

CMBI Credit Commentary

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

- **IG/SOE:** Most of names in China IG space trading in yesterday range. CMHI trading two way with Chinese accounts topping in 123/121 and HAOHUA' 29/30 still saw mixed interests.
- **LGFV:** front end remained sought after but we saw some 5yr papers coming out due to higher rates expectation. New issue HEFIND'25 priced rather tight at 3.9% but still opened higher thanks to bank support. We saw small top up interest this morning to push high print to 100.3 but soon retraced to 100.15-100.2 level on back of profit taking.
- **ZHLGHD:** reopen exchange offer for hold-out with no changes in terms. See below.

❖ Trading desk comments 交易台市场观点

Yesterday, Chinese IG space was stable, with benchmark names generally tightened around 5bps. The financial sector was firm, we saw continual buying interest in AT1 names, even on the back of rising rate expectation. ICBCAS 3.2 PERP has been up for around 2pts, and reached 97 level, and we now see some profit-taking interest. CMHI' 27 also up to 122bp on the back of Chinese account buying. In TMT sector, MEITUA/BIDU/BABA tightened 2-3bps. New Issue HEFIND we saw Chinese banks topping up and traded at 100.15. GWFOOD/H Aidil also saw some dip-buying interest and basically up 0.5-1pt.

Chinese HY property space was in doldrums, and broadly 1pt lower. CIFIHG fell 0.5pt. COGARD/ROADKG fell around 1-2pts and saw some selling by fast-money accounts. CHINSC/CSCHCN slumped 3-5pts. For the lower cash price credits, FUTLANs/FTLNHDs were up 0.5-1pt after the developer announced it issued RMB1bn 6.5% three-year MTN to repay debt. GRNLGR slightly rebounded 2.5pts on the front end. Macau gaming sector performed mixed. SJMHOL up 0.5pt while SANLTD down 0.5pt. WYNNMAC/MGMCHI up around 1-1.5pts.

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➤ Last Trading Day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
GRNLGR 5.6 11/13/22	39.1	2.6	JIAZHO 10 7/8 06/18/22	30.8	-9.6
GRNLGR 6 1/4 12/16/22	35.9	2.5	SUNAC 7 1/4 06/14/22	20.2	-7.9
GRNLGR 5 3/4 09/26/22	40.5	2.3	CHINSC 7 3/8 04/09/24	53.3	-5.3
XINHUZ 11 09/28/24	87.3	2.2	CSCHCN 11.95 02/09/23	81.9	-5.1
FTHDGR 14 1/2 06/25/24	12.4	1.9	CSCHCN 10 3/4 04/11/23	80.6	-4.9

❖ Macro News Recap 宏观新闻回顾

Macro – U.S. stocks slightly pulled back, Treasury yields and the dollar jumped. The S&P (-0.63%), Nasdaq (-0.41%), and Dow (-0.67%) closed lower. US-listed Chinese stocks posted their first monthly gain since October, as lockdown eased and China's PMI in May outperformed expectation. Swaps show traders have almost fully priced in two half-point rate increases in June and July, with even odds of a third such hike in September. Treasury yield generally climbed up 10bps, with the 2/5/10/30 yield reaching 2.53/2.71/2.74/2.97% respectively.

❖ Desk analyst comments 分析员市场观点

➤ ZHLGHD: Reopen exchange offer for hold-out

Zhongliang announced exchange offer for hold-out of ZHLGHD 8.5%'22 (o/s USD27.6mn) and 9.5%'22 (o/s USD71.2mn) to extend maturity. Please refer to [our daily on 17 May](#) for the result of previous exchange offer and consent solicitation. The exchange offer terms remain the same and the deadline will be on 10 June 2022.

In addition, Zhongliang redeemed USD150mn PP due Aug'22 last week with a new refinancing loan (maturity extension to 15 May'23) provided by the bondholders, which is consistent with our conversation with management stated in our [Zhongliang: Q&As on the exchange and consent solicitation](#).

EXCHANGE OFFER FOR ZHLGHD 8 1/2 05/19/22 & 9 1/2 07/29/22

INCENTIVE FEE	1pt
NEW NOTES/BONDS	Par-par exchange with no upfront repayment 70% of exchange notes/bonds will be exchanged into new bonds due 31 Dec'23, subject to the cap of USD104mn, Zhongliang's available NDRC quota The remaining exchange notes/bonds will be exchanged into new notes due 15 Apr'23.
COUPON OF NEW NOTES/BONDS	25bps step-up effectively compared with 8.5% and 9.5% of the existing notes/bonds 8.75% for news notes due Apr'23 9.75% for new bonds due Dec'23
ACCRUED INTERESTS	Paid in cash, to be accrued up to settlement date (to be on or before 16 Jun'22)
DEADLINE	10 Jun'22

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

Issuer/Guarantor	Size (mn)	Tenor	Coupon	Yield	Issue Rating (M/S/F)
Hefei Industry Holding Group	USD500	3	3.9	3.9	-/-/BBB
Huzhou Wuxing State-owned Capital Investment Development	USD105	3	5.45	5.45	-/-/-
KB Kookmin Card	USD400	3	4	T+130	A2/-/-
Zhuhai Huafa Group (Tap of ZHHFGR 4.25 PERP)	USD100	PERP	4.25	5.5	-/-/BBB
Chongqing Nan'an Urban Construction & Development Group (Tap of CQNANA 4.98 05/06/25)	USD40	3	4.98	5.2	-/-/BBB

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

Issuer/Guarantor	Currency	Size (mn)	Tenor	FPG/IPG	Issue Rating (M/S/F)
Korea Electric Power	USD	-	3/5	-	-/-/-

➤ **Market conditions and color**

- Regarding onshore primary issuances, there were 76 credit bonds issued yesterday with an amount of RMB49bn. As for Month-to-date, 949 credit bonds were issued with a total amount of RMB957bn raised, representing a 4.5% yoy increase.
- **[DTGRHD]** Datang Group Holdings accepts USD 283.95m of 12.5% due-2022s for exchange; to issue USD 283.95m of new 12.5% due-2023s
- **[COGARD]** Country Garden Services deposits sufficient funds into designated bank account for full redemption of HKD 5.038bn zero coupon unsecured guaranteed CBs due on 1 June 2022
- **[KWGPRO]** KWG Group unit KWG Living's executive director Wang Yue resigns due to personal endeavours
- **[LOGPH]** Logan's CarVal-led bondholder group mandates PJT Partners for consensual, holistic process
- **[TPHL]** Times China unit deposits into escrow funds to redeem CNY 400m due-7 June ABS
- **[YUZHOU]** Yuzhou Group said it did not make payment on its 6% senior notes due 2023, 8.375% senior notes due 2024, 9.95% senior notes due 2024 after the grace period ended.

- **[ZHPRHK]** Zhenro Properties Group Ltd failed to pay interest on November 2019 notes, in part due to Shanghai's lockdown, and was considered as a default upon the expiration of the June 5 grace period.

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