

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.

- *Markets continued staying quiet this morning. We saw active short covering on AT1 and some long end IG names. NANYAN perp up 1pt while buying interest is limited on other names like ICBCAS/CINDBK.*
- **CSCHCN:** *requisite consent obtained. While the consent solicitation is not ideal, CSC's consent plan is more generous than many of those of its peers given the faster amortization and credit enhancement. See below.*
- **KWGPRO:** *50% equity sales of Kai Tak project to Longfor Group for HKD1.3bn. See below.*

❖ Trading desk comments 交易台市场观点

Yesterday, Chinese IG space was relatively quiet ahead of FOMC meeting. In financial sector, AT1s retraced by 0.25-0.5pts as onshore Chinese accounts sold into rally. For AMCs, long end paper extended the strong trend, with GRWALL '25 up 3pts. HRINTH 4% Perp marked 0.25pt higher. TMT benchmarks halted the recent rally. IG property bonds continued to march higher, with VNKRL '27 now trading 83/85, 15pts higher from recent lows. Chinese HY space was mixed. Benchmarks opened 1-2pts higher thanks to COGARD's share placement announcement overnight. Though later COGARD was then hit down 2-3pts from high under real selling/shorts resetting. CIFIHG down 1-3pts, other benchmarks closed broadly unchanged to a touch lower. Under PB/retail better buying, CENCHI '22 was up 3-4pts and closed at ~90 level.

In LGFV space, strong start lifted by overall constructive tone in property quickly faded heading into noon. Market flows theme was about selling the long and covering the short, right before the rate hike, and the release of US PCE and GDP data. Hence 10yr papers saw better selling whereas 5yr bullets were basically unchanged. In SOE space, duration selling continued as RM trying to trim longer duration papers to reduce uncertainties. 10yr benchmark papers were on average 1~3 bps wider with SINOCH '31/HAOHUA '30 approaching 240/235 hurdle again. High quality SOE edged tighter despite limited supply and thin flows. Overall, buying outside short covering were highly focused on front end papers in all of LGFV/ SOE perps, with Chinese-background investors on-and-off.

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➤ Last trading day's Top Movers

Top Performers	Price	Change
FIHUCN 5 02/26/28	91.0	7.1
EHICAR 7 3/4 11/14/24	54.0	6.4
LVGEM 12 03/10/23	54.7	4.9
BJHKWY 14 3/4 10/08/22	101.2	4.8
MPEL 5 3/4 07/21/28	62.6	4.3

Top Underperformers	Price	Change
NANFUN 5 PERP	82.3	-3.4
PCPDC 5 1/8 06/18/26	89.8	-3.3
HILOHO 9 3/4 11/18/24	53.7	-3.1
WESCHI 4.95 07/08/26	71.6	-2.9
COGARD 5 5/8 12/15/26	35.4	-2.6

➤ Macro News Recap 宏观新闻回顾

Macro – U.S. stock market rebounded with strong momentum on Wednesday, the S&P (+2.62%), Dow (+1.37%) and Nasdaq (+4.26%) bounced as the Fed declared its second consecutive 0.75bps interest rate increase which meets market's expectation, taking the benchmark Fed Funds rate to a range between 2.25% and 2.5%. The Fed also showed a soft tone about future rate's amplification, increasing the probability of 50bps raise in September. U.S. treasury yields downed slightly with 3-7bps yesterday. Yield curves bull steepened with 2/5/10/30 yield reaching 2.96%/2.82%/2.78%/3.03%, respectively.

❖ Desk analyst comments 分析员市场观点

➤ CSCHCN: Requisite consent obtained

Despite the public letter to media and the letter to PAG, China South City (CSC) managed to obtain the requisite consent for maturity extension by the early consent deadline. As discussed, the consent solicitation is not ideal, but CSC's consent plan is more generous than many of those of its peers given the faster amortization and credit enhancement (keepwell and specified offshore account). Furthermore, we consider CSC's restructuring plan one of the most convincing, if not the most, amongst 20-plus debt restructuring plan in the Chinese property sector in view of the roadmap to recovery. Our FV estimates of the consented bonds are 75-99. Please read our comments on [22 Jul'22](#) and [21 Jul'22](#) for detailed analysis.

