

CMBI Credit Commentary

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

- *Market was quiet this morning. We saw two-way trading in front-end 22 papers and some lowball bids in longer end. Sentiment remained cautious in general despite equity market trending up.*
 - **AGILE:** *extended the maturity of a loan with HSBC and BEA with smaller size and higher interest. Additionally, Agile also obtained a 2yr HKD894mn mezzanine loan with a conditional option to convert the loan into issued shares. See below.*
 - **Chinese properties:** *secondary sales recorded positive YoY increase in three straight weeks, which can be viewed as a precedent cause for sales to rebound. See below.*
- ❖ **Trading desk comments 交易平台市场观点**

Last Friday, Chinese IG space continued to see better selling in longer end while single-A names were better sought after due to flight to quality. SOE sector was overall stable. Perps remained under pressure. TMT sector was broadly weak with BIDU/XIAOMI widening 3-4bps.

For LGFV 22s/SOE PC22s, we saw the market mostly at mid-3% choice. We also saw some onshore interest in selected quality 24s and 25s papers at low-4% as 2yr UST retreated to 3% level. 26s and longer still essentially bidless but there is still some lowball bids at low-5%.

Chinese HY space remained lackluster as the property space were unchanged to 1pt lower on average. For industrials, FOSUNI's up 6-9pts with short-covering interest. Benchmark developer names got hit, CIFIHG/COGARD down 0.25-0.5pt. CHJMAO/LNGFOR/SINOCE down 1.5-2pts. GMEDAL'24s saw V-shape movement, and were marked down 9pts at EOD. GRNCH notably plunged 5-6pts. Macau gaming operators' continued to fall, dropping 0.5-1pts.

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➤ **Last Trading Day's Top Movers**

Top Performers	Price	Change	Top Underperformers	Price	Change
FOSUNI 6.85 07/02/24	73.6	5.9	GEMDAL 4.95 08/12/24	74.5	-9.3
FOSUNI 5 05/18/26	62.5	4.5	EAGRUY 7 1/2 05/01/25	74.9	-7.3
FOSUNI 6 3/4 07/02/23	79.7	4.1	QHINVG 7 7/8 03/22/21	32.5	-5.0
FOSUNI 5.95 10/19/25	64.5	4.0	GRNCH 4.7 04/29/25	81.3	-3.9
KMCONS 5.8 10/17/22	98.5	3.5	GRNCH 5.65 07/13/25	81.4	-3.9

❖ **Macro News Recap 宏观新闻回顾**

Macro – U.S. stock market closed sharply higher on Friday, marking the first weekly gain in a month. The S&P (+3.06%), Nasdaq (+3.34%), and Dow (+2.68%) ended higher. Russia defaulted on its foreign-currency sovereign debt for the first time in a century, as the tougher Western sanctions shut down payment routes to overseas creditors. Treasury yield rebounded slightly, with the 2/5/10/30 yield advancing to 3.04/3.18/3.13/3.26% respectively.

❖ **Desk analyst comments 交易台市场观点**

➤ **AGILE: Loan extension and small additional mezzanine loan**

Agile extended the maturity of a loan with HSBC and BEA to Apr'24 from Apr'23. However, the loan size is downsized to HKD825mn from HKD1.04bn with interest rate is also increased to HIBOR+2.9% from HIBOR+1.4%.

Additionally, Agile also entered into the agreement with Allied Global Group for 2yr HKD894mn mezzanine loan with interest rate of 20% and a conditional option to convert the loan into issued shares. If there is an occurrence of default, Allied Global Group can convert the mezzanine loan into the shares of Full Land Development Ltd., a wholly subsidiary of Agile.

The downsized loan and high interest rate reflect the challenges Agile is facing in refinancing and securing lower-cost funding. Agile will have to repay/redeem USD600mn offshore bonds and RMB3.95bn onshore bonds (incl. puttable) the 2nd half of 2022. We think liability management exercise to address the liquidity pressure is likely.

➤ **Chinese properties – Secondary sales see strong rebound for third consecutive week**

- **Secondary sales recorded positive YoY increase in three straight weeks:** Following last week's rally in the property sector, many worry sales recovery may not persist. To answer, we need to exclude the impact from relocation housings, which is included in the new home sales data (mainly from Qingdao), solely focusing on secondary home sales. In the eight major cities, secondary home sales were at 1.2mn sq m in the week of 20-26 June, marking the third consecutive week of YoY increase at +10% YoY (+10%/+1% YoY in previous two weeks). Within the eight cities, Chengdu has outperformed all with average weekly YoY rise of +448% in June and +561% YoY during the week of 20-26 June. Suzhou saw its first weekly positive reading with 7% YoY rise last week, while cities like Hangzhou and Shenzhen showed marginal tightening in weekly YoY decline. The logic follows that when secondary market home prices rise due to stronger rebound, it will further widen the gap of new home prices, leading new home market on a rebound. Therefore, this can be viewed as a precedent cause for sales to rebound.

- **Next to watch – June full month sales:** With the recovery in these weekly high frequency data, we presume the whole month sales for June will perform better MoM and see tightening of YoY decline. This is also in line with the predictions in our leading GAIN indicator, which forecasts June sales may be better than that in May. As we brace through the bottom in May with lockdowns and fresh stimulating policies, there will be changes that are more meaningful in the months ahead.
- **Key risks are still mounting offshore debt crisis:** As we mentioned in our [previous report](#), Jun/July 2022 is another debt repayment peak with US\$10.6bn, vs. US\$8bn in Aug/Sep and US\$8bn in Apr/May. Among which, Sunac needs to pay 10% principal of its onshore bond by the end of June, which equals to RMB400mn. There is high possibility of a further extension. Other developers also face heavy repayments, including Powerlong (US\$200mn due in 25 July), Central China (US\$500mn in Aug), Agile (US\$600mn in Aug) and KWG (US\$900mn in Sep).

Click [here](#) for full report.

➤ Offshore Asia New Issues (Priced)

Issuer/Guarantor	Size (mn)	Tenor	Coupon	Yield	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)
China Railway Group	USD	-	-	-	-/-/A-

➤ Market conditions and color

- Regarding onshore primary issuances, there were 63 credit bonds issued yesterday with an amount of RMB76bn. As for Month-to-date, 1,418 credit bonds were issued with a total amount of RMB1,421bn raised, representing a 8.1% yoy decrease.
- **[CSCHCN]** China South City Holdings announces that it expects an around 70% YOY drop in profit for FY22 due to a decline in the average selling price of properties
- **[CIFIHG]** CIFI Group discloses that its CFO purchased RMB4.85mn “20Xuhui01” and “20Xuhui02” onshore bonds in the secondary market
- **[SKYFAM]** Skyfame announced non-payment on secured loan with HKD 340m outstanding principal and other offshore financing arrangements may become immediately due
- **[YUZHOU]** Yuzhou Group announces that Board Chairman and CEO Lam Lung On has resigned due to an adjustment of his working arrangements and Kwok Ying Lan has been appointed as replacement

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