

CMBI Credit Commentary

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

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- *Chinese IG market was generally quiet this morning except property sector. LGFV and SOE space calmed down a bit with balanced two way flows. Property space recovered on talks of setting up real estate fund, we saw active buying towards HY names like COGARD/CIFIHG.*
- *Media reported that China approved a plan to establish a real state fund to provide financial support certain developers. We believe that the news are positive to market sentiment and named developers and more details are needed to clarify the exact influence. See below.*
- *LENOVO: announced tender offer result for LENOVO 4.75% 2023. See below.*

❖ Trading desk comments 交易台市场观点

Chinese IG market continued to rebound from recent low. In financial sector, AT1 rebounded slightly while AMC names stabilized. TMT sector recovered with light buying flow, XIAOMI 30 tighten 6-7bps while BABA down 1bps. In property space, IG names continued rebounding trend with dip buying interest from clients. VNKRL/LNGFOR up 0.5-3pts. China HY space turned weaker again from previous rebound. COGARD down 1-3pts and CIFIHG down slightly. Macau gaming sector went up around 1-2.5pts on last Friday.

In LGFV space, new GETDZS 25 followed recent LGFV new issues - opened 1pt below RO in light of one-way selling flows, albeit in this case not as heavy as earlier ones, before NBRM buyers later emerged to absorb the loose bonds and the bond then traded effectively at a choice market there. There appeared to be a bit of short squeeze in the bond late afternoon, as recent issues ZHAPIE 25 and ZHANLO 25 after solid buying from onshore NBRM at the dip. In SOE sector, Steel names downed with bearish guidance within the industry, which sparked a round of selling in steel names SHDOIS/TSSTEE/SHAGAN/SHGANG from Chinese AM before HF and offshore AM reacted and joined the selling force. SHAGAN 24 led the plunge with -7pts given its more POE status, considered the outdated original screen price of ~96 or 5.6%, the real drop was closer to ~3pts which was in-line with SHDOIS 24/23. Besides, TSSTEE 22/SHDOIS 22/SHGANG 24 managed to drop by only 1pt due to the short tenor of the former two and the street short positioning in the latter. Flow wise was one way selling and even spilt over to names like CHALUM, before some dip buying interests emerged at the low from some other Chinese NBRM.

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➤ **Last trading day's Top Movers**

Top Performers	Price	Change
AGILE 5 1/8 08/14/22	89.1	6.1
WYNMAC 5 1/8 12/15/29	65.8	4.2
WYNMAC 5 1/2 01/15/26	73.0	3.6
FRESHK 2 5/8 03/03/24	92.0	2.7
WYNMAC 4 7/8 10/01/24	76.2	2.5

Top Underperformers	Price	Change
EHICAR 7 09/21/26	54.2	-7.6
SHAGAN 3.3 06/01/24	96.2	-6.9
CENCHI 6 7/8 08/08/22	74.4	-5.0
CHGRAU 9.109 PERP	53.9	-3.0
LOGPH 4 1/2 01/13/28	13.0	-2.5

➤ **Macro News Recap 宏观新闻回顾**

Macro – U.S. stock market downed due to less than expected PMI. The S&P (-0.93%), Nasdaq (-1.87%), and Dow (-0.43%) pulled back from recent high point while three indexes showed relatively good performance during last week. The U.S. PMI fell from 52.3 of June to 47.5 of July, reached lowest level of 26 months and deepened market's worry about economy contracting. ECB signaling more interest rate hikes. U.S. treasury yields continued down with 8-14bps yesterday. Yield curves bull-steepened with 2/5/10/30 yield reaching 2.98/2.87/2.77/3.00%, respectively.

❖ **Desk analyst comments 分析员市场观点**➤ **Chinese properties: Initial thoughts of special bonds for shanty town developments**

Media reported that the State Council of China approved a plan last week to establish a real state fund to provide financial support to 12 developers and a few others which were nominated by local governments. The named 12 developers are Aoyuan, Evergrande, Greenland, GZRF, Kaisa, Risesun, Ronshine, Shimao, Sunac, Yango, Zhongliang and Zhongnan. The fund size is USD11.8bn, comprised of USD7.4bn facility from China Construction Bank and USD4.4bn relending facility from PBOC. The fund can be upsized to USD29.6-44.4bn.

We believe that the news are positive to market sentiment, and positive to the named developers. The news will raise market expectation of government's financial support and incremental supportive measures. The news also reflect that the Chinese government considers non-state owned developers still playing roles in improving the living standard of Chinese, as well as the Chinese property market. That said, the fund size in discussions is relatively small (vs outstanding offshore USD bonds of 204.4bn). There are also limited details to the usage of the funds, allocation among developers and timing of implementation the plan. How and will this plan benefit offshore USD bondholders remains unclear.

➤ **LENOVO: Result of tender offer**

Lenovo set USD200mn tender offer cap for LENOVO 4.75% 2023 last Friday. Amount of notes validly tendered exceeded the cap and the proration factor is 56.79%. Thus, the outstanding amount will be USD486.779mn. The offer will be settled on July 27.

New issue LENOVO 2028 and 2032 now trading at T+298 and T+365.

➤ Offshore Asia New Issues (Priced)

Issuer/Guarantor	Size (mn)	Tenor	Coupon	Yield	Issue Rating (M/S/F)
Qingdao Jimo District Urban Development Investment Co.	USD	3yr	4.90%	4.90%	-/-/BBB-

➤ Offshore Asia New Issues (Pipeline)

Issuer/Guarantor	Currency	Size (mn)	Tenor	IPG	Issue Rating (M/S/F)
Shandong Guohui Investment Holding Group Co. Ltd.	USD		3yr	5.5%	Baa2/-/BBB+
Hangzhou Shangcheng District Urban Construction Investment Group Co. Ltd.	USD		364d	4.8%	-/-/BBB

➤ Market conditions and color

- Regarding onshore primary issuances, there were 90 credit bonds issued yesterday with an amount of RMB82bn. As for Month-to-date, 1064 credit bonds were issued with a total amount of RMB1031bn raised, representing a 11.6% yoy decrease
- [CIFIHG]** CIFI Holdings' controlling shareholders acquired 500,000 company shares through open market at a total consideration of HKD983,000, and they may consider further increasing their shareholding. Moody downgraded CIFI Holdings' CFR to Ba3 from Ba2 and senior unsecured rating to B1 from Ba3, also placing the ratings on review for further downgrade
- [FTHDGR]** Fantasia Holdings appointed UniTax Prism (HK) CPA as the new auditor
- [JINGRU]** Jingrui Holdings does not expect to make payment on its 12.0% senior notes due July 2022 upon maturity with the outstanding principal amount USD260mn and accrued interest USD15.6mn, allowing other creditors to accelerate repayment by the Group of its debts
- [LOGPH]** Media reported Logan Group mulled an exchange offer and consent solicitation for its USD 280m 7.5% notes due on 25 August for more time to continue working on a holistic restructuring of its total USD6.2bn offshore debt stack
- [MIDEAZ]** Midea Group proposed an offering of up to CNY20bn debt financing instruments to boost working capital and repay interest-bearing debts
- [RISSUN]** Media reported RiseSun received requisite consents for its proposal of a 15-month deferral plan on its RMB1bn 7.22% due-2023 notes puttable on 23 July, and RMB1.12bn 7.18% due-2023s puttable on 6 August
- [ZHPRHK]** Zhenro Properties' 29.5mn company shares owned by controlling shareholder Ou Zongrong had been transferred to a third-party as a result of a forced share sale. Zhenro gets approval to extend RMB83.2mn coupon due 23 July to February 2023 (21Zhengrong01)

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