

CMBI Credit Commentary

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

- *New Issue CCB '25 outperformed, trading 13bps tighter from reoffer. Rest of bond market lackluster. AT1 trending slightly lower. COGARD largely unchanged after management's call yesterday. SUNAC saw small size retail selling at 17-19 handle as its grace period of interest payment (USD 29.5mn) of SUNAC 7.95 '23 will expire today. Sunac missed a total USD 98mn coupon payment in Apr'22.*
- ***New Issue XINOAG '27:** Fair value at T5+180bps vs IPG T+210bps. See below*
- ***CARINC '24:** car rental operation maintained at above EBITDA breakeven level in April amid China lockdown. While liquidity is tight, it should maneuver with current cash balance RMB 500mn, against ST debt repayment RMB 300mn –RMB 400mn in July –Aug, maintain Neutral.*

❖ Trading desk comments 交易台市场观点

Yesterday, Chinese HY property space performed weak amid negative market sentiment. COGARD curve was traded down 2-5pts although the company clarified certain housing quality issues that led to a presales-escrow-account freeze have been resolved and measures to frozen accounts were removed on 7 May'22. CIFIHG/KWGPRO dropped 2-3pts, and PWRLNG/SUNAC fell 1-2pts. The grace period for the coupon payment of USD29.5mn of SUNAC 7.95'23 will expire today. Sunac missed coupon payments totalled cUSD98mn in Apr'22. The Macau gaming sector remained weak and generally dropped 0.5pt. In industrial space, we saw EHICAR/FOSUNI down 0.25-0.5pt.

China IG market remained lacklustre. Benchmark names in TMT sector widened 3-5bps. In financial space, AT1 names down around 0.25pt. Still, in SOE sector we saw HAOHUA slightly move higher and POWINV 5.8 Perp rise around 3pts after its withdrawal of redemption announcement and expected interest coupon step-up.

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➤ Yesterday's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
POWINV 5.8 PERP	102.9	2.8	COGARD 8 01/27/24	76.6	-6.8
HAOHUA 4 3/4 06/19/49	90.9	2.5	COGARD 6 1/2 04/08/24	74.3	-6.3
ZHLGHD 8 1/2 05/19/22	35.4	2.5	COGARD 5 1/8 01/17/25	67.3	-5.9
PINGIN 4 1/4 05/28/29	94.3	2.3	COGARD 4.2 02/06/26	65.1	-5.7
BEIENT 6 3/8 05/12/41	115.5	2.2	COGARD 5.4 05/27/25	66.6	-5.6

❖ Macro News Recap 宏观新闻回顾

Macro – U.S. stocks closed mixed yesterday. The S&P (+0.25%), Nasdaq (+0.98%), and Dow (-0.26%) closed mixed. With growth concerns intensifying amid China's ongoing Covid crisis, and bets on a series of Federal Reserve rate hikes holding firm in the face of the fastest inflation in 40 years, markets are caught in a vice of stagflation worries that is being compounded by a surge in market volatility. This market sentiment has taken the CBOE's VIX index to the highest levels since early March. Treasury yield curve flattened with shorter-end remained largely unchanged and longer-end retreated, with the 1/5/10/30 yield reaching 2.01/2.91/2.99/3.12% respectively.

❖ Desk analyst comments 分析员市场观点

➤ XINOAG: 5yr New Issue

ENN Energy Holdings Limited

XINOAG [Baa1(Sta)/BBB(Pos)/BBB+(Sta) by M/S/F]

Issuer: ENN Energy Holdings Limited (2688.HK)

Tenor: 5 year

Ranking: Senior unsecured green notes

UOP: repay existing offshore debt

Issuance size: USD 500mn – USD 600mn, 144A/Reg S

Fair value for new XINOAG '27 at T+180bps

Vs IPG T5+210bps. This is based on 10-15bps yield difference of XINOAG '27 inside existing XINOAG 2.625 '30 (T10+180bps, YTM~4.8%), accounting for its 3 years' shorter tenor.

