

CMBI Credit Commentary

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

- *Markets were relatively active compared to previous day post FOMC decisions. SOE perps down 0.375pt due to selling from regional RM while we saw supports from onshore money. LZINVE were sought after by onshore buyers and reached ~92 level.*
- **ROADKG:** *Potential sales of RKE stakes could significantly shore up its liquidity. We recommend buy on ROADKG 7.875 2/1/23 and ROADKG 6.7 9/30/24. See below.*
- **China AMCs:** *S&P downgraded China's four AMCs for one notch (GRWALL two notches). This is In line with our expectations. AMC spread products widened 5-7bps this morning. See our [Chinese AMCs comments published yesterday](#).*

❖ Trading desk comments 交易台市场观点

Yesterday, IG was quiet overall in anticipation of the FOMC meeting, but we generally saw tightening on front-end spread products like T2 papers. Financials space was mixed, with AMCs had small two-way skewed to better selling activities. GRWALL/HRINTH 26-30s widened 6-16bps, amid S&P downgraded China's big-four AMCs for one notch (GRWALL two notches) on deteriorating earnings prospects. AT1s sector was stable on cautious tone. Bank T2s kept sought after, with CCB/ BOCHKL closed 2-3bps tighter. TMT benchmarks largely weakened 2-3bps. BIDU/MEITUA widened 3-5bps. IG property sector was unchanged. China HY opened a bit softer on the session with benchmark names underperformed. COGARDs/CIFIHGs down 0.5-1.5pts across the curve. CHINSCs were traded up 2-6pts, post media reports on its plan to issue CBIC-back interbank notes. Elsewhere, GRNLGRs were traded up 1.5-2.5pts. On the other hand, AGILEs fell 1.5-3.5pts, and were still traded at high-20s to mid-40s. ROADKG'26 down ~2pts. Industrial space slightly rebound, FOSUNIs/HONGQIs were unchanged to 1.5pts higher across the curves. Macau gaming space was broadly down 0.5-1.5pts, SANLTDs/WYNMACs closed 1-2pts lower. Away from China, Indian HYs were generally a bit weaker, affected by macro. India renewables VEDLNs/GRNKENS/RPVINs lost 0.5-1pt.

In LGFV/SOE perp spaces, clients remained fairly quiet ahead of FOMC meeting despite some short covering driven retracement in rates. Most active name today in house was LZINVE where more PB and onshore RM chased into the bounce, after news about Lanzhou government signing a cooperation framework agreement with China National Investment and Guaranty Corporation was more widely reported yesterday evening. The bond climbed

Glenn Ko, CFA 高志和
(852) 3657 6235
glennko@cmbi.com.hk

Cyrena Ng, CPA 吴蒨莹
(852) 3900 0801
cyrenang@cmbi.com.hk

CMBI Fixed Income
fis@cmbi.com.hk

~2.5pts in the morning to 92/94 on back of a series of lifting, and then stabilized there. Flows were left better buying although marginal buyers became slightly more defensive in terms of targets as the bond rushed back to mid-90s. After recent onshore developments surrounding YUNMET among other Yunnan LGFVs on early debt repayment, sentiment among onshore investors remained upbeat on near-term LGFV maturities of most once high-beta names/ crisis candidates. YNPOWE/KMCONS/ZYAMCL/TSSTEE 22s and XIANGY 23 were all traded above 99 level. We also saw some buyers on Liuzhou and Zhenjiang so in this sense one could argue LZINVE was fairly cheap, or relatively weak on the flip side of the coin. Elsewhere, SOE Perps/AT1s leaked 0.125-0.375pt led by 4%-handle yielding papers amid mainly hitting in the street as short covering remained the only source of bid support. Though two benchmarks SINOPEs/CNOOCs were traded up 1-1.5pts. We also saw some of these bonds coming out of Chinese AM and prop desks - after all everything below 5% will likely be very tight if not uneconomical already after the expected hike in FFR (and thus higher SOFR and repo funding rates) Wednesday.

➤ Last trading day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
CHINSC 7 1/4 04/19/23	37.5	6.2	GRNLHK 10.21 PERP	58.4	-5.3
CHINSC 7 3/8 04/09/24	25.6	2.5	AGILE 5 3/4 01/02/25	40.3	-3.3
GRNLGR 6 3/4 03/03/24	44.0	2.5	LSEAGN 10 3/4 10/21/22	78.6	-3.1
LVGEM 12 03/10/23	63.0	2.1	AGILE 6.05 10/13/25	40.6	-2.3
GRNLGR 6 3/4 09/26/23	46.6	2.0	AGILE 5 1/2 05/17/26	39.0	-2.1

➤ Macro News Recap 宏观新闻回顾

Macro – U.S. stock markets turned to down on Wednesday after the Fed's 75bps hike and its comments about further interest rate policy. The S&P (-1.71%), Dow (-1.70%) and Nasdaq (-1.80%) down instantly after the Fed said that the interest rate may reach 4.4% by 2022 and 4.6% in 2023, the latest forecasts are higher than the former 3.4%/3.8% in Jun'22. The U.S. treasury yields differentiate as 2yr notes yields broke through 4% while long term treasury yields were lower, the yields curves were inverted that 2/5/10/30 yield reaching 4.02%/3.74%/3.51%/3.50%, respectively.

