

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 were calm this morning, ahead of the U.S. Aug'22 CPI publication on next Tuesday. Chinese SOEs showed differentiation that SINOPE/CHGRID were stable after yesterday rise while CHALUM perp tightened 2.5bps.*
- **HRINTH:** *Huarong proposes to issue bonds up to RMB60bn(cUSD8.6bn) to improve liquidity and capitalization. We maintain buy on HRINTHs, our picks for HRINTHs are still HRINTH 4.25% perps (callable in Sep'25 at 100) and HRINTH 5.5%'25. See below.*
- *The NBS of China published that the Aug'22 CPI up 2.5% yoy and PPI up 2.3% yoy, both are lower than market expectation of 2.8% and 3.2%. Compared to other major economies, the relatively mild inflation leaves space for PBOC to further adjust interest rate.*

❖ Trading desk comments 交易平台市场观点

Yesterday, IG benchmark spreads tightened 2-5bps with TMTs outperformed, amid UST yield heading slightly lower. TENCNT 29-31s continued the recent move to tighten 7-10bps on the day. BABA/BIDU/MEITUA tightened 2-4bps. Financials space was mixed amid a weak local equity market. Quality T2 names edged 1-3bps wider under profit taking. AMC space broadly widened 0.25pt into close. HRINTH'47 price was traded down 1.5pts. AT1s also closed 0.25pt lower amid local RM selling. China HY space was stable, with property sector largely bid up 1-2pts. COGARDs were unchanged to 1pt higher while CIFIHGs down 1-2pts. CHJMAO 24-26s were notably up 5.5-6pts. Elsewhere, JIAYUA'22 was traded down 7pts, and was quoted at low-10s level. Gaming sector rebounded from the previous low prints, MPELs/SANLTDs/WYNMACs were traded up 1.5-4pts. In Ex-China HY, the new issues remained in the spotlight. We saw better buying in the KEXIMs. EBIKOR 2/5/10yr were squeezed to 6-13bps tighter from re-offer. INDONs were traded 0.25-1pt higher on the day. Indonesian conglomerate LPKRIJ'26 was up 2-3pts amid limited trading. BUMIJ'22 was up 2pts. Indian renewables were better bid with AZUPOEs up 1-2pts on short covering.

Mixed day in the spaces. Low-4% SOE Perps/AT1s continued to gradually reprice towards mid-4% led by several richly valued issues (BCHINA 3.6% Perp/ICBCAS 3.58% Perp/ICBCAS 3.2% Perp), but they generally found support at levels ~0.25-0.375pts lower than last week's thanks to short positions in the street. SOE benchmarks generally kept grinding tighter,

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though not many papers coming out. On the other hand, cross boarder structured flows re-emerged to buy several high-yielding LGFVs at high-5% or above. SHGUOH'26 was traded down ~1.5pts to be marked at low-90s level. Elsewhere in LGFVs, recent issues ZZREAL 5.1%'25/ ZHZHCC 5.2%'25 etc. saw two way exchanges among Chinese RM within very thin/ zero bid-ask spreads around low-5%, whilst bonds inside 5% across the yield curve were generally better offered in line with flows in AT1s/ SOE Perps. New BINHCO 366D issued at 7%. Last but not least on LZINVE, selling pressure piled again from Chinese and non-Chinese RM as punting buying faded, with PBs quiet while institutions largely apathetic about re-entering the risk after last week's onshore PPN scare.

➤ Last trading day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
CHJMAO 3.2 04/09/26	81.3	5.7	JIAYUA 12 10/30/22	12.3	-6.9
CHJMAO 4 06/21/24	92.7	5.6	DEXICN 9.95 12/03/22	58.3	-3.1
WYNMAC 5 5/8 08/26/28	70.8	4.0	GRNLGR 6 3/4 03/03/24	45.1	-2.7
LPKRIJ 6 3/4 10/31/26	71.0	2.9	CIFIHG 4.8 05/17/28	42.7	-2.4
WYNMAC 5 1/2 01/15/26	76.1	2.5	TYANLI 5 1/4 PERP	87.9	-1.8

➤ Macro News Recap 宏观新闻回顾

Macro – U.S. stock markets recorded another rebound on Thursday. The S&P (+0.66%), Dow (+0.61%) and Nasdaq (+0.50%) closed higher with the market consensus that there will be a 75bps hike in Sep, as the Fed chair Powell reiterate that he is strongly committed to fighting inflation yesterday. ECB raised three main interest rates by 75bps to strike inflation, it also hints to continuously increase the rates until the end of inflation. The U.S. treasury yields edged slightly yesterday and the curves were inverted with 2/5/10/30 yield reaching 3.48%/3.39%/3.29%/3.45%, respectively

❖ Desk analyst comments 分析员市场观点

➤ HRINTH: Onshore issuance of RMB60bn to replenish capital. Maintain Buy on HRINTHs

Huarong is proposing to issue bonds up to RMB30bn(cUSD4.3bn) with a tenor for at least 10 years, and tier II capital bonds as much as RMB30bn (cUSD4.3bn) with a tenor of at least five years. The targeted capital replenishment of RMB60bn would help improve liquidity immediately, boosting its low cash level at RMB101bn at 30 Jun'22 to meet its shorter tenor obligations. This is in addition to the RMB20bn 4.34% perps raised in Jun'22.

