

CMBI Credit Commentary

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

- *IG spread tightened 2-6bp and TMT still tilted towards better buying despite UST surge overnight. We saw fast money selling on New INDOIS, but multiple buyers on HAIDIL.*
- ***EHICAR:** reported weak 1Q22 result partly due to limited used car disposal. Maintain Buy on EHICAR 7.75 2024. See below.*
- ***FUTLAN/FTLNHD:** priced USD100mn 7.95% senior green notes and RMB1bn domestic bonds at 6.5% protected by CRMWs. FUTLAN/FTLNHD curve traded up 1-2pts yesterday.*

❖ Trading desk comments 交易平台市场观点

Yesterday, Chinese HY property space was mixed. Seazon Group's onshore and offshore bond offering, was the market focus. Among higher quality names, COGARD/CIFIHG fell around 0.5pt in the morning and remained firm in the day. CSCHCN slumped 3-5pts after selling pressure from some retail buyers. For the distressed names, FUTLANs/FTLNHDs basically rose 1-2pts after Seazen group circulated 7.95% final price for its 364-day guaranteed notes. GRNLGR'22 also saw some interest from retail buyers. Overall, GRNLGR curve was conservatively traded after Greenland Hong Kong announced that as of 27 May, it has repurchased total USD 18.5m of the originally USD 150m due-3 June notes. The Macau gaming sector was broadly same and quiet.

Chinese IG space was strong, with the spread generally tightened around 5bps. In financial space, AT1 continued to see some buying interest. ICBCAS 3.2 PERP saw two-way trading, especially from Chinese accounts. BCHINA/POSABK saw some fast money outflow at the end of trading session, possibly due to the assumption of higher rates. In AMC sector, HRINTH up 1-1.5pt. In TMT sector, TENCENT/BABA tightened 5-7bps. In SOE sector, HAOHUA tightened 3-5bps.

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➤ Last Trading Day's Top Movers

| Top Performers | Price | Change | Top Underperformers | Price | Change |
|-----------------------|-------|--------|------------------------|-------|--------|
| GRNLGR 6 3/4 06/25/22 | 45.5 | 3.3 | XIN 14 1/2 09/17/23 | 32.4 | -5.2 |
| FTLNHD 4 5/8 10/15/25 | 55.3 | 3.0 | CSCHCN 7 1/4 11/20/22 | 87.1 | -5.2 |
| GRNLGR 5.6 11/13/22 | 36.5 | 3.0 | CSCHCN 11 1/2 08/12/22 | 89.5 | -5.0 |
| ZHLGHD 8 1/2 05/19/22 | 37.5 | 2.5 | CSCHCN 10 7/8 10/26/22 | 89.4 | -4.8 |
| GRNLGR 5 3/4 09/26/22 | 38.2 | 1.8 | CSCHCN 10 3/4 04/11/23 | 85.5 | -4.6 |

❖ Macro News Recap 宏观新闻回顾

Macro – U.S. stocks was closed on Monday and the dollar rose slightly. HK stocks rebounded with HSI climbing back to 21,000 but global investors remain cautious about whether central banks can raise interest rates to rein in inflation without derailing growth. European bonds tumbled after German Inflation hit a new record in decades, adding pressure on policy makers to ease the rising prices. On Tuesday morning, US Treasuries up around 7bps around the curve after cash trading resumed in Tokyo, following the US Memorial Day holiday. Treasury yield generally rebounded this morning, with the 2/5/10/30 yield reaching 2.58/2.83/2.84/3.04% respectively.

❖ Desk analyst comments 分析员市场观点

➤ **EHICAR: Weak 1Q22 results partly due to limited used car disposal**

eHi Car reported sluggish 1Q22 result with revenue down to RMB919mn (-40.3%yoy; -23.7%qoq) and EBIT also lower to RMB0.13mn (RMB110mn in 1Q21; RMB24mn in 4Q21). The drag is mainly due to frozen used-car market (-88.8%yoy; -76.6%qoq) affected by COVID lockdown in Shanghai. Company's car rental revenue was stable at RMB872mn (-1.5%yoy; -4.0%qoq), thanks to its diversified footprint over the country. We expect to see improvement in its revenue and EBIT in 2H22 given the loosening restrictions in cities like Shanghai. Utilization rate in 1Q22 further declined to 57.2% (71.1% in 1Q21; 59.8% in 4Q21) and RevPAC also lower to RMB123 (RMB150 in 1Q21; RMB126 in 4Q21) due to its enlarged fleet size since 3Q21.

