

## CMBI Credit Commentary

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

- *We continued to see better selling in longer end IG space this morning while single-A names were better sought after due to flight to quality. In HY space, CIFIHG is better offered on the back of rich valuation compared to COGARD.*
- *LGFV/SOE perps: we saw some buying interest but limited to '22 paper. The remaining curve was muted while enquiries were skewed to better selling.*
- *COGARD: announced result of COGARD 4.75% 2022 tender offer and Moody's downgraded its rating to Ba1. COGRAD curve down 2-3pts this morning. We maintain buy recommendations on COGARs. See below.*

#### ❖ Trading desk comments 交易平台市场观点

Yesterday, Chinese IG space felt softer amid weak stock market sentiment. HAOHUA widened 3bps on the day. TMT benchmarks opened wider, TENCNT/BABA felt slightly heavy and MEITUA/JD widened ~5bps. Financials and AT1 remained weak and we saw some Chinese accounts looking to sell papers like BOCOM/CIMWLB. BCHINA 3.6 Perp widened 8bps and was traded down to 98.375 level. New issues KOWEPW/HWEUHC were traded at +99/+96 respectively. HAIDIL continued its weak tone and was down 3pts.

Chinese HY space was mixed. In industrial sector, FOSUNI curve jumped 4-8pts at open post tender-cap removal announcement. The gain soon faded to +2-4pts under real money/retail accounts selling as they tried to use the pop to exit. HONGQI and WESCHI saw some buying interests as sentiment lifted. For property sector, COGARD up 1pt as we saw some buying inquiries from PB/RM. Other high-beta names CIFIHG/ROADKG fell 1-2pts. For distressed names, GRNLGR '23s fell 1-2pts after S&P downgraded its rating to "SD". TPHL fell 3-6pts along with its onshore bonds. Macau gaming sector continued to dip down, after broadly losing around 5pts over the week. MGMCHI/SJMHOL/STCITY down 2-2.5pts. WYNMAC down 3-4.5pts.

Sentiment in LGFV/SOE Perp spaces continued to be weighed by concerns over rising funding costs/ hurdle rates especially among Chinese NBRM that related to SOFR/LIBOR-linked financing. Front end papers remained heavy with 23s LGFVs approaching the 4% psychological resistance. We also saw several low-BBB new/ recent issues find support at 5%+.

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➤ **Last Trading Day's Top Movers**

Top Performers	Price	Change	Top Underperformers	Price	Change
FOSUNI 5.95 01/29/23	<b>77.8</b>	<b>7.1</b>	CAPG 7.35 06/21/23	<b>10.4</b>	<b>-2.9</b>
FOSUNI 6 3/4 07/02/23	<b>65.5</b>	<b>4.4</b>	HADIL 2.15 01/14/26	<b>77.5</b>	<b>-3.0</b>
FOSUNI 5.05 01/27/27	<b>50.2</b>	<b>4.3</b>	TPHL 6 3/4 07/16/23	<b>30.2</b>	<b>-3.1</b>
FOSUNI 5 05/18/26	<b>49.9</b>	<b>3.9</b>	CAPG 6.2 03/24/26	<b>10.8</b>	<b>-3.2</b>
BJHKWY 14 3/4 10/08/22	<b>96.4</b>	<b>3.7</b>	CAPG 7.95 02/19/23	<b>10.9</b>	<b>-3.3</b>

➤ **Macro News Recap** 交易平台市场观点

**Macro** – U.S. stock market closed lower on Wednesday as investors' focus returned to the impact of speeding inflation on global economic growth. The S&P (-0.13%), Nasdaq (-0.15%), and Dow (-0.15%) ended lower. Fresh inflation data from South Africa to Great Britain represented a strong consumer price pressure, with the CPI in the United Kingdom hit a four-decade high of 9.1%. Powell acknowledged that steep interest-rate hikes could tip the US economy into recession and called a soft landing very challenging. Treasury yield bull steepened, with the 2/5/10/30 yield retreating to 3.06/3.22/3.16/3.25% respectively.

❖ **Desk analyst comments** 交易平台市场观点➤ **COGARD: Result of tender offer and downgrade by Moody's**

Country Garden announced the result of tender offer to purchase COGARD 4.75% bond (o/s USD683.4mn) due on 25 Jul'2022 at par. USD410.95mn, representing 60.13% of the outstanding bonds, were validly tendered. As mentioned before, we believe this offer is a gesture from the company in response to the recent tumble in bond price since the maturity is close and purchase price is at par.

On the other hand, Moody's downgraded Country Garden's senior unsecured rating to Ba1 from Baa3 after placed its ratings on review for downgrade since end of May. Outlook changed to negative from ratings under review. Fitch also put company's ratings on negative watch earlier this month.

COGARD marked down 2-3pts post downgrade news this morning. Despite near-term price volatility triggered by negative actions from rating agency, we continue to take comfort from company's ability to access various funding channels. Beside RMB500mn onshore corporate bond issued in May'22, media also reported that company is soliciting investors interest for RMB370mn ABS issuance partially protected by CDS. We believe the current valuation has already priced in downgrade risks and provides value for longer-term investors, factoring our belief that COGARD will be a "survivor" of the sector. We maintain buy recommendations on COGARs.

You may see more details in [our daily on 9 Jun'2022](#).

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

Issuer/Guarantor	Size (mn)	Tenor	Coupon	Yield	Issue Rating (M/S/F)
Rushan Water Affairs Group (SBLC by Bank of Qilu)	USD28.5	364D	4.5	4.5	-/-
Hong Kong Yanjiang International Industrial (SBLC by Bank of Zheshang)	USD20	364D	3.8	3.8	-/-

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

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

➤ **Market conditions and color**

- Regarding onshore primary issuances, there were 86 credit bonds issued yesterday with an amount of RMB69bn. As for Month-to-date, 1,239 credit bonds were issued with a total amount of RMB1,254bn raised, representing a 8.5% yoy decrease.
- **[BUMIJ]** Bumi Resources announces that it plans to seek shareholder nod on 29 Jul for implementing a private placement of 13.2bn shares
- **[COGARD]** Moody's has downgraded the company's senior unsecured rating to Ba1 from Baa3 and withdraw the company's previous Baa3 issuer rating
- **[DAFAPG]** Dafa Properties announces that it has decided to cancel the payment of a RMB0.48 per share interim dividend for 1H21 to preserve cash resources
- **[GRNLGR]** S&P lowered its credit rating on Greenland Holding Group to SD from CC
- **[INDYIJ]** Indika Energy sets up subsidiary in electric vehicles business
- **[JIAYUA]** Jiayuan International announces that it has reached settlement agreements with two petitioners seeking to wind up the company due to the company's failure to repay bonds
- **[LMRTSP]** Moody's has downgraded the rating of Lippo Malls Indonesia Retail Trust (LMIRT) to B2 from B1
- **[REDSUN]** Fitch Ratings has downgraded Hong Yang Group and subsidiary Redsun Properties Group to B- from B
- **[SHIMAO]** Media reported that Shimao unit seeks consent to extend RMB950mn notes due 7 Jul by two years
- **[SJM HOL]** SJM Holdings announces that the transfer of the Oceanus Building involving the issue of HKD1.91bn convertible bond has been approved by shareholders

- **[YUNAEN]** Yunnan Energy Investment has proposed to raise up to RMB1.866bn from up to 35 specified investors via a private placement of new shares and the proceeds will be used to fund wind-power projects

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