

CMBI Credit Commentary

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

- *Constructive flows this morning as the willingness to deploy cash increases after UST stabilized at lower level. AT1 up 0.25pt -0.5pt, i.e. BOCOHK/BOCOM/ICBCAS/BCHINA sought after by Chinese clients. For HY we saw buyers for front-end AGILE/CENCHI '22.*
- **New INDOIS:** *'27/'32 open strongly to 100.875 and 101.25, and settled at 100.5 after fast money profit-taking.*
- **FUTLAN/FTLNHD:** **SEAZEN** amongst the few being selected to tap onshore market with CRMW. Buy FUTLANs/FTLNHDs. See comments below.

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❖ Trading desk comments 交易平台市场观点

Yesterday, Chinese HY property space was mixed with limited flow. We saw buying interest on the front end of AGILE/KWGPRO after some recent news update, up around 0.5-1pt. CIFIHG also rose 0.5-1pt, fueled by successful onshore bond issuance of COGARD/FUTLAN with CRMW. On the other hand, distressed names continued to fall 1pt under selling pressure, i.e. SUNAC/RONXIN. PWRLNG curve dropped 2-3pts, under the investors mounting worries that the developer's financial position was actually worse than expected. GRNLGR also went down after S&P downgraded its rating by two notches to B-/Watch Neg. The Macau gaming sector generally rebounded 0.5pt with fast-money dip-buying.

Chinese IG market was quiet. In financial space, AT1/Perp names rose around 0.25pt. In SOE space, we saw some buying interest on the short end. TMT space performed mixed, BIDU was traded stable while TENCENT/BABA saw some market selling in the afternoon sessions.

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➤ Last Trading Day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
KWGPRO 5.2 09/21/22	61.1	5.3	PWRLNG 7 1/8 11/08/22	47.8	-3.0
FTLNHD 4 5/8 10/15/25	49.5	5.2	TPHL 6 3/4 07/16/23	48.6	-2.7
KWGPRO 6 09/15/22	62.5	4.2	PWRLNG 6 1/4 08/10/24	31.6	-2.4
FTLNHD 4 1/2 05/02/26	50.3	3.5	TPHL 6.2 03/22/26	35.3	-2.1
SJMHOL 4 1/2 01/27/26	71.3	2.7	EHICAR 7 3/4 11/14/24	75.1	-1.7

❖ Macro News Recap 宏观新闻回顾

Macro – U.S. Stocks weakness continued as technology shares fell, triggered by a profit warning from Snap Inc. Treasuries yields slid as investors sought haven assets, due to soft US economic data and the broadly lower dollar. The S&P (-0.80%), Nasdaq (-2.4%), and Dow (-0.15%) closed lower. Chinese shares traded in the US tanked when the market is moving its focus from inflation to growth concerns. Treasury yield bull-steepen, with the 2/5/10/30 yield retreating to 2.50/2.76/2.76/2.98% respectively.

❖ Desk analyst comments 分析员市场观点

➤ **FUTLAN/FTLNHD: SEAZEN amongst the few being selected to tap onshore market with CRMW; buy FUTLANs/FTLNHDs**

Seazen Holdings (601155 CH) will issue up to RMB1bn 3-yr (2+1) onshore MTN. Bank of Shanghai and China Bond Insurance Co. Ltd. will offer CRMW of RMB100mn and RMB30mn, respectively. Seazen is one of the few so far being “selected” for onshore issues with CRMW. Last week, Country Garden completed a 3-yr (1+1+1) onshore bond issue of RMB500mn with CRMW (of RMB100mn) at a coupon rate of 4.5%. Country Garden is the first non state-owned developer to issue onshore bonds with CRMW. Longfor and Midea Real Estate were also “selected” to issue onshore bonds with CRMW. We believe that CRMW will help improve some higher credit quality developers’ access to onshore bond markets but will take time for these initiative to have a widespread impact of the sector’s access to the capital markets. We take Seazen’s issue positively for FUTLANs/FTLNHDs as this means the group is amongst one of the few selected to access onshore bond markets with CRMW. We have buy recommendations on FUTLANs/FTLNHDs as we believe that Seazen can maintain its funding access. After the price correction earlier this year, we prefer longer-ended FUTLANs/FTLNHDs in view of the lower cash price and more symmetric risk-return profile.

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

Issuer	Size (mn)	Tenor	Coupon	Yield	Issue Rating (M/S/F)
Chongqing Hechuan City Construction Group	USD207	3	6	6	-/-/-
ICBC Hong Kong Branch	USD1200	3	2.95	T+38	A1/-/-
ICBC Singapore Branch	USD600	3	T+75	T+75	A1/-/-

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

Issuer	Currency	Size (mn)	Tenor	FPG/IPG	Issue Rating (M/S/F)
China Merchants Port Holdings	USD	-	5	T+175 (IPG)	Baa1/BBB/-
Korea Development Bank	USD	-	3	T+80 (IPG)	Aa2/AA/AA-
Xianning Urban Development Group (SBLC by China Bohai Bank)	USD	-	3	4.5 (FPG)	-/-/-

➤ **Market conditions and color**

- Regarding onshore primary issuances, there were 66 credit bonds issued yesterday with an amount of RMB64bn. As for Month-to-date, 666 credit bonds were issued with a total amount of RMB677bn raised, representing a 4.8% yoy decrease.
- Macau casino operators' total net debt could reach USD 25bn by year end if China's travel restrictions remain in place, GGR Asia reported
- **[DALWAN]** Wanda Commercial affirmed at BB+, Wanda HK at BB; outlooks stable – Fitch
- **[JINKE]** Jinke schedules 26 May meeting to vote on extending CNY bond puttable 28 May
- **[MEDCIJ]** Medco rating outlook changed to positive; affirmed at B+ by Fitch

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