eHi Car's cash balance lowered to RMB496mn at Mar'22, from RMB752mn at Dec'21, after it repaid RMB329mn debts in Mar'22. The lockdown in Shanghai also led to slower cash collection from used car sales and higher account receivable, which partly worsened its cash position. However, the company managed to limit its Capex in purchasing vehicles with cash payment decreased to RMB51mn (-94.6%yoy; -58.1%qoq). Company stated in the investor call that company will vigilantly respond to COVID situation and will not rule out the chance to downsize its car fleet to raise cash. We believe company will be able to get through COVID restriction and debt repayment given its experience in FY20.

As of end of May, company has already renewed RMB846mn bank loans and financials leases while repaid RMB329mn with cash. There are RMB463mn outstanding debts to be repaid/renewed this year and management expect to roll over for most debts (bank loans and finance lease with up to 16 months extension). We also draw comfort from policy support for SMEs financing that indicated by [cabinet meeting last week](#) and there is no major bullet debt due before EHICAR 7.75 2024.

Thus, we maintain Buy on EHICAR 7.75 2024 and recent price tumble provides dip buying opportunity at current valuation (cash price: 71; YTM: 24%).

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

| Issuer/Guarantor | Size (mn) | Tenor | Coupon | Yield | Issue Rating (M/S/F) |
|--------------------------------------|-----------|--------|--------|-------|----------------------|
| Xinhu Zhongbao Co Ltd | USD150 | 3NCNP2 | 11 | 11 | -/-/- |
| Seazen Group Ltd | USD100 | 1 | 7.95 | 7.95 | -/-/- |
| Taiyuan State-owned Investment Group | USD160 | 3 | 4.55 | 4.55 | -/-/- |

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

| Issuer/Guarantor | Currency | Size (mn) | Tenor | FPG/IPG | Issue Rating (M/S/F) |
|---|----------|-----------|-------|---------|----------------------|
| Zhuhai Huafa Group (Tap of ZHHFGR 4.25 PERP) | USD | - | PERP | 5.5 | -/-/BBB- |
| KB Kookmin Card | USD | - | 3 | T+170 | A2/-/- |
| Korea Electric Power | USD | - | 3/5 | - | -/-/- |
| Chongqing Nan'an Urban Construction & Development Group (Tap of CQNANA 4.98 05/06/25) | USD | - | 3 | 5.5 | -/-/BBB |
| Huzhou Wuxing State-owned Capital Investment Development | USD | - | 3 | 5.5 | -/-/- |
| Hefei Industry Holding Group | USD | - | 3 | 4.3 | -/-/BBB |

➤ **Market conditions and color**

- Regarding onshore primary issuances, there were 71 credit bonds issued yesterday with an amount of RMB93bn. As for Month-to-date, 724 credit bonds were issued with a total amount of RMB760bn raised, representing a 4% yoy decrease.
- **[FOSUNI]** Fosun, Fidelidade, CMI to raise around HKD4.14bn via disposal of Tsingtao Brewery H-shares
- **[FTHDGR]** On 30 May, Fantasia Holdings announced that it was served with a winding-up petition in connection with loan facilities of outstanding amount of approximately USD149mn; The Petition seeks for the appointment of joint liquidators
- **[FUTLAN/FTLNHD]** Seazen to issue USD100mn 7.95% senior green notes; Seazen also priced RMB1bn domestic bonds at 6.5%
- **[JIAYUA]** Jiayuan International in share and bond trading halt

- **[KBFING]** KB Kookmin Card sets IPG for USD 3yr at 170bp area
- **[NWSZF]** NWS Holdings accepts USD300mn of 4.25% guaranteed senior notes due 2029 for purchase under tender offer
- **[SOFTBK]** SoftBank Group suspends pricing planned bond issues

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