

CMBI Credit Commentary

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

- *New Issues mostly opened tighter but retraced a bit around mid-morning session as buying flow fades. XINAOG'2027 tightened to +172.5 (RO: +180), INDUBK'2025 to +61 (RO: +70), and HIGHWY'2025 to +94 (RO: +103.5).*
- **SUNAC:** *Credit event and coupon missed. SUNACs have largely priced in the default and debt restructuring. See below.*
- **HAOHUA:** *announced to call HAOHUA 3.9 Perp on 2 Jun, 2022, despite giving less than 30 days' notice to trustee. We expect such perp to be called on its 1st call date. See below.*

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

Polly Ng 吴宝玲
(852) 3657 6234
pollyng@cmbi.com.hk

James Wen 温展俊
(852) 3757 6291
jameswen@cmbi.com.hk

❖ Trading desk comments 交易台市场观点

Yesterday, Chinese HY property space remained lacklustre. SUNAC curve was traded 1-2pts lower in the morning approaching end of its coupon payment grace period, but paired the loss and rose to 1-2pts higher before closing. Other higher quality names continued to perform weak, we saw ROADKG fell 1-1.5pts and COGARD/FUTLAN/CIFIHG down 0.5-1pt.

China IG market was skewed to better selling before the release of US April CPI. Benchmark names in TMT sector like BABA/TENCNT widened 2-3bps. In financial space, AT1 names rose around 0.25pt. The newly issued CCB'25 saw strong market buying and tightened 10-12bps.

CMBI Fixed Income
fis@cmbi.com.hk

➤ **Yesterday's Top Movers**

Top Performers	Price	Change	Top Underperformers	Price	Change
SUNAC 6 1/2 01/10/25	19.8	2.5	SDBC 0 05/16/31	67.2	-14.0
SUNAC 6 1/2 01/26/26	19.3	2.3	SHNSUN 12 08/18/23	13.5	-9.0
SUNAC 7 07/09/25	19.8	2.2	RSMACA 3 3/8 09/21/22	82.4	-2.4
SUNAC 7 1/2 02/01/24	20.2	2.1	TPHL 5.55 06/04/24	46.9	-2.3
SUNAC 6.65 08/03/24	20.3	2.1	KWGPRO 5 7/8 11/10/24	28.0	-2.0

❖ **Macro News Recap 宏观新闻回顾**

Macro – U.S. stocks closed lower yesterday, after US April CPI figure showed re-acceleration. The S&P (-1.65%), Nasdaq (-3.18%), and Dow (-1.02%) all retreated. US consumer prices rose at an annual pace of 8.3% last month, more than market expectations and staying at a four-decade high. Treasury yield flattened with longer-end retreated, the 1/5/10/30 yield reaching 1.99/2.89/2.91/3.05% respectively.

❖ **Desk analyst comments 分析员市场观点**

➤ **Inalum/MINDID: tender offer terminated amid market volatility**

Inalum (MINDID) tender offer terminated. On 13 Apr'22, Inalum announced the tender offer for IDASAL'28, 48 and '23 with a premium over market price. The maximum acceptance amount is USD1.1bn. The tender is conditional upon the completion of Inalum's new USD bond issues, comprised of 5-yr, 10-yr and 30-yr tranches. We believe the termination is attributable to the challenge of printing new bonds in a volatile and rising UST environment.

➤ **SUNAC: Credit event and coupon missed**

Pending for a comprehensive debt restructuring plan

Sunac appointed Houlihan Lokey as the financial advisor. As we wrote in our daily on 13 Apr'22, we expect Sunac to conduct a comprehensive liability management exercise to address the liquidity pressure and the short-dated SUNACs to move lower such that the whole SUNAC curve to trade flat. At 20ish, we believe that SUNACs have largely priced in the default and debt restructuring, taking cue from valuation of LOGPHs. Logan requested for suspension of trading of its shares and debt securities this morning, we expect more details to come with its debt restructuring plan which may provide a better gauge on Sunac's liability management exercise.

