

CMBI Credit Commentary

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

- *China HY space opened higher this week, AGILE up 1pt and SHIMAO up 2 pts following asset disposal news. Names like CHINSC/KWGPRO also up 2-4pts. IG spread widened 2-4bps in general, weaker names include MEITUA/ACTEC. BTSD 5NC2 IPT at 8%. See below.*
- *EVERRE: Media report that debt restructuring framework to be released by March. This is positive to the sentiment on the EVERRE/TIANHL complex. See below.*
- *SHIMAO & AGILE: Asset disposals to SOEs help shore up liquidity moderately. The key will be progress of further asset disposals or whether there will be further SOE involvements. See below.*

❖ Trading desk comments 交易台市场观点

Last Friday, China HY property space traded firm with stable sentiment. COGARD up 1-4pts post its CB issuance. BB names like CIFIHG/LOGPH saw real money buying interests and gained 1-3pts. SUNAC up 2-5pts for the day despite Sunac was downgraded to 'BB-/Negative' by S&P. Other property names such as KWGPRO/CHINSC/PWRLNG saw street buying interests and gained 4-8pts. In industrial sector, names like FOSUNI/WESCHI saw light demands and closed 1-2pts up.

IG market opened relatively quiet. IG property space continued to outperform, names such as VNKRL/LNGFOR/SINOCE closed 2-4bps tighter. In financial sector, new issued ICBCIL 3/5Y notes traded down and spread widened 4-5bps from reoffer, while CCB Tier2 notes traded 3-5bps wider. Other sectors including TMT/SOE saw light two way flows.

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➤ **Yesterday's Top Movers**

Top Performers	Price	Change	Top Underperformers	Price	Change
CENCHI 6 7/8 08/08/22	65.8	15.1	CSCHCN 11 1/2 02/12/22	77.3	-2.1
AGILE 6.7 03/07/22	81.2	12.9	REDSUN 9 1/2 09/20/23	22.9	-2.0
KWGPRO 7.4 01/13/27	60.2	10.7	REDPRO 11 08/06/22	41.5	-2.0
KWGPRO 6 08/14/26	60.3	10.6	RONXIN 6 3/4 08/05/24	28.7	-1.9
KWGPRO 5.95 08/10/25	60.6	10.4	ZHHFGR 4 1/4 PERP	96.3	-1.6

➤ **Macro News Recap 宏观新闻回顾**

Macro – All three major U.S. indexes fell for a third consecutive week, continuing their slide to start 2022, with investors worried about the prospect of higher interest rates. The S&P fell (-1.9%), Nasdaq (-2.7%), Dow (-1.3%). In addition, cryptocurrencies also tumbled, with bitcoin and Ether falling 11% and 15% respectively. U.S. Treasury yield curve shifted downward last Friday. The yield on the benchmark 10Y Treasury note declined to 1.75%. The 1/5/30Y yield down to 0.58/1.54/2.07% respectively.

➤ **Desk analyst comments 分析员市场观点**

➤ **EVERRE: Debt restructuring framework to be released by March**

Media reported the Guangdong government would release the framework of the restructuring plan by March. As per the report, the GD government proposes to restructure Evergrande's debt out-of-the court and plans to separate Evergrande's offshore debt and assets from its onshore restructuring. Evergrande could repay its offshore debts (USD 23.6bn) by using proceeds from the sales of its offshore assets.

While there remains no concrete timetable and details on the restructuring framework, the news is positive to the sentiment on the EVERRE/TIANHL complex because: the framework of restructuring plan comes faster than expected taking cues of defaults cases such as China Fortune Land Development; and the recovery prospect appears to be better for offshore investors as proceeds from the sales of its offshore assets can be used to repay offshore debts. A quick check on the attributable market value of Evergrande's major listed investments, these are worth cUSD7bn, equivalent to a recovery rate of c30% for offshore creditors. Caveats include the lack of information of how much of these are pledged for other liabilities and potential changes in ownership and market when restructuring plan finalized.

Separately, Liang Senlin, the chairman of China Cinda (HK) Holdings Co. Ltd. was appointed as non-executive director of Evergrande. This, coupled with the media report of restructuring framework to be released, lead to our belief that the local government and state-owned companies will orchestrate the restructuring of Evergrande. These should increase the chance of a consensual restructuring instead of fire-sales of assets.

➤ **SHIMAO: Sales of commercial land to Shanghai SASAC**

Shimao entered into a disposal agreement to sell an undeveloped commercial land parcel to Shanghai Jiushi which is wholly owned by Shanghai SASAC for RMB1.06bn (cUSD165mn). The site area of the land parcel is only 4,988.5sqm. We understand that this is a URP project and plot ratio has yet to be fixed.

The land sales can help moderately shore up Shimao's liquidity. In Dec'21, Shimao sold its stakes in Grand Victoria of HK to JV partners of the projects for HKD2.1bn (cUSD267mn). Shimao mentioned in Nov'21 that it had assets with saleable value of HKD20bn (USD2.6bn) could be disposed of to shore up liquidity. These assets include offices and hotels in Beijing and Shanghai, and property projects in HK. We shall monitor the progress of Shimao's asset disposal plan and whether more SOEs involvements in its asset disposals.

➤ **AGILE: Asset sale to COLI**

Agile entered into a sale and purchase agreement to sell 26.66% stake in JV company that mainly developing "Guangzhou Asian Games City" for RMB1.38bn (cUSD218mn) after deducting RMB464mn outstanding loan. The purchaser is Guangdong Zhonghai Property, a wholly owned subsidiary of COLI. The stake sale helps shore up Agile's liquidity. We shall monitor whether more asset disposals will come and any further SOE involvement.

➤ **BTSDf: IPT 8%**

The IPT of 5NC2BT (SDF '27) of 8% is wider than our FV estimation of low-7%, reflecting the general weak market for Chinese HY. We see Health & Happiness can trade on par with FOSUNI '27 (YTM~7.4%) thanks to its free cash flow generation and management's deleveraging track record. Please see [our new issue note](#).

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

Issuer	Size (mn)	Tenor	Coupon	Yield	Issue Rating (M/S/F)
Taishan City Investment Co Ltd	USD 110	1	3.75%	3.75%	-/-
JY Grandmark Holdings Ltd	USD 2.5	1	7.5%	7.5%	-/-

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

Issuer	Currency	Size (mn)	Tenor	IPG	Issue Rating (M/S/F)
China Cinda (2020) I Management Limited	USD	-	5	T+210	-/A-/A
Health and Happiness International Holdings Limited	USD	-	5NC2	8%	Ba3/BB/-

➤ **Onshore China conditions and color**

- Regarding onshore primary issuances, there were 81 credit bonds issued yesterday with an amount of RMB64bn. As for Month-to-date, 1369 credit bonds were issued with a total amount of RMB1458bn raised, representing a 18.5% yoy increase
- Indonesia ends coal exports ban, allowing 75 vessels with 39 companies to ship
- **[CAPG]** China Citic Bank International Ltd has filed a recovery suit in the Hong Kong High Court against China Aoyuan Group over a HKD 117mn revolving loan, according to a writ of summons dated 20 January
- **[CATHAY]** is expected to record a consolidated loss of approximately HKD 5.6-6.1bn
- **[SUNAC]** downgraded to BB-/Neg by S&P
- **[VNKRLE]** Vanke Overseas Investment to sell U.K. property to M&G TS Ryder for net GBP 56mn
- **[YUZHOU]** intends to maintain active dialogue with the holders of the remaining 2022 Notes and 2022 II Notes who collectively hold an aggregate principal amount of USD 104,857,000

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