

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.

- *Market stayed in a quiet tone early this morning as waiting for a clearer rate trends after NFP data published. Later this morning, Chinese buyer deployed some SOE perps, while limited global RMs involved in trading.*
- *Zhengzhou announced a real estate bailout fund with up to RMB10bn to leverage social funds and default mortgage risks on 5 Aug'22, becoming the first Chinese city to implement rescue funds.*
- ***GRNLGR:** obtained shareholders' loans of RMB3bn, demonstrating Shanghai government's willingness to support. That said, we still see a high chance for more maturity extension for USD bonds due 2H22 and 1H23. See below.*

❖ Trading desk comments 交易台市场观点

Last Friday, Chinese IG was quiet overall, with some demand in very short dated property bonds while some sellers on longer dated bonds. While rates stayed in the middle of the range, the risks in the spaces were skewed to the downside, into NFP. In financial sector, AMC was stable and AT1s consolidated a bit. In TMT space, better selling slightly prevailed. BABA/TENCNT price down 0.5-1.5pts on the longer-end. In general, China IG spreads were around 2-3bp tighter across the board as fears of China/Taiwan aggression subsided. In China HY space, higher-price property names were largely unchanged amid limited trading after the previous selloff. SINOCE 29s/30s were marked 0.5pt higher to close at 18.5/20.5. COGARD down 0.5-1.5pt. LNGFOR/VNKRLE fell down 5-10pts over the week and ended at 60s level on last trading day. HK property names slightly outperformed. LIHHK/HYSAN up 2.5-3.5pts. Macau gaming sector further firmed up. SJMHOL up ~5pts. MGMCHI/WYNNMAC rose 1-2pts.

The LGFV/SOE space ended with a softer tone in the spaces ahead of NFP and amid more SINOCE noise. The morning session was rather lackluster with mainly small-sized portfolio rebalancing/ consolidation flows only. Then market weakened in the afternoon as more selling emerged versus buying forces stayed put ahead of NFP. Flow-wise, bonds did feel heavy and uneasy to move. Selling was led by long dated/ weaker region LGFVs from Chinese and regional AM, whilst most local buyers stayed on the sidelines. On the other hand, SOE perps hanged alright as being

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slightly more preferred over LGFVs, where bonds' upside look to be capped at ~low-4%. The market stayed put, waiting for NFP prints on Friday night.

➤ Last trading day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
SJMHO 4.85 01/27/28	66.1	6.1	LASUDE 5 07/28/26	74.5	-6.0
SJMHO 4 1/2 01/27/26	71.0	5.3	ROADKG 5.2 01/12/26	32.6	-5.0
GRNLGR 5 3/4 09/26/22	54.5	4.9	ROADKG 5 1/8 07/26/26	32.0	-4.8
BNKEA 5 7/8 PERP	96.5	4.5	DALWAN 6 7/8 07/23/23	66.2	-4.0
LPKRIJ 8 1/8 01/22/25	83.9	3.6	ROADKG 6 09/04/25	34.5	-3.6

➤ Macro News Recap 宏观新闻回顾

Macro – U.S. stock market mixed last Friday that July's NonFarm Payrolls data is stronger than the expectation, which triggered market's worry about Sept's radical rate hike. The S&P (-0.16%), Dow (+0.23%) and Nasdaq (-0.78%) fluctuated slightly as the previous day. The Fed governor Michelle Bowman supports 75bps hike in Sept and the Fed should continue until the inflation is subdued. China's July gross value of exports and imports increased 16.6% yoy, which is beyond the expectation but outlook is not optimistic as global economic cools down. The U.S. treasury yield curves bear flattened with 2/5/10/30 yield reaching 3.24%/2.97%/2.83%/3.06%, respectively.

❖ Desk analyst comments 分析员市场观点

➤ Lifestyle: Privatization plan to have limited near-term impact

The largest shareholder Thomas Lau and concerted parties proposed to privatize Lifestyle in which they own 76.49% stakes (not subject to the scheme for privatization). The offer price is HKD5 per share, a 62.34% premium over the last close. The total consideration is HKD1.9bn. As per the press release for the privatization plan, the offer price will not be increased. The privatization will take a few months to complete and long-stop date of the scheme is on 3 Feb'22. The privatization plan reflected its major shareholders' confidence on the value of Lifestyle. However, the plan, if successfully go through, will lower the data transparency and weaken access to capital markets as a non-listed company. We believe that the near-term impact should be small and should not affect its repayment plan for LIHKK'22 due 16 Oct'22. That said, we changed our recommendation on LIHKK'22 to hold from buy in view of its high cash price and limited upside ahead of maturity. At the same time, we maintain Hold on LIHKK'24, '25 and '26 given Lifestyle's rising leverage over coming 2 years and challenges in securing tenants for the Kai Tak project. Please see [the more detailed comments on Lifestyle in our daily on 14 Jun'22](#). LIHKKs were up to 3pts higher this morning but gain quickly faded with profit taking. At lunch time, LIHKKs were about flat to 1pt higher.