Please click the link for our comments: <https://www.cmbi.com/article/6769.html?lang=en>

➤ **ChemChina/HAOHUA: announced to call HAOHUA 3.9 Perp on 2 Jun, 2022**

ChemChina announced yesterday it will redeem all HAOHUA 3.9 Perp (O/S USD 600mn) at 100 on 2 Jun, 2022 (first call date). While the OC stated that ChemChina can call the perp on 2 Jun 2022 by "giving not more than 60 nor less than 30 day's irrevocable notice to the Trustee", news reported that some bondholders have yet to receive a call notice from trustee. This fueled speculation that ChemChina might not be able to redeem the Perps on its first call date, drawing reference from POWINV's withdrawal of

redemption announcement on 10 May 2022 due to technical issue. However, we have observed prior cases in which issuers redeem their perps, despite giving notice in less than 30 days' period. We believe ChemChina will redeem this Perp on 2 Jun, 2022, as coupon step-up (T5+6.075%) post 1st call date is steep.

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

Issuer	Size (mn)	Tenor	Coupon	Yield	Issue Rating (M/S/F)
Orient Securities	USD300	3	3.5	T+76	Baa2/-/-
Korea Expressway	USD500	3	3.625	T+85	Aa2/AA/-
Industrial Bank	USD650	3	3.25	T+52	Baa2/-/-
ENN Energy	USD550	5	4.625	4.725	Baa1/BBB/BBB+

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

Issuer	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 credit bonds issued yesterday with an amount of RMB0bn. As for Month-to-date, 164 credit bonds were issued with a total amount of RMB155bn raised, representing a 1.6% yoy decrease
- **[ABMMIJ]** to pay USD50mn dividend
- **[HAOHUA]** faces questions about whether it should withdraw belated call notice for perps, and pay step-up
- **[MGMCHI]** MGM Resorts kept on Negative Watch on regulatory uncertainty over MGM China's Macau gaming concession; rating withdrawn for commercial reasons - Fitch
- **[JIAYUA]** Jiayuan downgraded to B3/Caa1 on increasing refinancing risk; outlook negative - Moody's
- **[LOGPH]** Trading in the shares (stock code: 03380) and debt securities of Logan Group Company Limited have been suspended at 9:00 a.m. today

fis@cmbi.com.hk

CMB International Securities Limited ("CMBIS") is a wholly owned subsidiary of CMB International Capital Corporation Limited (a wholly owned subsidiary of China Merchants Bank)

Author Certification

The author who is primary responsible for the content of this research report, in whole or in part, certifies that with respect to the securities or issuer that the author covered in this report: (1) all of the views expressed accurately reflect his or her personal views about the subject securities or issuer; and (2) no part of his or her compensation was, is, or will be, directly or indirectly, related to the specific views expressed by that author in this report.

Besides, the author confirms that neither the author nor his/her associates (as defined in the code of conduct issued by The Hong Kong Securities and Futures Commission) (1) have dealt in or traded in the stock(s) covered in this research report within 30 calendar days prior to the date of issue of this report; (2) will deal in or trade in the stock(s) covered in this research report 3 business days after the date of issue of this report; (3) serve as an officer of any of the Hong Kong listed companies covered in this report; and (4) have any financial interests in the Hong Kong listed companies covered in this report.

Important Disclosures

There are risks involved in transacting in any securities. The information contained in this report may not be suitable for the purposes of all investors. CMBIS does not provide individually tailored investment advice. This report has been prepared without regard to the individual investment objectives, financial position or special requirements. Past performance has no indication of future performance, and actual events may differ materially from that which is contained in the report. The value of, and returns from, any investments are uncertain and are not guaranteed and may fluctuate as a result of their dependence on the performance of underlying assets or other variable market factors. CMBIS recommends that investors should independently evaluate particular investments and strategies, and encourages investors to consult with a professional financial advisor in order to make their own investment decisions.

