed agreement with 8 subscribers to issue 364-day of HKD667.08mn 8% CBs. The chance for Jiayuan to resort to liability management exercise for the coming maturity (USD200mn) in Oct'22 is increasing but JIA YUAs have already priced in excessive downside risk. See below.*

❖ Trading desk comments 交易台市场观点

Last Friday, Chinese IG spreads generally unchanged with limited flows. In Financials, AMC sector bounced off from the lows. GRWALL/HRINTH Perps recovered 4-5pts on short covering and dip buying. TMT space kept skewed to better selling. In property sector, SINOCE down 3.5-4pts on chatter that company might not call the perp with initial call date in Sep'22.

Selling in LGFV/SOE space calmed down into weekend thanks to the rebound in AMCs. LGFV saw overall balanced two-way flows with Chinese NBRM continuing to pick up high-grade short-dated papers north of 4%. SOE Perps meanwhile saw selling focused on short dated c22s as marginal buying were getting thinner especially for bonds above par. Price actions continued to dominate highly technical-driven flows in the near term.

Chinese HY space was broadly down 1-4pts, continuing the recent turmoil in China credits. In property sector, CIFIHG down another 1-1.5pts after losing 6-12pts during the week. CIFIHG due-2025s ended at low 40s on Friday. CSCHCN down 1.5-2.5pts across the curve. Among distressed names, TPHL ended down 1-2pts after Moody's downgraded its rating to Caa1. CENCHI down 4-6pts on the short end.

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➤ Last trading day's Top Movers

Top Performers	Price	Change
GRWALL 3.95 PERP	87.8	5.2
HRINTH 4 1/4 PERP	80.3	4.6
WYNMAC 5 1/2 01/15/26	71.2	1.7
WYNMAC 4 7/8 10/01/24	76.1	1.6
WYNMAC 5 1/2 01/15/26	71.3	1.6

Top Underperformers	Price	Change
LESAGN 10 3/4 10/21/22	71.3	-11.9
CENCHI 7.9 11/07/23	31.5	-5.9
CENCHI 7.65 08/27/23	33.8	-5.7
KWGPRO 6 09/15/22	25.3	-5.6
LOGPH 4.7 07/06/26	17.7	-4.6

➤ Macro News Recap 宏观新闻回顾

Macro – U.S. stock market closed mixed on Friday, as market sentiment slightly pulled back from a four-day rally post strong June employment report. The S&P (-0.08%), Nasdaq (+0.12%), and Dow (-0.15%) ended mixed. The American economy added 372K non-farm payrolls in June, much better than market forecasts of 268K and with year-on-year wage growth slowing to 5.1%. The headline unemployment rate was unchanged at a post-pandemic low of 3.6%, showing a robust labor market in the face of hot inflation. The market has currently priced in almost 100% of a 75-basis-point rate hike in upcoming FOMC meeting later this month. Treasury yield bear flattened, with the 2/5/10/30 yield advancing to 3.12/3.13/3.09/3.27% respectively.

❖ Desk analyst comments 分析员市场观点

➤ GZRFP: Requisite consent obtained, a slight positive surprise!

GZRF obtained the requisite consent for all the 10 outstanding USD bonds. The results, in our view, are slight positive surprises as we expected some push back from holders, especially holders of GZRPPR'24s given the slower amortization schedule of Group C, and the restructuring could therefore be dragged on. Please see [our comments on GZRF's consent and RSA plan on 21 Jun'21](#) for detailed discussions on the restructuring plan and NPV analysis.

➤ JIAYUA: 364-day CB issue of USD85mn

Jiayuan entered into agreements with 8 subscribers to issue 364-day CBs of HKD667.08mn (cUSD85mn). The senior unsecured CBs will bear a coupon rate of 8%, and be issued and redeemed at par. The conversion price is HKD0.68, representing a 56.3% premium over the last close of HKD0.435. If the CBs will be converted, the subscribers will hold 14.16% of Jiayuan's enlarged capital while the shareholding of the chairman will decline to 60.72% from 70.74%. It is noteworthy to point out that the CBs of HKD3.42bn issued to the chairman for the injection of Shandong assets in Jun'21 had been fully converted in shares and pledged to Allied Group. As per the HKEx records and our emails on 19 May'22, the CBs were pledged to Allied Group since 18 May'22. The CBs issuance will complete no later than 30 Sep'22.