This places XINOAG '27 in between other IG POEs, CONAMP '26 (T5+155bps) which is higher rated (Baa1/BBB+) and ZHOSHK '26 (T5+ 190bps), which is one-notch lower-rated (Baa2/BBB-).

ENN Energy has grown its natural gas business with low leverage in China over past decade, the company channeled steady operating cash flow from its piped gas business into capex, and grew its city gas-projects to 252 by FYE2021 with diverse national footprint. It recorded 10% -12% rise in gas sales volume in 2019-2021, and also a stable gas-sale dollar margin. Total Debt/EBITDA remained below 2x past 3 years.

➤ **CARINC: Managing China lockdown impact, maintain Neutral**

CARINC provided an operational update at 1Q2022 results call. Its March revenue fell - 26% yoy to RMB 243mn (vs Jan – Feb 2022 revenue: RMB 736mn) as Covid disruption re-emerged in China. Management revealed April revenue was moderately lowered from March's level. We estimate CARINC's monthly fixed cost is in the range of RMB 190mn – RMB 220mn, (including finance cost). Hence, except for a more widespread lockdown in China, we expect CARINC can maneuver its operation at above EBITDA breakeven level. Its current cash balance RMB 500mn (after CARINC '22 USD bonds full repayment) is sufficient to cover RMB 300mn - 400mn short-term bank loan due in July –Aug 2022.

1QFY2022 Revenue rose +8% yoy to RMB 1,302mn, in which car rental revenue was RMB 986mn (+8% yoy) and second hand car sales revenue RMB 316mn. Strong Jan –Feb operation helped offset the weakness in Mar 2022. 1Q2022 EBITDA was RMB 464mn (vs 1Q2021: 472mn). However, the company recorded an operating loss of - RMB 44mn (vs 1Q2021 operating profit RMB 46mn) due to higher depreciation charge on its aging fleet. Total Debt remained unchanged at RMB 5,439mn (FYE2021: 5,458mn) as CARINC obtained RMB 600mn new finance lease borrowing for cars procurement offsetting its tender of USD bonds (RMB 660mn).

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

Issuer	Size (mn)	Tenor	Coupon	Yield	Issue Rating (M/S/F)
China Construction Bank	USD1000	3	3.125	T+47	A1/-/-
Changsha Jinxia New District City Development (SBLC by Bank of Changsha)	USD145	3	4.1	4.1	-/-/-

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

Issuer	Currency	Size (mn)	Tenor	IPG	Issue Rating (M/S/F)
Orient Securities	USD	-	3	T+120	Baa2/-/-
Korea Expressway	USD	-	3	T+120	Aa2/AA/-
Industrial Bank	USD	-	3	T+95	Baa2/-/-
ENN Energy	USD	-	5	T+210	Baa1/BBB/BBB+

➤ **Market conditions and color**

- Regarding onshore primary issuances, there were 19 credit bonds issued yesterday with an amount of RMB40bn. As for Month-to-date, 186 credit bonds were issued with a total amount of RMB198bn raised, representing a 26.1% yoy increase
- China April car sales post largest YoY drop in two years amid Covid-19 disruptions
- **[BJHKWY]** unable to repay interest of USD14.234mn under 14.75% Guaranteed Senior Notes payable on 8 April 2022
- **[JIAYUA]** Jiayuan downgraded to B3/Caa1 on increasing refinancing risk; outlook negative - Moody's
- **[JIAZHO]** downgraded to CCC+ as capital structure unsustainable; ratings withdrawn at issuer's request - S&P
- **[MPEL/STDCTY]** granted further extension of development period under Studio City land concession contract by Macau government to 30 June 2023
- **[YUNMET]** Yunnan Health & Cultural Tourism Holding's 39.87% stake in Yunnan Metropolitan Real Estate to be frozen by court

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