

CMBI Credit Commentary

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

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- *Markets were overall quiet this morning with HK off because of typhoon. Onshore buyers continue showing buying interests on LGFV. Chinese HY properties were sought after by hedg fund buyers, CIFIHG/ CENCHI/ CHINSC due 24-26s rallied 3-7pts this morning.*
- *JIAYUA: Debt restructuring plan to extend maturities for 27 months. See below*
- *The State Council of China implements 19 measures to stabilize economy growth including adding RMB300bn developmental financial tools and supporting state-owned power producer to issue RMB200bn bonds. Hubei set RMB5bn bail-out funds aiming at ensuring the delivery of new houses.*

❖ Trading desk comments 交易台市场观点

Yesterday, China IG space went unchanged as market showed a general preference to stay on sidelines ahead of typhoon in HK and Jackson Hole. Financials space held well with Tier 2 continued to grind 2-3bps tighter. In T2/AT1, flows were skewed to chasing after laggards such as BOCOHK 2.304% '31 and CIMWLB 5.5% Perp. In AMC space, HRINTH'27 cash price down 1.5pts and rest of the curve mostly unchanged. CCAMCL/GRWALL also roughly flat. TMT sector edged another 1~2 bps tighter for the 10-year part of the curve, but likely a passive move after the higher CT10 yield. IG property firmed up ~1pt on back of RM buying front-end and FM covering long-end. LNGFOR/ VNKRL were sought after. China HY extended the recent rally from property sector. COGARD/CIFIHG curve up 0.5-1pt. Elsewhere, AGILE 25-26s/ GRNLGR 23s jumped up 5-6pts. CENCHI/ CHINSC notably rallied 4.5-7.5pts across the curve. FTLNHD was up 5-6pts on the front end, and longer-end also up 1.5-2pts. SHIMAO were up another 2pts after the restructuring plan. In Industrials sector, FOSUNI front-ends were up 3-4pts post headline. CHIOIL'26 down 2pts. In Ex-China HY space, the Indonesia Aluminum Corp IDASAL'48 notably got pulled 7.5 pts higher.

In LGFV/SOE perp spaces, sentiment remained solid in the spaces partly thanks to the rally in HY property space, despite UST yields back at the recent highs. In LGFV space, 22-25 bonds yielding mid-5% or above remained sought after by Chinese NBRM, who continued to hunt for yield in high-beta 2-3yr issues and try to generate alpha from low-cash-price papers maturing this year amid a general optimism over near term repayment/ refinancing.

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Flow-wise, offer side liquidity was fairly light, despite funds and onshore banks tried to offload unwanted risk or take profit. On the other hand, papers yielding below 5% were relatively lackluster. On the buying front flows were limited to urgent deployment demand only, although on the offer side dealers did not mind showing at low-4% amid modest supply. A notable subset here would be Henan LGFVs, which had recovered by 0.75-2pts since the second week of Aug and returned to inside 5%. Elsewhere in SOE perps, c23-c25 papers were fairly stable at low-mid-4%, with little room for further tightening given the (low-)4% hurdle rate of most Chinese investors, whilst also staying afloat thanks to still heavy deployment pressure from cross boarder mandates. Meanwhile c26-c27 papers lacked traction amid rates uncertainties into Jackson Hole.

➤ Last trading day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
IDASAL 6.757 11/15/48	96.3	7.7	MSFLCZ 3.15 03/10/24	91.1	-3.3
CHINSC 7 1/4 04/19/23	36.0	7.5	CHIOIL 4.7 06/30/26	76.8	-2.1
CENCHI 7.65 08/27/23	38.6	7.4	FUTLAN 4.45 07/13/25	40.0	-1.9
FTLNHD 6.8 08/05/23	66.1	6.1	RISSUN 9 1/2 09/17/24	24.0	-1.8
GRNLGR 6 1/8 04/22/23	41.0	6.0	HRINTH 4 1/4 11/07/27	75.6	-1.4

➤ Macro News Recap 宏观新闻回顾

Macro – U.S. stock indexes rebounded slightly on Wednesday. The S&P (+0.30%), Dow (+0.18%) and Nasdaq (+0.28%) ended three consecutive days downward move and investors are waiting for the Fed's speak on Friday. The U.S. National Association of Realtors showed its pending home sales index dropped 1.0% in July, reached the lowest level since Apr'20. The U.S. treasury yields edged higher as the curve bear flattened with 2/5/10/30 yield reaching 3.36%/3.20%/3.11%/3.32%, respectively.

❖ Desk analyst comments 分析员市场观点

➤ JIAYUA: The exchange, consent and RSA

Par-par exchange to extend maturities for 27 months

Jiayuan announced the debt restructuring plan for its 6 offshore USD bonds with an o/s amount totalling USD1.3bn. In short, Jiayuan proposes par-par exchanges to extend the maturities for its 6 USD bonds for 27 months and cut the coupon to 6.5%. There will be no upfront repayment but incentive/instruction fee of 0.25 per 100. The minimum acceptance levels for the exchange are 90% of the o/s amount of each USD bonds. At the same time, Jiayuan requires holders to sign RSA as a back-up. If Jiayuan fails to secure the minimum acceptance amount from each of its existing bonds, it will resort to a scheme of which the approval threshold will be 75%. JIAYUAs are quoted at 10ish and should have largely priced the debt restructuring plan. See the next page for the summaries of key terms of the debt restructuring plan.

