

CMBI Credit Commentary

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

- *New HKIQCL quickly slid to 99.5 at open with some cut-loss selling from primary participants. Demand emerged at 99.2-99.35 from NBRM that were priced out at primary. Bond price quoted at 99.3/99.5 toward noon.*
- *GRWALL curve fell 1-2pts yesterday amid talks of further delay in FY21 result publications. We saw some supports at 99.70 for GRWALL 3.125% 2022 but lack of bids for longer end bonds. Other AMC peers like ORIEAS/CCAMCL also widened 10-20bps yesterday.*
- **CENCHI:** *media reported that the signing of definitive agreement for HTSZY to acquire stakes of CENCHI and subscribe CBs would likely delay beyond 1 Jul'22. Higher cash price CENCHI'22 down 8.5pts while other CENCHIs down 4pts yesterday. Longer-end further moved 1.5-2bps lower this morning. See below.*

❖ Trading desk comments 交易平台市场观点

Yesterday, Chinese IG spreads were generally 10-20bps wider, but did not see material follow-on selling at the wides. In AMC sector, GRWALL price fell 1-2pts, seeing some sell-off on talks of further delay in results publications. ORIEAS/CCAMCL spreads also widened 10-20bps. In financials, AT1/Perp dropped 1pt. Liquid names like BCHINA saw some selling. In TMT sector, BIDU/JD widened around 5bps. SOE names were broadly stable.

22s/23s LGFV/SOE Perps were better offered as market continued to digest loose bonds out of position rebalancing from regional asset managers, as onshore banks and NBRM were willing to pick up 23s at 4%. 24s saw better selling, but bids remained afloat with single-A at 4.2%. 25s were roughly the same, ranging from 4.5% at one end of the credit curve and 5.2% at the other. But at both ends we saw preliminary buying interests into 2H. 26s/27s were still generally weak while quality SOEs like CHRAIL now hit at 4.0% level. New issue HKIQCL saw some technical-driven flows.

Chinese HY space was weak, as property sector opened 2-5pts lower, with higher-cash price names under selling pressure. SINOCE dropped 2-4pts post Moody placed its Ba3 rating on review for downgrade. The state-backed developer's due-2024s were marked at 60s, compared with low-80s before mid-Jun sell-off. With Sino-ocean dragging down the sentiment, CHJMAO also down 1.5-2.5pts. CIFIHG down 2-3pts mostly under fast money selling. Among distressed names, KWGPRO/RONXIN down 3-5pts, especially on the front end. CENCHI down 7-10pts on the back of news that there might be delay for stakes and CB sales to a Henan SOE.

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➤ **Last trading day's Top Movers**

Top Performers	Price	Change	Top Underperformers	Price	Change
CITLTD 4.85 04/25/46	97.6	1.1	ROADKG 7 3/4 PERP	44.2	-11.7
MOLAND 11 1/2 11/13/22	19.0	1.1	CENCHI 6 7/8 08/08/22	71.4	-8.5
CITLTD 4.485 09/07/46	92.5	1.1	CENCHI 7.9 11/07/23	39.5	-6.6
LOGPH 5 3/4 01/14/25	23.0	1.1	KWGPRO 6 09/15/22	43.8	-5.8
HAOHUA 4 3/4 06/19/49	88.8	1.1	KWGPRO 5.2 09/21/22	44.1	-5.6

➤ **Macro News Recap 宏观新闻回顾**

Macro – U.S. stock market closed mixed on Wednesday as global markets retreated from bets on a near-term recovery to focus on prospects of a looming session. The S&P (-0.07%), Nasdaq (-0.03%), and Dow (+0.27%) performed mixed. Cleveland Federal Reserve Bank President Loretta Mester told that she would back a 75-basis-point rate hike next month if economic conditions were to remain unchanged. The U.S. consumer confidence dropped in June to the lowest in more than a year as inflation continues to dampen Americans' economic views. U.S. Treasury yields decreased, with the 2/5/10/30 yield advancing to 3.06/3.15/3.10/3.22% respectively.