The latest reported CAR of 12.72% at 30 Jun'22 still pass the regulatory requirements of 12.5%, the targeted RMB30bn tier II capital bonds would provide more cushion for Huarong. Meanwhile, its CAR and liquidity also benefited from the recent disposal of last of its stake of 14.57% in Shengjing Bank, with risk-weighted assets offloaded.

We continue to see Huarong an improving credit story with better liquidity and access to funding channels after the 'bail-out' by the government last year. We maintain buy on HRINTHs, our picks for HRINTHs are still HRINTH 4.25% perps (callable in Sep'25 at 100) and HRINTH 5.5%'25 within HRINTH curve for better valuations. Moving forward, apart from debts and equities issuances, we also expect to see Huarong continues to monetize through non-core asset disposals.

Summary of CMBI picks on Chinese AMC sector:

	Ranking	Offer price	YTW	YTC	T-spread	Modified duration	Next call date
HRINTH 5 1/2 01/16/25	Sr Unsecured	92.2	9.3%	N/A	573.5	2.1	N/A
HRINTH 4 1/4 PERP	Subordinated	76.1	14.2%	14.2%	1064.5	2.6	30/9/2025
CCAMCL 3 1/4 01/28/27	Sr Unsecured	89.8	5.9%	6.1%	245.5	4.0	28/10/2026
CCAMCL 3 01/20/31	Sr Unsecured	78.5	6.4%	6.5%	301.9	7.0	20/10/2030
CCAMCL 4.4 PERP	Jr Subordinated	92.8	6.5%	6.5%	288.8	3.6	3/11/2026
GRWALL 4 1/4 04/28/25	Sr Unsecured	92.9	7.1%	N/A	359.6	2.4	N/A
GRWALL 3.95 PERP	Sr Unsecured	91.5	8.9%	8.7%	534.9	1.7	31/7/2024
CCAMCL 3 1/4 01/28/27	Sr Unsecured	89.8	5.9%	6.1%	245.5	4.0	28/10/2026

➤ Offshore Asia New Issues (Priced)

Issuer/Guarantor	Size (mn)	Tenor	Coupon	Yield	Issue Rating (M/S/F)
Tianjin Binhai New Area Construction and Investment Group Co., Ltd.	50	366d	7.0%	7.0%	Baa2/-/-
Ningbo Beilun Modern Service Industry Development Co. Ltd.	400	3yr	5.45%	5.45%	-/-/-
Fuzhou Digital Economy Investment Group Co., Ltd (SBLC by Bank of Jiujiang)	96	2yr11m	6.0%	6.0%	-/-/-

➤ Offshore Asia New Issues (Pipeline)

Issuer/Guarantor	Currency	Size (mn)	Tenor	IPG/FPG	Issue Rating (M/S/F)
Lianyungang Port Group Co., Ltd.	USD	-	3yr	6.1%	-/-/BBB

➤ Market conditions and color

- Regarding onshore primary issuances, there were 56 credit bonds issued yesterday with an amount of RMB63bn. As for Month-to-date, 344 credit bonds were issued with a total amount of RMB415bn raised, representing a 23.8% yoy increase
- The NBS of China published that the Aug'22 CPI up 2.5% yoy, lower than 2.8% expectation. Aug'22 PPI up 2.3% yoy, also lower than 3.2% expectation
- Media reported HKEX will fast-track reviews for the listing applications of Chinese mainland companies exiting US exchanges

- Media reported Zhengzhou government will arrange RMB5bn(cUSD718.5mn) special loans to support property projects with difficulties to deliver
- **[CIFIHG]** The controlling shareholder of CIFI Group purchase 2mn shares and the holding stake increased to 51.5%
- **[EVERRE]** Media reported China Evergrande's HK headquarter seized by receivers appointed by the lender, the tower was pledged in exchange for loan from China Citic Bank International
- **[FTHDGR]** The bonds holders of RMB2.5bn 7.5% 20Huayang01 have approved the company to defer the principal and interest payment to 8 Sep'23 from 8 Sep'22
- **[GWFOOD]** Wens Foodstuff Group repurchases USD 21.915m of 2.349% due-2025s, USD 5.031m of 3.258% due-2030s on market in August, September
- **[GZRFPR]** Media reported that R&F properties is seeking an additional 29 months amortizing extension of its RMB1.95bn 6.7% public bonds which have already been extended for 1 year
- **[JIAYUA]** Jiayuan International announced that a winding-up petition has been filed against the company by Yeung Man while no winding-up order has been granted to wind up the company so far
- **[RISSUN]** The controlling shareholder of RiseSun Real Estate sell 1.06% of its stake with 61.2% left
- **[SUNAC]** Sunac China announced to oppose the winding up petition, the company schedule to announce terms of restructuring plan by the end of 2022
- **[TPHL]** Times China Holdings gets consent for 18-month extensions of RMB1.1bn 5.5% due-8 Sep private bonds and RMB700mn 5.9% due-9 Sep ABS
- **[YCINTL]** Yincheng International decided to accept USD108.76mn of its 12.5% notes due 2022 for exchange and to issue USD115.3mn new notes pursuant to the exchange offer

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