

CMBI Credit Commentary

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

- *Flows were quiet but with constructive tone this morning. We saw HAOHUA and some TMT names tightening 5-10bps. Liquid benchmark AT1 generally up 0.125pt. Buying interests for new INDOIS' 27/32 still continue even prices up 0.625pt higher after Friday Asia close.*
- **FUTLAN/FTLNHD:** *planned to issue a new 364 Green Bond at 7.95%. We have buy recommendations on FUTLANs/FTLNHDs given its improving funding access. See below.*
- **China Economy:** *Total profit growth of China's mining, manufacturing and public utility industries slowed sharply from 8.5% YoY in 1Q22 to 3.5% YoY in 4M22 due to economic collapse amid lockdowns. CMBI research expects industrial profits to remain weak in 2Q22 and gradually improve in 2H22. See below.*

❖ Trading desk comments 交易台市场观点

Last Friday, Chinese HY property space was dragged down by GRNLGR extension announcement. Among higher quality names, COGARD/CIFIHG dipped 1-2pts. SINOCE also down 3-6pts, dragged by the worries after state-backed peers like Greenland seeking a one-year extension. GRNLGR curve down 6-30pts, short-end especially underperformed, its 6.75% due-June notes crashed as much as 37-38pts. The GRNLGR'25 dollar bond plunged with fewer bids in the market, and the curve is currently trading at 30s on front end, and mid-to-high 20s on the longer end. PWRLNG continued to slip 2pts. Macau gaming sector was broadly stable. SJMHOL down 1-2pts.

Chinese IG space saw constructive flow with benchmark names seeing conservatively buying. In financial space, we saw some cash deployment needs, and AT1/PERP names saw some asset shortage for the moment. The SOE names like SINOPE/HAOHUA went 3-6pts tighter. In AMC space, HRINTH continued the trend of the week to tighten 0.5-1pt. GRWALL climbed up to 99.5/99.7, the recent high level. The TMT names generally tightened with TENCENT/BIDU/BABA saw firm buying interest. New Issue CMHI'27 went up at T+128 (RO+130).

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➤ Last Trading Day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
ZHLGHD 8 1/2 05/19/22	35.1	2.5	CSCHCN 11 1/2 08/12/22	94.6	-3.8
HRINTH 4 7/8 11/22/26	94.2	2.5	CHINSC 6 02/04/26	51.1	-2.4
HRINTH 4 5/8 06/03/26	94.6	1.5	LOGPH 5 3/4 01/14/25	24.9	-2.1
GRNLGR 6 3/4 06/25/22	42.2	1.3	CSCHCN 10 3/4 04/11/23	90.1	-2.0
CAPG 8 1/2 01/23/22	20.1	1.2	CSCHCN 10 7/8 10/26/23	94.1	-1.9

❖ Macro News Recap 宏观新闻回顾

Macro – U.S. stocks extended gains on Friday and the dollar was steady, as slowing inflation data encouraged investors to bet on a pause in the Fed's rate hike strategy. S&P (+2.47%), Nasdaq (+3.33%), and Dow (+1.76%) ended higher. The S&P 500 wiped out its May losses, given market optimism that the underlying economy remains firm. Stocks in Asia advanced after China eased some virus curbs with fewer Shanghai cases. Treasury yield slightly flatten, with the 2/5/10/30 yield reaching 2.47/2.71/2.74/2.97% respectively.

❖ Desk analyst comments 分析员市场观点

➤ FUTLAN: New Issue

Seazen Group Limited**FUTLAN [Unrated]****Issuer:** New Metro Global Limited**Guarantor:** Seazen Group Limited (1030.HK)**Guarantor rating:** Ba2(rating under review)/BB+(Neg)/BB (Neg) by M/S/F**Issue rating:** Unrated**UOP:** refinancing our existing medium to long term offshore debts which will become due within one year and in accordance with the Company's Sustainable Finance Framework only for eligible green projects.**Size:** TBD**Tenor:** 364 Day**FPG:** 7.95%**Ranking:** Senior guaranteed

Seazen Group planned to issue a new 364 Green Bond at 7.95%. Although this transaction is pre-arranged to selective investors and not a market-driven deal, we believe this is another positive refinancing progress for Seazen. As stated in [our daily on 25 May](#), Seazen Holdings (601155 CH) will issue up to RMB1bn 2+1yr onshore MTN and the company is one of the few so far being "selected" for onshore issues with CRMW.

