

CMBI Credit Commentary

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

- *IG spreads widened 1-4bp this morning, after record high US inflation data. Long-end bond saw selling, i.e. SINOPE 30, CHGRID 27. Recent new issue did not perform, new YWSOAO '25 opened 0.25-1pt lower.*
- *SUNAC: First offshore coupon miss. Short-dated SUNACs, at 30ish, should be trading more in line with longer-dated SUNACs at mid-low 20. See below.*
- *FOSUNI: Sale of insurance subsidiary for USD 740mn in cash. Maintain Buy on FOSUNIs. See below.*

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❖ Trading desk comments 交易平台市场观点

Yesterday, Chinese HY space continued to perform weak with benchmark names generally lowered by 1-3pts. We saw high selling flows in high quality names. CHINSC/CIFIHG curves saw strong market selling but paired some loss to only down 2-3pt before closing. Other property names like COGARD/KWGPRO/PWRLNG/ROADKG/SHIMAO also down 1-2pts. The industrial and Macau gaming space continued the market selling trend, with FOSUNI/EHICAR/SJMHOL down 0.5-1.5pts.

Chinese IG market slightly went down with benchmark names widened by 3-5bps. In SOE sector, names like CHIGRID and HAOHUA widened 2-4bps. TMT space also saw market selling, and underperformers like BABA and MEITUA were traded 3-4bps wider. Financial sector widened 2-3bps, and AT1 names continued to go down by 0.25-0.5pt.

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➤ **Yesterday's Top Movers**

Top Performers	Price	Change	Top Underperformers	Price	Change
XINHUZ 11 09/28/24	99.5	15.1	TPHL 5.55 06/04/24	50.7	-5.5
XINHUZ 11 03/27/23	97.5	8.3	TPHL 6 3/4 07/08/25	45.6	-4.9
YUNAEN 4 1/2 PERP	94.1	5.6	FTLNHD 6.8 08/05/23	70.8	-4.8
LZINVE 4.15 11/15/22	88.2	2.2	TPHL 6.2 03/22/26	42.7	-4.8
GRNLGR 6 1/4 12/16/22	79.9	1.1	CENCHI 7 1/4 08/13/24	38.0	-4.6

❖ **Macro News Recap 宏观新闻回顾**

Macro – U.S. stock market ended lower on Tuesday, while the Treasury bond yields pulled back slightly. The S&P (-0.34%), Dow (-0.26%), Nasdaq (-0.30%) closed lower. US headline inflation surged last month to the fastest pace since December 1981, said the US Bureau of Labor Statistics, speeding to a faster-than-expected reading of 8.5%. Given the risk of high inflation and with a hawkish Fed, the probability of stagflation is increasing, which is an environment that generally bodes poorly for both stocks and bonds. Treasury bond yields pulled back from recent high, with 1/5/10/30Yr yield reaching 1.77%/2.66%/2.72%/2.82%.

❖ **Desk analyst comments 分析员市场观点**

➤ **SUNAC: First offshore coupon miss**

Media reported that Sunac has yet to make the coupon payment of USD29.5mn on SUNAC'7.95%'24 on 11 Apr'22. This is the first coupon miss for Sunac's offshore USD bonds. In addition to the missed coupon, Sunac will have another 3 coupon payments totalled USD68.8bn due in Apr'22. Our base case is that Sunac will make the coupon payments to buy time for a more comprehensive liability management exercise taking cues of how Sunac is dealing with its onshore bonds. We believe that short-dated SUNACs, trading at 30ish, should be trading more in line with longer-dated SUNACs which are trading at mid-low 20.

Sunac is facing increasingly grave liquidity pressure subsequent to mutli-notches downgrade of rating agencies. As reported, the rating downgrade triggered early redemption of USD2-2.8bn of its offshore debts including PPs and loans. On 1 Apr'22, Sunac secured the support from onshore bondholders to settle the put option of onshore of RMB4bn through a 18-month instalment. Sunac, audited by PWC, failed to announce FY21 results and it shares were suspended from trading starting 1 Apr'22.

➤ **FOSUNI: Sale of an insurance subsidiary, maintain Buy on FOSUNIs**

Fosun International announced its indirect wholly-owned subsidiary - Miracle Nova (UK) Ltd, entered into Membership Interest Purchase Agreement to sell 100% Miracle Nova I (US), LLC for USD 740mn cash consideration. The purchaser is AFRICA which is a property and casualty insurer in Michigan. The completion is subject to satisfaction of several conditions, including government consent. Fosun International will record an accounting loss of USD 79mn from the disposal, due to USD 19mn in exchange loss and USD 29mn potential corporate income tax. That said, the sale proceeds will be upstreamed to FOSUN International and help strengthen its financial flexibility. We maintain Buy on FOSUNI in view of its adequate liquidity, sizable investment portfolio. Please see [our daily on 11 April'22](#).

Miracle Nova is one of the assets on FOSUN's asset disposal list. We expect more asset sales to come, according to our discussion with the management. Fosun International reported top 20 holdings of subsidiaries and investment with an effective market value of RMB 126.7bn as of 31 Dec' 2021. These include shares of its operating subsidiaries (Fosun Pharma, Shanghai Yuyuan, Hainan Mining and Fosun Tourism Group) and other financial investments. Most of the shares of its investment portfolio remain unpledged.

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

Issuer	Size (mn)	Tenor	Coupon	Yield	Issue Rating (M/S/F)
CITIC Securities International	300	3	3.375	3.499	-/BBB+/-
Yiwu State-owned Capital	500	3.5	4.10	4.10	Baa3/-/BBB

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

Issuer	Currency	Size (mn)	Tenor	IPG	Issue Rating (M/S/F)
Bank of East Asia	USD	-	10NC5 T2	T+260	Baa2/BBB-/-
Yunnan Provincial Energy Investment	USD	300	3	6.00%	-/-/BBB-
CITIC Bank International	USD	-	AT1	5.125%	Ba2/-/-
Towngas Smart Energy	USD	-	5	T+170	Baa1/BBB+/-
Korea Midland Power	USD	-	5	T+130	Aa2/AA/-

➤ **Market conditions and color**

- Regarding onshore primary issuances, there were 87 credit bonds issued yesterday with an amount of RMB79bn. As for Month-to-date, 415 credit bonds were issued with a total amount of RMB503bn raised, representing a 25.5% yoy decrease.
- **[BEDUUS]** repurchased a total of USD 68mn of its due 2022 Notes as of 12 April 2022.
- **[WESCHI]** outlook revised to stable; affirmed at BB - Fitch.

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