

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.

- *New issue LENOVO 28 and 32 widened 23/32bps from RO (+265/+350) this morning. KOHNPW 4.25% 2027, spread once traded wide to +131 but soon tightened to +121 into noon (RO: +123). We continue to see dip buying flows for AT1 from RM and retail but in small size.*
- **CSCHCN:** *Consent solicitation not ideal but more generous than those of its peers with amortization of 11-13 pts, including consent fee within 6 months of original maturity. See below.*
- **CENCHI:** *Chairman and the wholly-owned subsidiary Henan Railway (rated A2 by Moody's) entered into S&P agreement for the shares transfer and continue to work on issuance of CB of HKD708mn. CENCHI'22 rebounded 7-8 pts yesterday and up another 5-6 pts this morning.*

❖ Trading desk comments 交易平台市场观点

Chinese IG market was mixed yesterday. Long end bonds in TMT sector generally traded 1-4bps tighter but MEITUA and LENOVO underperformed. In Financials space, bank T2 and leasing names tightened 1-3bps. AMCs remained at similar level. New issue TAISEM performed well with spread tightened 10-20bps. Sell off for IG Property developers continued, VNKRLE plunged 3-6pts. In HY, COGARD/CIFIHG/FUTLAN down 1-3pts. CENCHI rebounded 5-7pts on the back of Henan SOE forming property relief fund news. In industrial space, FOSUNI and Macau gaming names mostly remained a similar level.

In LGFV space, sentiment continued to stabilize amid more headlines on efforts from Zhengzhou city and Henan province in an attempt to tackle the problems arose from unfinished properties. Flows were overall two-way but mixed among names. Onshore NBRM remained better buyer of quality names at the dip but as bonds bounced off the lows they would rather slow down/stay put instead of paying up. Main buying force was from offshore prop desks who tried to cover shorts in mainly Shandong names such as CNSHAN Perp, and bidding cheap entry opportunities in selected papers like ZHANLO 25. Having said that, PB and offshore/ regional RM remained better seller of risk as they tried to offload unwanted names. SOE perps generally light as selling paused, whilst some offshore Chinese AM attempted to source selected quality names at the dip.

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➤ Last trading day's Top Movers

Top Performers	Price	Change
CENCHI 6 7/8 08/08/22	60.6	7.8
WYNMAC 5 1/2 10/01/27	64.7	6.3
AGILE 5 1/8 08/14/22	82.0	4.4
WYNMAC 5 5/8 08/26/28	65.3	4.0
FOSUNI 6 3/4 07/02/23	65.8	3.4

Top Underperformers	Price	Change
VNKRLE 3 1/2 11/12/29	63.9	-6.0
VNKRLE 3.975 11/09/27	71.8	-6.0
VNKRLE 4.2 06/07/24	86.0	-5.4
VNKRLE 3.15 05/12/25	80.4	-4.6
VNKRLE 5.35 03/11/24	90.6	-4.4

➤ Macro News Recap 宏观新闻回顾

Macro – U.S. stock market finished higher on Wednesday due to falling gas prices and stronger-than-expected second quarter earnings. The S&P (+0.59%), Nasdaq (+1.58%), and Dow (+0.15%) ended with a relatively high point. Both U.S. and world stocks are higher this week, with the S&P 500 at the highest levels since June 9 and world stocks at a three week peak. European Commission had an emergency plan to reduce and ration natural gas usage following a supply disruption threat from Russia. In China, Premier Li declared yesterday that the Chinese government would not introduce large-scale stimulus monetary policy to reach the predetermined GDP growth goal. U.S. treasury yields twist flattened with 2/5/10/30 yield reached 3.25/3.18/3.04/3.17%, respectively.

