

CMBI Credit Commentary

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

- *New issue CHRAIL'27 tightened to T+77 and BNKEA'28NC27 widened 5bps with limited flows. SAWSST 7.75%'23 surged 20pts post tender offer announcement this morning. See below.*
- **Macau Gaming:** *Macau gaming stock up 5-13% yesterday on the talks/expectations of relaxation of quarantine policy in China and Macau. Our order of preference for Macau gaming bonds is listed as follows: SJMHOL>STCITY>WYNMAC>MPEL. The space up 2-5pts yesterday. See below.*
- **CSCHCN:** *obtained the requisite consents as expected. The focuses remain on asset sales and access to new funding instead of the profit warning. See below.*

❖ Trading desk comments 交易平台市场观点

Yesterday, Chinese IG space was mixed. AT1/Perp were roughly at the same level. We saw selective dip buying interests on AT1/T2, especially for ICBCAS/BOCHKL, but mostly quiet. SOE/TMT benchmark names opened 2-3bps tighter then slightly turned softer. New issue CHRAIL's FPG settled at T5+83 level, showcasing strong onshore demands. In financials, AMC/Leasing names were generally weaker by 2-3bps. HRINTH widened 10bps. Korean new issues NACF 26s/27s went lackluster upon open with some topping interests but with limited follow-through interests then again.

In LGFV/SOE space, we saw mainly rebalancing flows ahead of half end. 23s/24s papers edged a touch higher in anticipation of deployment demand coming in 2H, with the former being marked towards 3.8% and the latter 4.2%-4.3%. Elsewhere, bids for long end papers remained low-ball only albeit off from 5%+. In addition, several weaker/NR names were subject to better selling from asset managers' half end rebalancing, we saw some loose bonds like CQNANA/TSSTEE/SHDOIS managed to be digested by onshore thanks to their 5%~ yields.

Chinese HY space remained in doldrums, as property space was largely weaker. CHINSC/GMEDAL/ROADKG down 1-2pts. PWRLNG plunged 3-8pts in the morning on refinancing concerns. CENCHI down another 1-3pts. In industrials, FOSUNI's long-end fell 3-4pts on profit-taking, especially from PBs. Macau gaming bonds reversed the recent fall, as the stock prices up 5-13% upon expectation of quarantine policy relaxation. MGMCHI/STCITY up 2-3pts. SJMHOL/WYNMAC rebounded more noticeably, ending 4-5pts higher.

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➤ **Last trading day's Top Movers**

Top Performers	Price	Change	Top Underperformers	Price	Change
WYNMAC 4 7/8 10/01/24	76.9	5.0	PWRLNG 7 1/8 11/08/22	23.3	-3.2
WYNMAC 4 7/8 10/01/24	76.7	4.6	CENCHI 7 3/4 05/24/24	36.4	-3.0
WYNMAC 5 1/8 12/15/29	64.3	4.0	YUZHOU 8 5/8 01/23/22	11.1	-2.8
WYNMAC 5 1/2 10/01/27	67.2	3.7	SINOCE 2.7 01/13/25	54.3	-2.7
SJMHOL 4 1/2 01/27/26	64.1	3.7	RONXIN 8 3/4 10/25/22	20.7	-2.4

➤ **Macro News Recap 宏观新闻回顾**

Macro – U.S. stock market closed sharply lower on Tuesday, as the recession bets have increased. The S&P (-2.01%), Nasdaq (-2.98%), and Dow (-1.56%) ended lower. China decided to halve the inbound visitors' quarantine period to 7 days, and investors reacted in hopes of finding a spark that could ignite global growth prospects into the 22H2. Treasury yield rebounded slightly, with the 2/5/10/30 yield advancing to 3.10/3.25/3.20/3.30% respectively.

❖ **Desk analyst comments 分析员市场观点**➤ **Macau Gaming: Talks/expectations of relaxation of quarantine policy**

Macau gaming stock up 5-13% yesterday on the talks/expectations of relaxation of quarantine policy in China and Macau. As we wrote in our comments on Macau gaming sector dated 20 Jun'22, the key to Macau gaming sector is the quarantine policy (10+7 days vs average tourist stay of 1.6 days). The relaxation talks/expectations will lift the sentiment of Macau gaming bonds though, fundamentally, we need to see a substantial relaxation of the quarantine policy before the gross gaming revenue can recover to level closer to that of the pre-COVID. The GGR of Macau in 2021 was only 30% of that of 2019. Our order of preference for Macau gaming bonds factoring in risk and return profile is SJMHOL>STCITY> WYNMAC>MPEL. Please see [our full comments last week](#).