FV estimates				
Discount rate	10%	15%	20%	25%
CSCHCN 11 1/2 08/12/22	98.92	92.97	87.65	82.87
CSCHCN 10 7/8 10/26/22	98.8	92.14	86.23	80.97
CSCHCN 7 1/4 11/20/22	98.76	91.75	85.55	80.03
CSCHCN 11.95 02/09/23	98.11	90.81	84.01	77.56
CSCHCN 10 3/4 04/11/23	97.22	90.22	82.99	75.35

➤ KWGPRO: 50% equity sales of Kai Tak project to Longfor for HKD1.3bn

KWG Group signed an agreement to sell 50% equity and shareholder loan of Upper RiverBank project company (a residential project in Kai Tak, Hong Kong) to Longfor Group for cash consideration of HKD1.3bn (cUSD165mn). The sales helps the cash-strapped developer to shore up its liquidity. However, the size of this sales is small compared to its maturities ahead and there remains no update on the monetization of its

Aberdeen project, a JV with Logan. The sales of Aberdeen project, if successful, will have a more meaningful boost to its liquidity.

Looking ahead, KWG will face lumpy maturities for the remaining FY22, including both offshore (USD900mn in Sep'22) and onshore (RMB1.8bn puttable in Aug'22 and another RMB2.5bn puttable/maturing by end of FY22). We expect company to come up with liability management exercise soon to address its liquidity issue, which is also reflected in current market price of 10-20.

➤ **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)
Posco Holdings Inc(POHANG)	USD	-	3yr	T+190	Baa1/A-/-
Posco Holdings Inc(POHANG)	USD	-	5yr	T+210	Baa1/A-/-

➤ **Market conditions and color**

- Regarding onshore primary issuances, there were 76 credit bonds issued yesterday with an amount of RMB70bn. As for Month-to-date, 1308 credit bonds were issued with a total amount of RMB1256bn raised, representing a 11.3% yoy decrease
- [CENCHI]** Media reported Central China Real Estate started remitting funds to an offshore bank account to prepare for the redemption of its USD500mn 6.875% bond
- [CHJMAO]** China Jinmao completed the issue of RMB2bn three-year MTNs with 3.29% coupon for project construction
- [CIFIHG]** CIFI Holdings' controlling shareholders purchased 500,000 company shares from the open market at a total consideration of approximately HKD1.11mn to boost shareholding to approximately 53.22%
- [GZRFPR]** Guangzhou R&F Properties entered into agreements with trustee China Merchants Securities over the pledge of a 50% stake in Suzhou Fujing Real Estate and a 50% stake in Guangxi Fuya Investment to guarantee the repayment of its "16Fuli04" bonds
- [JINKE]** Jinke Property Group disclosed the results of its noteholders' meeting convened by trustee Industrial Bank on 22 July regarding its "20JinkedichanMTN001". The noteholders passed the proposal on exemption of the requirement on the notice period for convening the meeting and on the adjustment of the repayment for the notes and requesting the issuer to add credit enhancement measures for the notes, while rejecting the proposal on canceling the relevant obligations of "emergency clause", "cross protection clause", "prior commitment clause" and "change of control clause"
- [LENOVO]** Lenovo Group's USD486.779m of its 4.750% notes due March 2023 remained outstanding following the settlement of its tender offer

- **[RONXIN]** Ronshine Fujian Investment Group, an subsidiary of Ronshine China, announced a change of the bond trading method for its "20Rongxin01" bonds. It would be only traded via the fixed income securities integrated electronic platform of the Shanghai Stock Exchange and only qualified institutional investors are allowed to purchase the bonds
- **[SHDCOM]** Shandong Commercial Group raised RMB600mn via an offering of 90-day super short-term bills with a coupon rate of 5.80% to repay interest-bearing debts
- **[YANGZH]** Yangzhou Economic and Technological Development Zone Development raised RMB500mn via an offering of 270-day super short-term bills at a coupon rate of 2.19% to repay interest-bearing debts
- **[ZZCITY]** Zhuzhou City Construction Development raised RMB500mn via an offering of five-year corporate bonds at a coupon rate of 4% to repay interest-bearing debts

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