❖ Desk analyst comments 分析员市场观点

➤ CSCHCN: Consent solicitation not ideal but more generous than those of its peers

We consider China South City CSC's maturity extension plan more generous than those of its peers with faster amortization schedule. In short, maturities of its 5 o/s bonds will be extended for 20 months. There will be 1 pt consent fee and 5 pts repayment on original maturities. A total of 10-12 pts (excluding consent fee of 1 pt and accrual interests) will be amortized within 6 months of the original maturities. The accrued and unpaid interest will be paid on the original coupon dates. Coupon rate (from 7.25% to 11.95%) will be unified to 9%. The largest shareholder, SZCDG, will provide keepwell agreement upon the completion of consent solicitation. Another credit enhancement is specified pledge proceeds, i.e. new onshore loans obtained through pledge of Hefei and Chongqing assets will be used for early redemption/repurchase of the bonds. Based on the asset valuation of cUSD3bn, LTV of 50%, CSC could obtain incremental secured loans of USD1.2bn from these assets. We shall provide more updates after the call on consent solicitation this afternoon.

Early consent fee	1
Early consent date	27 Jul'22
Late consent fee	0.5
Consent expiry date	29 Jul'22
Consent threshold	75%

		Original maturity	Extended maturity	Original coupon	New coupon
CSCHCN 11 1/2 08/12/22	XS2085883119	12-Aug-22	12-Apr-24	11.50%	9%
CSCHCN 10 7/8 10/26/22	XS2120092882	26-Oct-22	26-Jun-24	10.875%	9%
CSCHCN 7 1/4 11/20/22	XS1720216388	20-Nov-22	20-Jul-24	7.25%	9%
CSCHCN 11.95 02/09/23	XS2238030162	9-Feb-23	9-Oct-24	11.95%	9%
CSCHCN 10 3/4 04/11/23	XS2227909640	11-Apr-23	11-Dec-24	10.75%	9%

➤ Offshore Asia New Issues (Priced)

Issuer/Guarantor	Size (mn)	Tenor	Coupon	Yield	Issue Rating (M/S/F)
Zhangzhou Jiulongjiang Group Co., Ltd.	USD500	3yr	4.70%	4.90%	-/-/BBB-
Lenovo Group Ltd	USD625	5.5yr	5.831%	T+265	Baa2/BBB-/BBB
Lenovo Group Ltd	USD625	10yr	6.536%	T+350	Baa2/BBB-/BBB

➤ Offshore Asia New Issues (Pipeline)

Issuer/Guarantor	Currency	Size (mn)	Tenor	IPG	Issue Rating (M/S/F)
Guangzhou Development District Investment Group Co. Ltd.,	USD		3yr	4.70%	-/-/BBB+
China Three Gorges Corp	USD		3yr	T+100	A1/A/A+

➤ Market conditions and color

- Regarding onshore primary issuances, there were 74 credit bonds issued yesterday with an amount of RMB60bn. As for Month-to-date, 881 credit bonds were issued with a total amount of RMB880bn raised, representing a 8.3% yoy decrease
- Macau's government announced most non-essential industries and commercial companies and venues would resume limited operation from 23 to 30 July 2022. Casinos can reopen their doors but at only 50% of their regular staff until 29 July. However, the gaming hub is not planning to relax border restrictions with China's neighboring city of Zhuhai
- [COGARD]** Media reported Country Garden Real Estate planned to issue up to RMB201mn in ABS, which will have a one-year tenor and be partially protected by CRMWs from ICBC
- [DALWAN]** Media reported Dalian Wanda Commercial Management Group is in talks for SBLC-backed offshore USD bond issue with proceeds to be used to redeem USD400mn 6.95% notes due-5 December notes
- [EHOUSE]** E-House (China) appointed Zhonghui Anda CPA as the new auditor to fill the casual vacancy following the resignation of Deloitte
- [EVERRE]** Media reported China Evergrande has not reached restructure agreement with offshore bondholders, as its advisers are still conducting due diligence on the company's assets and liabilities
- [LOGPH]** Media reported Logan engages Haitong International as financial advisor for offshore restructuring. Indeed Logan shares were suspended from trading since 12 May'22 pending on the restructuring plan announcement
- [SINOCE]** Media reported Sino-Ocean is in talks with China Life to raise about USD 593m via Taikoo Li project

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