This report or any information contained herein, have been prepared by the CMBIS, solely for the purpose of supplying information to the clients of CMBIS and/or its affiliate(s) to whom it is distributed. This report is not and should not be construed as an offer or solicitation to buy or sell any security or any interest in securities or enter into any transaction. Neither CMBIS nor any of its affiliates, shareholders, agents, consultants, directors, officers or employees shall be liable for any loss, damage or expense whatsoever, whether direct or consequential, incurred in relying on the information contained in this report. Anyone making use of the information contained in this report does so entirely at their own risk.

The information and contents contained in this report are based on the analyses and interpretations of information believed to be publicly available and reliable. CMBIS has exerted every effort in its capacity to ensure, but not to guarantee, their accuracy, completeness, timeliness or correctness. CMBIS provides the information, advices and forecasts on an "AS IS" basis. The information and contents are subject to change without notice. CMBIS may issue other publications having information and/or conclusions different from this report. These publications reflect different assumption, point-of-view and analytical methods when compiling. CMBIS may make investment decisions or take proprietary positions that are inconsistent with the recommendations or views in this report.

CMBIS may have a position, make markets or act as principal or engage in transactions in securities of companies referred to in this report for itself and/or on behalf of its clients from time to time. Investors should assume that CMBIS does or seeks to have investment banking or other business relationships with the companies in this report. As a result, recipients should be aware that CMBIS may have a conflict of interest that could affect the objectivity of this report and CMBIS will not assume any responsibility in respect thereof. This report is for the use of intended recipients only and this publication, may not be reproduced, reprinted, sold, redistributed or published in whole or in part for any purpose without prior written consent of CMBIS.

Additional information on recommended securities is available upon request.

Disclaimer

For recipients of this document in the United Kingdom

This report has been provided only to persons (I) falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended from time to time) ("The Order") or (II) are persons falling within Article 49(2) (a) to (d) ("High Net Worth Companies, Unincorporated Associations, etc.") of the Order, and may not be provided to any other person without the prior written consent of CMBIS.

For recipients of this document in the United States

CMBIS is not a registered broker-dealer in the United States. As a result, CMBIS is not subject to U.S. rules regarding the preparation of research reports and the independence of research analysts. The research analyst who is primary responsible for the content of this research report is not registered or qualified as a research analyst with the Financial Industry Regulatory Authority ("FINRA"). The analyst is not subject to applicable restrictions under FINRA Rules intended to ensure that the analyst is not affected by potential conflicts of interest that could bear upon the reliability of the research report. This report is intended for distribution in the United States solely to "major US institutional investors", as defined in Rule 15a-6 under the US, Securities Exchange Act of 1934, as amended, and may not be furnished to any other person in the United States. Each major US institutional investor that receives a copy of this report by its acceptance hereof represents and agrees that it shall not distribute or provide this report to any other person. Any U.S. recipient of this report wishing to effect any transaction to buy or sell securities based on the information provided in this report should do so only through a U.S.-registered broker-dealer.

For recipients of this document in Singapore

This report is distributed in Singapore by CMBI (Singapore) Pte. Limited (CMBISG) (Company Regn. No. 201731928D), an Exempt Financial Adviser as defined in the Financial Advisers Act (Cap. 110) of Singapore and regulated by the Monetary Authority of Singapore. CMBISG may distribute reports produced by its respective foreign entities, affiliates or other foreign research houses pursuant to an arrangement under Regulation 32C of the Financial Advisers Regulations. Where the report

12 May 2022

is distributed in Singapore to a person who is not an Accredited Investor, Expert Investor or an Institutional Investor, as defined in the Securities and Futures Act (Cap. 289) of Singapore, CMBISG accepts legal responsibility for the contents of the report to such persons only to the extent required by law. Singapore recipients should contact CMBISG at +65 6350 4400 for matters arising from, or in connection with the report.