❖ Desk analyst comments 分析员市场观点

➤ ROADKG: Potential sales of RKE stakes

Media reported that CVC Capital would sell its 25% stakes in Road King Expressway International Holdings(RKE), which in turn, is 75% owned by Road King Infrastructure(RKI). As per the report, RKI could also sell part of its stakes in RKE which holds 40%-49% equity interest of 5 Chinese and 3 Indonesia toll road projects. In FY21, RKI's share of toll revenue was HKD1.9bn (cUSD240mn). According to the report, the deal will value RKE up to at USD3bn, that means the 75% stakes held by RKI is worth cUSD2.25bn. The RKE stakes could be an alternative liquidity source of RKI.

Assuming RKI will maintain a majority control of RKE, RKI could raise cUSD750mn from the partial stake sale. After recent buy-backs, we estimate the o/s amount of ROADKG'23 and '24 to be USD358mn and USD454mn, respectively. If the stake sale goes ahead, the proceeds of cUSD750mn will significantly shore up its liquidity, and we expect RKI to use the proceeds mainly for the repayment/buy-back of ROADKG'23 and '24. We believe that RKI will not call the fixed for life perps. Indeed, RKI did not call ROADKG 7.95 PERP /ROADKG 7 PERP in Feb'22 and Jun'22. Hence, we recommend buy on ROADKG 7.875 2/1/23 and ROADKG 6.7 9/30/24.

Bonds	Amt Issued	Redeemed	O/s Amt	Cpn	Maturity	Next Call Dt	First Call Dt	Called or Not
ROADKG 7.875 2/1/23	400	42 (Aug'22,1H22)	358	7.875	2/1/2023	10/5/2022	2/1/2021	N
ROADKG 6.7 9/30/24	480	27 (Sep'22)	454	6.7	9/30/2024	10/5/2022	09/30/2022	
ROADKG 5.9 3/5/25	300		300	5.9	3/5/2025	3/5/2023	3/5/2023	
ROADKG 6 9/4/25	416		416	6	9/4/2025	9/4/2023	9/4/2023	
ROADKG 5.2 1/12/26	500		500	5.2	1/12/2026	1/12/2024	1/12/2024	
ROADKG 5.125 7/26/26	500		500	5.125	7/26/2026	07/26/2024	07/26/2024	
ROADKG 7.95 PERP	300		300	7.95	--	02/17/2023	02/17/2022	N
ROADKG 7.75 PERP	300		300	7.75	--	11/18/2024	11/18/2024	
ROADKG 7 PERP	300		300	7	--	12/23/2022	06/23/2022	N
Total (USD mn)	3496	69	3427					

Total maturities (USD mn)	2H22	1H23	2H23	1H24	2H24	After 2025	Total
If No call	0	358	0	0	454	2616	3427
If Fully Call	1112	600	416	500	800	0	3427

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

Issuer/Guarantor	Size (mn)	Tenor	Coupon	Yield	Issue Rating (M/S/F)
Nanjing Pukou Economic Development Co.,Ltd. (SBLC by Beijing Bank)	USD100	3yr	5.5%	5.5%	-/-/-

➤ **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 86 credit bonds issued yesterday with an amount of RMB124bn. As for Month-to-date, 948 credit bonds were issued with a total amount of RMB970bn raised, representing a 1.4% yoy increase
- S&P downgraded China's big-four AMC's for one notch (GRWALL two notches) on deteriorating earnings prospects: Long-term issuer credit rating of China Great Wall to BBB from A-, China Huarong to BBB- from BBB, China Cinda to BBB+ from A-, China Orient to BBB from BBB+; outlooks stable.
- **[AZUPOE]** Media reported that Azure Power may publish its FY22 financials by mid-October
- **[CHFOTN]** Media reported that an ad-hoc group of China Fortune Land offshore bondholders set to oppose the debt restructuring plan
- **[CIFIHG]** Fitch downgraded CIFI Holdings long-term issuer default rating to BB- from BB and maintained negative outlook; CIFI completed the issuance of RMB1.2bn CBICL backed 3yr MTN with 3.22% coupon
- **[JINGRU]** Jingrui Holdings expected to record a RMB1.4-1.7bn net loss in 1H22, the net profit in 1H21 was RMB365.8mn

- **[REDSUN]** Moody's downgraded corporate family rating of Redsun Properties Group to Caa2 from Caa1, the company's senior unsecured rating to Caa3 from Caa2 and maintained negative outlook
- **[SJMHL]** SJM Holdings announced its up to HKD3.03bn rights issue was over-subscribed
- **[ZHPRHK]** Fitch withdrawn Zhenro Properties Group's long-term Issuer Default Rating of RD and senior unsecured rating of C with a recovery rating of RR5

CMB International Global Markets Limited
Fixed Income Department
Tel: 852 3761 8867/ 852 3657 6291
fis@cmbi.com.hk

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