➤ Greenland: Shareholders' loan of RMB3bn

Greenland obtained shareholders' loans of RMB3bn (cUSD470mn); RMB1.5bn from Shanghai Land and RMB1.5bn from Shanghai Chengtou (LGFV). The tenor of the loans is 2-year and interest rate is 6%. Both shareholders are wholly owned by Shanghai government. The shareholders demonstrated Shanghai government's willingness to support. That said, Greenland did not disclose the specific uses of proceeds. The USD350mn 8-month notes due 10 Aug'22 was reported to be anchored by Shanghai SOEs. We still see a high chance for maturity extension for USD bonds due 2H22 and 1H23. This morning, GRNLGR 5.75%'22 was ~6pts higher from last price on Friday while its longer-end dated bonds were stable.

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

Issuer/Guarantor	Size (mn)	Tenor	Coupon	Yield	Issue Rating (M/S/F)
No Offshore Asia New Issues Priced Today					

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

Issuer/Guarantor	Currency	Size (mn)	Tenor	IPG	Issue Rating (M/S/F)
No Offshore Asia New Issues Pipeline Today					

➤ **Market conditions and color**

- Regarding onshore primary issuances, there were 49 credit bonds issued yesterday with an amount of RMB71bn. As for Month-to-date, 292 credit bonds were issued with a total amount of RMB365bn raised, representing a 23.3% yoy increase.
- Zhengzhou announced a real estate fund with up to RMB10bn to leverage social funds and default mortgage risks on 5 Aug'22. The Zhengzhou finance bureau will set a parent fund then a sub fund will be raised with 30% from parent fund and 70% from social capital funds. It is the first Chinese city to implement a rescue fund to boost real estate market.
- **[CAPG]** China Aoyuan signed contractual arrangements to extend maturity of over RMB20bn onshore financing arrangements; the developer engaged KPMG as adviser
- **[CHCOMU]** China Communications Construction raised RMB2bn via offering of extendable corporate bonds to boost working capital
- **[CHFOTN]** China Fortune Land Development and subsidiaries incurred RMB394mn additional overdue debts due to tight liquidity in July
- **[GCLNE]** GCL New Energy and GCL Technology jointly announced the completion of the around HKD314mn share placement by GCL New Energy
- **[GEMDAL]** Gemdale completed payment for RMB9.80bn bonds; The developer recorded contracted sales of RMB18.55bn in July
- **[GWFOOD]** Wens Foodstuff proposes to offer RMB5bn corporate bonds
- **[GZRFPFR]** Guangzhou R&F Properties expects to record net loss of not more than RMB17bn for FY21; The developer's auditor BDO Ltd says RMB29.88bn of group's bank and other borrowings became default or cross-default
- **[HONHUA]** Honghua Group expects 1H22 loss widen to RMB550mn, 653% yoy decrease due to insignificant contribution from newly signed orders and offshore segment loss
- **[JIAFAN]** Jiangsu Fang Yang proposes to offer RMB550mn three-year MTNs to repay debts
- **[KNMIDI]** Fitch downgraded Kunming Industrial Development to BB and the Outlook was stable

- **[LOGPH]** Logan Group appoints Haitong, Sidley Austin to explore liability management solutions; Logan announced to suspend interest payment of the following offshore senior notes: "LOGPH 4.7 07/06/26 ", "LOGPH 4.25 07/12/25 ", "LOGPH 4.5 01/13/28 ", "LOGPH 5.75 01/14/25 ", "LOGPH 6.5 07/16/23 "
- **[ORIEAS]** China Orient Asset Management opts to call RMB4bn capital bonds on 8 Sep'22
- **[SHUION]** Shui On Land expected 1H22 net profit to drop YoY due to forex loss
- **[VEYONG]** S&P assigned BBB- for ENN Natural Gas on subsidiary's strength and the Outlook was stable
- **[YGCZCH]** Shandong Energy Group raises RMB500mn via offering of five-year MTNs to fund coal power project

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