Seazen has a USD400mn bond (FUTLAN 6.45 06/11/2022) due next week on 11 Jun and cUSD969mn due in 2H22 (including onshore bonds maturing and puttable). We have buy recommendations on FUTLANs/FTLNHDs given its improving funding access, and prefer longer-end of the curve in view of the lower cash price and more symmetric risk-return profile.

➤ **China Economy – Sharp deterioration of industrial profit amid lockdowns**

Total profit growth of China's mining, manufacturing and public utility industries slowed sharply from 8.5% YoY in 1Q22 to 3.5% YoY in 4M22. In April, profits in mining rose 141.5% YoY and those in manufacturing and public utility respectively dropped 22.5% and 26.3% YoY due to economic collapse amid lockdowns. By sectors, energy, non-ferrous metals and consumer staples maintained strong or stable profit growth amid high commodity inflation. But most manufacturing industries experienced sharp deterioration of earnings because of weakening demand and soaring material costs. We expect industrial profits to remain weak in 2Q22 and gradually improve in 2H22. We revise down our forecast for the industrial profit growth in 2022 from 10% to 6%. In the stock market, most sectors will see downward revisions of their 2Q-3Q earnings in next few months. But stock prices may have already gradually priced in this factor.

- **Profit growth in commodity sector remained strong amid inflation effect.** Operation income of coal mining, petroleum & natural gas, non-ferrous metal ores and non-ferrous metal smelting & pressing respectively grew 64.1%, 46.8%, 23.1% and 21.4% YoY in 4M22, compared to the YoY growth of 60.8%, 46.6%, 24.4% and 24.4% in 1Q22. Their pre-tax profit growth reached 199.3%, 138%, 62.9% and 40.3% YoY in 4M22, versus the corresponding growth of 189%, 151.1%, 74.8% and 52.9% YoY in 1Q22. Dampened by supply chain disruptions and low capacity investment, high commodity inflation has lasted longer than expected. Commodity inflation may remain high in 3Q22 and gradually decline in the medium term. Income & profit growth in commodity sector should follow a similar pattern.
- **Profits in consumer staples maintained relatively steady growth amid stable demand.** Operation income in food, liquor, beverage & tea and tobacco product increased 7.4%, 9.3% and 9% in 4M22, versus the corresponding growth of 8.7%, 13.3% and 10.1% in 1Q22. Their profit growth reached 10.8%, 20.9% and 7.9% in 4M22, compared to 13.3%, 25.6% and 9.4% in 1Q22. Looking forward, demand for consumer staples should remain stable as those sectors have pricing power in face of rising material costs. Profits in consumer staples could remain stable growth in the future.
- **Special financing support to SMEs & individual business.** The state council calls for banks to double the special inclusive lending to micro business. Meanwhile, banks are required to allow SMEs, individual business, truck owners and households in financial distress to defer their principal and interest repayments this year under the loan contracts. For the truck loans made by the central state-owned truck companies, the principal & interest repayment will also be deferred for half a year and banks should provide financing support to related truck companies. China uses its banking system to relieve financial pressure for SMEs & individual business as they absorb over 80% of workers in the country.

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

Issuer/Guarantor	Size (mn)	Tenor	Coupon	Yield	Issue Rating (M/S/F)
Huai'an Development Holdings (Tap of HUAHK 5 04/28/25)	USD100	3	5	5	-/-/-
Jiangsu Jiangyan Economic Development Group (SBLC by Bank of Jiangsu)	USD90	3	3.9	3.9	-/-/-
Jiangsu Jiangyan Economic Development Group (SBLC by Bank of Nanjing)	USD48	3	3.9	3.9	-/-/-
Jiangsu Jiangyan Economic Development Group (SBLC by China Zheshang Bank)	USD27	3	3.9	3.9	-/-/-

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

Issuer/Guarantor	Currency	Size (mn)	Tenor	FPG/IPG	Issue Rating (M/S/F)
Huai'an Development Holdings (Tap of HUAHK 5 04/28/25)	USD	-	3	5	-/-/-

➤ **Market conditions and color**

- Regarding onshore primary issuances, there were 68 credit bonds issued last week with an amount of RMB69bn. As for Month-to-date, 853 credit bonds were issued with a total amount of RMB895bn raised, representing a 0.6% yoy decrease.
- **[GRNLHK]** Greenland Hong Kong repurchases total USD 18.5m of 9.625% bonds due 2022 as of 27 May; USD131.5mn remains outstanding

[PWRLNG] Powerlong chooses not to call CNY perpetual notes, coupon resets

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