Exchange and consent/exchange vs. RSA

We notice that the expiration date for the exchange and consent/exchange is 7 Sep'22 while the instruction fee deadline for the RSA is on 8 Sep'22. Our interpretation is that the exchange and consent/exchange and RSA are 2 separate processes, although investors will only get the incentive/instruction fee if they submit the tender for exchange and consent/exchange, as well as executing the RSA.

Exchange and consent vs exchange

Why we are so cumbersome to repeatedly write exchange and consent/ exchange? Indeed, Jiayuan seeks consent solicitation from holders of the 4 non-default bonds. The consent is mainly to amend restrictive covenants and to carve out the cross default clauses to be triggered. Jiayuan only goes for exchange for the

2 defaulted bonds: JIAYUA 11.375 10/29/22 (failed to redeem when investors put) and JIAYUA 12.5 7/21/23 (fail to cure missed coupon within grace period).

Straight bonds vs CBs

The USD100mn CBs due Jan'25 is left out of this restructuring plan. As per our discussions with Jiayuan, the CBs are governed by English law and the consent threshold for maturity extension of the CBs is less restrictive (75%). Jiayuan will pursue the maturity extension for the CBs separately.

Summary of key terms of debt restructuring

	O/s (USD mn)	Original coupon	New coupon	Original maturity	New maturity	Incentive fee		Payment dates of accrued/unpaid interests		
								9 months	12 months	15 months
								50%	30%	20%
JIAYUA 11.375 10/29/22	99.25	11.375%	6.50%	29-Oct-22	29-Jan-25 2025A	0.25 per 100		29-Jul-23	29-Oct-23	29-Jan-24
JIAYUA 12 10/30/22	200	12.000%	6.50%	30-Oct-22	30-Jan-25 2025B	0.25 per 100		30-Jul-23	30-Oct-23	30-Jan-24
JIAYUA 13 3/4 02/18/23	175.715	13.750%	6.50%	18-Feb-23	18-May-25 2025C	0.25 per 100		18-Jul-23	18-Oct-23	18-Jan-24
JIAYUA 12 1/2 04/08/23	300	12.500%	6.50%	8-Apr-23	8-Jul-25 2025D	0.25 per 100		8-Jul-23	8-Oct-23	8-Jan-24
JIAYUA 12 1/2 07/21/23	300	12.500%	6.50%	21-Jul-23	21-Oct-25 2025E	0.25 per 100		21-Apr-23	21-Jul-23	21-Oct-23
JIAYUA 11 02/17/24	230	11.000%	6.50%	17-Feb-24	17-May-26 2026	0.25 per 100		17-May-23	17-Aug-23	17-Nov-23
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Expiration date	7 Sep'22
Minimum acceptance level	90% of o/s amount of each of the USD bonds
RSA	
Approval threshold	75% of the total o/s amount of USD1.3bn
Instruction fee	0.25 per 100
Instruction fee deadline	8 Sep'22

Click [here](#) for full report.

➤ Offshore Asia New Issues (Priced)

Issuer/Guarantor	Size (mn)	Tenor	Coupon	Yield	Issue Rating (M/S/F)
Zhengzhou Urban Construction Investment Group Co., Ltd.	USD350	3yr	5.2%	5.2%	-/-/BBB+

➤ Offshore Asia New Issues (Pipeline)

Issuer/Guarantor	Currency	Size (mn)	Tenor	IPG	Issue Rating (M/S/F)
Weifang Urban Construction and Development Investment Group Co., Ltd.	USD	-	3yr	6.0%	Baa3/-/BBB-

➤ Market conditions and color

- Regarding onshore primary issuances, there were 89 credit bonds issued yesterday with an amount of RMB88bn. As for Month-to-date, 1332 credit bonds were issued with a total amount of RMB1343bn raised, representing a 10.4% yoy decrease
- The State Council of China implemented 19 measures to stabilize economy growth including increasing more than RMB300bn developmental tools and supporting state-owned power producer to issue RMB200bn bonds
- Hubei province set RMB5bn bail-out fund with Zheshang AMC to purchase distressed asset in Hubei and aims at ensuring delivery of new houses
- [CHEDRP]** Dr.Peng suspended the trading of 18Pengbozhai from 25 Aug'22, the outstanding amount of the bond is RMB475mn
- [CIFIHG]** CIFI Holdings has duly made the distribution payment of USD8.06mn due 24 Aug'22 in accordance with the terms and conditions of the USD300mn senior perpetual capital securities
- [CKPFIN]** CK Asset Holdings announced that it has paid HKD59.48mn(cUSD7.6mn) to repurchase 1.12mn of its shares
- [INDYIJ]** Indika expects there is no impact on its business as the government increased coal royalty fees to 13.5% from previously a maximum of 7%. And it expects the coal price will be stable at high level until the end of 2022
- [JINKE]** Jinke provided a RMB240mn guarantee to its fully owned subsidiary for funding
- [KWGPRO]** KWG has remit funds to fully cover 25 Aug put on its RMB1.8bn 5.6% due 2023 bonds, the total put amount is RMB1.797bn
- [LOGPH]** Logan expected that it cannot repay for LOGPH 7.5 08/25/22, of which the outstanding amount is USD279mn

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