➤ **CSCHCN: Requisite consent obtained and profit warning**

China South City (CSC) obtained the requisite consents for its 5 outstanding USD bonds as expected. Recalled that the major proposed amendments are to include SZCDG as a permitted holder and change the threshold of COC to 29.9% from 20.0% after SEZCDIH, a wholly owned subsidiary of SZCDG, acquired new shares equivalent to 29.28% of CSC's enlarged capital for HKD1.9bn (cUSD245mn). As we wrote before, the consent solicitation is a formality after the major shareholding changes and is positive for bondholders, especially the permitted holder included is SZCDG (instead of SEZCDIH) which has a closer to Shenzhen SASAC.

Separately, CSC issued profit warning on 24 Jun'22. The company expects its profit for FY22 (ended Mar) to decline about 70% yoy, in view of lower ASP, weaker leasing demand for commercial, higher finance cost and provision for inventory impairment. Nonetheless, we believe that the profit warning for FY22 results for China South City is not a big surprise given the notably weaker FY21 (ended Dec) results for most of the property developers under our radar. The key driver for CSC's credit profile, in our view, is the progress in asset monetization and resumption of funding access with SZCDG on board now. We expect CSC to complete the RMB1.7bn Hefei logistic asset sales to Shenzhen International by Jul'22. We also expect to see more details on the new loan facilities over the coming weeks. CSC will announce FY22 result on 30 Jun'22, and we shall provide more updates then.

➤ **SAWSST: Tender offer for SAWSST 7.75% 2023 at 90 per 100**

Sawit Sumbermas Sarana announced tender offer for SAWSST 7.75% 01/23/23 at 90 per 100, up to USD270mn in principal amount (o/s USD300mn). The company also launched a concurrent consent solicitation to obtain waivers of defaults under existing terms. Holders may not deliver a consent without tendering the notes. SAWSST 7.75%'23 is the only outstanding USD bonds of the company. Media reported that company secured a 8yr IDR3.6tn (USD242.7mn equiv.) syndicated loan from 6 banks to refinance this tender offer. Bond price traded up 20pts this morning post the tender offer announcement.

Summary of tender offer as below:

Tender Price: 90%

Tender Cap: USD270mn

Tender deadline: 7 July, 2022, 5pm (Central European Summer time)

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

Issuer/Guarantor	Currency	Size (mn)	Tenor	FPG/IPG	Issue Rating (M/S/F)
Qingdao City Construction Investment Group	USD	-	3	5.2	-/-/BBB+
Nanjing Jiangbei New District Industrial Group	USD	-	-	-	-/-/-

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

Issuer/Guarantor	Size (mn)	Tenor	Coupon	Yield	Issue Rating (M/S/F)
Neijiang Investment Holding Group (SBLC by China Bohai Bank)	USD30	3	5.0	5.0	-/-/-
Bank of East Asia (Loss-absorbing notes)	USD250	6NC5	5.125	T+190	Baa2/BBB/-
China Railway Xunjie	USD500	5	4.0	T+83	-/-/-

➤ **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.
- **[CIFIHG]** CIFI Holdings announces that executive director Chen Dongbiao purchased RMB2.95mn of the company's 2021 T2 and T3 corporate bonds in the secondary market
- **[LIHHK]** Lifestyle International announces that it has signed up to HKD6.95bn two-year term loan facility agreement for refinancing. See more details in our [14 June Daily](#).
- **[SHIMAO]** The Asia Ex-Japan Determinations Committees determines that a "Failure to Pay Credit Event" occurred under Shimao Group Holdings' USD400mn zero-coupon notes due 14 Jun 2022. This indicated that Shimao is officially defaulted.

- **[SINOCE]** Moody's Investor Service has placed Sino-Ocean Group Holdings Baa3 issuer rating on review for downgrade
- **[YLLGSP]** Yanlord Land Group issued RMB1.215bn of commercial mortgage-backed securities

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