❖ **Desk analyst comments 分析员市场观点**➤ **CENCHI: Eyes on the definitive agreement with Henan Tongsheng Zhiye**

Media reported that the signing of definitive agreement for Henan Tongsheng Zhiye Co., Ltd. (HTSZY) to acquire 29.01% stakes from the chairman and subscribe CENCHI CBs of HKD708mn would likely delay beyond 1 Jul'22. HTSZY is wholly owned by Henan Railway Construction & Investment Group Co. Ltd. (HNRail, rated A2 by Moody's), which, in turn, is wholly owned by Henan government. We believe that the DD process is still ongoing and expect an official announcement to update the progress of signing definitive agreement soon. We continue to see the strong incentives for both parties to go ahead with the transactions. HNRail is rated A2 by Moody's and is wholly owned by Henan government. As at 30 Jun'21, it had total assets of RMB75.6bn and cash on hand of RMB3.1bn, compared with the aggregate value of RMB1.2bn in acquiring CENCHI stakes and CBs. According to the same media report, CENCHI plans to repay CENCHI 6.875%'22 (o/s USD500mn) due 8 Aug'22 through RMB1bn from the Henan Railway deal, RMB500mn-1bn internal cash (vs. unrestricted cash RMB5.9bn as at 31 Dec'21), and RMB1-1.5bn proceeds from asset monetization. We expect HNRail's shareholding to significantly enhance CENCHI's access to various funding channels for future refinancing, taking cues from the YTM of 4.1% of HNRail 2.2%'25. Yesterday, higher cash price CENCHI'22 down 8.5pts while other CENCHIs down 4pts. The longer-end CENCHIs moved 1.5-2bps lower this morning. We maintain Buy on CENCHIs on the expectation of the deal with HTSZY to go through despite the potential delay.

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

Issuer/Guarantor	Currency	Size (mn)	Tenor	IPG	Issue Rating (M/S/F)
Nanjing Jiangbei New District Industrial Group	USD	-	364D	4.8	-/-/BBB+

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

Issuer/Guarantor	Size (mn)	Tenor	Coupon	Yield	Issue Rating (M/S/F)
Qingdao City Construction Investment Group	USD750	3	4.8	4.8	-/-/BBB+
Chengdu Tianfu Dagang (SBLC by Huishang bank)	USD29.5	3	5.0	5.0	-/-/BBB+
Chengdu Economic Development Industrial Group	USD200	3	5.5	5.5	-/-/-

➤ **Market conditions and color**

- Regarding onshore primary issuances, there were 47 credit bonds issued yesterday with an amount of RMB31bn. As for Month-to-date, 1,560 credit bonds were issued with a total amount of RMB1,514bn raised, representing a 7.5% yoy decrease.
- **[ABMMIJ]** Indonesia-based coal miner ABM Investama announces that it has received USD50mn loan facility from Indonesia EximBank
- **[BSDEIJ]** Bumi Serpong Damai accepts to purchase USD69.381mn (o/s USD200.619mn after tender) of BSDEIJ 5.5% 2023 at par. Company launched the tender offer on 20 Jun 2022
- **[EVERRE]** Hengda Real Estate Group discloses that holders of its “15Hengda03” bonds have approved the proposal on adjustment for the payment for the bonds. The proposal claims that the payment for the principal and interest will be made on 8 Jan’23 instead of 8 Jul’22 as originally scheduled. If the issuer fails to make repayment on 8 Jan’23, the issuer shall pay a penalty to bondholders at the rate of 0.05% of the outstanding amount payable each day, from 9 Jan’23.
- **[HRINTH]** China Huarong Asset Management announces that it has exercised the redemption right to redeem the RMB10bn tier II capital bonds in full
- **[JD]** JD.com announces that it will issue up to USD220mn Class A ordinary shares to Tencent Holdings as part of a three-year strategic cooperation agreement
- **[JIAYUA]** Jiayuan International announces the dismissal of the winding-up petition against the company
- **[PWRLNG]** S&P Global Ratings lowered its long-term issuer credit rating on Powerlong to CCC+ from B, as the company faces mounting refinancing risk
- **[RONXIN]** Media reported that Ronshine China Holdings plans to propose a one-year extension of its two onshore bonds puttable 4 Jul, which are RMB1bn 6.45% bond due 2023 and RMB1.15bn 6.78% bond due 2024 respectively

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