

CMBI Credit Commentary

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

- *This morning, AT1s hit down 50c-1pt, T2s widened 4-6bps, while some beta IG spreads marked 5-8bps wider. That said, absolute yield seekers still looked after certain financials/SOE bonds/AT1s.*
- *The sentiment in LGFV/SOE space continued to be cautious with surging UST rates. SOE Perps were ~0.5pts down but mainly driven by dealers, whilst papers that were held mostly by clients hardly moved. LGFV buyers finally turned cautious but offshore sellers still managed to find pretty good bids particularly in the front end.*
- **LIHHK:** *Maintain Buy on LIHHK '22 as it will be money good; Hold for rest of its curve given rising leverage in coming 2 years. See below.*

❖ Trading desk comments 交易台市场观点

Yesterday, Chinese IG space was weak amid surging rates. Longer end beta names widened 3-8bps, mainly due to technical-driven flows. In TMT space, benchmark names like TENCNT widened 5-10bps while MEITUA widened as much as 30bps. In Financials, AT1s were also suffering. BCHINA generally down 0.5-0.75pt and ICBCAS 3.2 Perp down 1-1.5pt as street turned defensive. In other sectors, leasing names actually saw some buying interest.

In SOE Perps/LGFV space, price actually performed resilient yesterday, compared to the 25-30bps surge in rates. Into and after noon flows gradually skewed towards better selling as some Chinese NBRM switched out of weaker names but most 2-3y BBB papers managed to find support ~4%-4.15%.

Chinese property space generally down 3-5pts amid some sell-off market sentiment. Among high-quality names, SINOCE prices fell 6-10pts on the day. COGARD fell 1-6pts across the curve amid recent rating concerns and CIFIHG also down 3-5pts. CENCHI fell 4-5pts while CHINSC also down 2-3pts. For distressed names, SUNAC slightly rose 2-2.5pts.

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➤ **Last Trading Day's Top Movers**

Top Performers	Price	Change	Top Underperformers	Price	Change
EXIMCH 4.1 03/29/26	99.4	2.6	SINOCE 2.7 01/13/25	61.4	-6.4
SUNAC 6 1/2 01/10/25	20.1	2.5	COGARD 5 1/8 01/14/27	46.7	-5.8
SUNAC 7 07/09/25	20.1	2.5	COGARD 6 1/2 04/08/24	62.5	-5.3
SUNAC 6 1/2 01/26/26	20.1	2.4	COGARD 6.15 09/17/25	55.8	-5.3
SUNAC 6 1/2 07/09/23	20.4	2.3	COGARD 8 01/27/24	66.3	-5.1

➤ **Macro News Recap 宏观新闻回顾**

Macro - U.S. stocks extended selloff since last week, as the hotter-than-expected inflation data is likely to push Fed to consider a deeper rate hike this week. The S&P (-3.88%), Nasdaq (-4.68%), and Dow (-2.79%) closed lower. An inverted US yield curve flags worries about an economic downturn sparked by tighter monetary policy, while global investors expect 175bps overall rate-hikes by Sep. UST short-end 2/5 yr yields continued to jump another 25-30bps on Monday. Treasury yield continued to surge, with the 2/5/10/30 yield further advancing to 3.40/3.56/3.43/3.42% respectively.

❖ **Desk analyst comments 分析员市场观点**

➤ **Lifestyle: Updates on the Kai Tak project**

Maintain Buy on LIHHK '22, Hold on LIHHK '25 and '26

We maintain Buy on LIHHK '22 for short-term carry as the bonds will be money good; Hold for rest of its curve – LIHHK '24 (YTM~8.6%), LIHHK '25 (YTM~ 8.7%) and LIHHK '26 (YTM~ 8.65%) given Lifestyle's rising leverage over coming 2 years and challenges in securing tenants for the Kai Tak project.

Extension of Kai Tak project loans expected

We understand that Lifestyle has achieved good progress in extending maturity of the Kai Tak project loan by 24 months to July 2024. They expect to draw down this Kai Tak project loan very soon, to repay the existing facility due in early July (HKD 9bn, in which HKD 5.1bn was undrawn). After that, Lifestyle's remaining short-term debts maturing in 2022 are GBP 50mn short-term loans and USD bonds - LIHHK 4.25 '2022 (O/S USD200mn) which was pre-funded with the issue of LIHHK'26 (USD350mn) in Jun'21. As at Dec'21, its cash on hand was HKD3.8bn.

Remaining Chinese property exposure in the investment portfolio is contained

Among Lifestyle's financial investments of HKD3.1bn as at Dec'2021, Chinese property bonds/equity investments were HKD741mn/157mn. Lifestyle expects to see additional write-down in the Chinese property-related investments in 1H22, but the magnitude will be much smaller than the investment losses of HKD1.9bn in FY21. We expect Lifestyle to report a subdued 1H22 results, given the 5th wave lock-down for 3 months and the additional investment loss.

High leverage only to improve after the commencement of Kai Tak project starting 3Q23

Lifestyle's leverage remains relatively high with Net Debt/EBITDA at 12x (vs 16x at Dec'20) as the company spent a hefty sum in a large greenfield Kai Tak project since 2016. Remaining capex will be HKD1.5bn each year in 2022 and 2023 and HKD0.5bn in 2024. We expect Lifestyle's net leverage to stay above 10x before Kai Tak's full-year rental contribution kicking in by 2024.

Please see our last FY21 results note: <https://www.cmbi.com/article/6433.html?lang=en>

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

Issuer/Guarantor	Currency	Size (mn)	Tenor	IPG	Issue Rating (M/S/F)
No Offshore Asia New Issues Priced Today					

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

Issuer/Guarantor	Currency	Size (mn)	Tenor	FPG/IPG	Issue Rating (M/S/F)
Gansu Provincial Highway Aviation Tourism Investment Group (Tap of GSHIAV 4.9 03/30/25)	USD	-	3	5.9	BBB+/-/-
Taiyuan State-Owned Investment Group (Tap of TYSTOW 4.55 06/07/25)	USD	-	3	4.55	-/-/-
Lishui Economic and Technological Development Zone Industrial Development (SBLC by Bank of Shanghai)	USD	-	3	4.5	-/-/-
Tianjin Jizhou New City Construction Investment Development (SBLC by Bank of Zheshang)	USD	-	3	3.9	-/-/-

➤ **Market conditions and color**

- Regarding onshore primary issuances, there were 79 credit bonds issued yesterday with an amount of RMB78bn.
- **[FRESHK]** Far East Horizon unit proposes to offer up to RMB1bn two-year MTNs to repay bank loans
- **[HAIDIL]** Fitch revised outlook on Haidilao to Negative, affirmed ratings
- **[TBLAIJ]** Tunas Baru Lampung completes buyback of IDR300bn bond; Moody's revises Tunas Baru's outlook to stable from negative but affirms B2 rating

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