We understand that the CB subscribers are mainly corporates and majority of the proceeds will be used for the onshore projects. We take positively on Jiayuan's continued efforts in securing funding at a reasonable cost, and honoring offshore obligations in a very challenging operating and funding environment. In 6M22, its contract sales were RMB7.78bn, fell 59.3% yoy. These should lead to the significant weakening of cash inflow from operations. Additionally, the sharp fall of the share prices of Jiayuan and Jiayuan Services over the past 2 months should further limit Jiayuan's funding options. We believe that the chance for Jiayuan to resort to liability

management exercise for the coming maturity (USD200mn) in Oct'22 is increasing. That said, we believe that JIAYUAs' current valuations are already in line with those of the defaulted peers with unappealing exchange/restructuring plans. We believe that JIAYUAs have already priced in excessive downside risk.

➤ **INDYIJ: Result of Tender Offer for notes due 2024 and 2025**

Indika Energy announces the results of its tender offer for INDYIJ 5.875 2024 (o/s USD575mn) and INDYIJ 8.25 2025 (o/s USD675mn). USD183.967mn of INDYIJ'24 have been validly tendered at USD100.75. Thus, the 2025 maximum amount (originally USD50mn) is increased by USD15.026mn, freed up from the gap between validly tendered amount and 2024 maximum amount. As for INDYIJ'25, USD56.712mn have been validly tendered at USD100.25. After the tender offer and cancelation of repurchased bonds, the outstanding amount of INDYIJ 5.875 2024 and INDYIJ 8.25 2025 will be USD362.396mn and USD598.879mn respectively.

For more details of the tender offer, please refer to our daily on [9 June](#) and [24 June](#).

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

Issuer/Guarantor	Size (mn)	Tenor	Coupon	Yield	Issue Rating (M/S/F)
Jinan Shizhong Finance Investment Group	USD100	364D	5.1	5.5	-/-/-
Huai'an Traffic Holding Group	USD238	3	5.5	5.5	-/-/-

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

Issuer/Guarantor	Currency	Size (mn)	Tenor	IPG	Issue Rating (M/S/F)
Mitsubishi UFJ Financial Group	USD	-	3NC2	T+190	A1/A-/A-
Mitsubishi UFJ Financial Group	USD	-	6NC5	T+215	A1/A-/A-
Mitsubishi UFJ Financial Group	USD	-	11NC10	T+237.5	A1/A-/A-

➤ **Market conditions and color**

- Regarding onshore primary issuances, there were 49 credit bonds issued yesterday with an amount of RMB46bn. As for Month-to-date, 349 credit bonds were issued with a total amount of RMB401bn raised, representing a 4.4% yoy increase.
- Macau government will suspend operation of industries and commercial venues from 11 Jul for one week, which will further hurt the business of Macau gaming operators
- [CCAMCL]** China Cinda Asset Management discloses that it will hold an EGM on Jul 25 to consider the issuance plan of up to RMB10bn tier-2 capital bonds
- [CHJMAO]** China Jinmao Holdings Group announces that it has completed the issue of RMB2bn five-year corporate bonds with a 3.28% coupon

- **[CIFIHG]** CIFI Holdings announces that it has repurchased USD5mn of its 5.50% senior notes due Jan 2023
- **[DALWAN]** Dalian Wanda Commercial Management Group has raised RMB1bn via an offering of three-year MTNs at a coupon rate of 6.80% to repay interest-bearing debts
- **[GRWALL]** Media reported that Great Wall AMC says results delay due to regulators' disagreement over treatment of exposure to HNA
- **[MEDCIJ]** S&P Global Ratings revised its rating outlook on Medco to stable from negative and affirmed 'B+' long-term issuer credit rating on the company and the 'B+' long-term issue rating on Medco's guaranteed senior unsecured notes
- **[RONXIN]** Ronshine China announces non-payment of interest on RONXIN 8.1% 2023 and RONXIN 7.35% 2023, which means the company officially default offshore
- **[SAWSST]** Sawit Sumbermas Sarana unit announces that it will accept for purchase USD259.725mn of the outstanding 7.75% senior notes due 2023 in its tender offer, please see more details of tender offer in our [29 June daily](#)
- **[SUNAC]** Sunac China announces that it has resigned auditor PwC stated in its resignation letter that it has not yet obtained certain further information to enable it to complete all necessary audit procedures of the audit of the 2021 annual results

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