

## CMBI Credit Commentary

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

- *General sell-off this morning, except CIFI/COGARD up 0.5pt. AGILE/TPHL and Industrial BEDUUS/CHIOIL down 2-3pt. Shimao muted despite news of Citic Trust agreeing on a short repayment extension.*
- **China NPC takeaways:** *The government sets its GDP growth target at 5.5% for 2022, in line with our expectations and signals more supportive policies in protecting employment as well as stimulating service consumption and infrastructure investments. See below.*
- **CHIGRA:** *announced signing a syndicated loan last Friday. We upgrade CHIGRA '22 to Buy on its refinancing progress and we expect it to be money good.*

#### ❖ Trading desk comments 交易平台市场观点

Last Friday, negative sentiment in China HY space continued. ZHPRHK rebounded 0.5pt after the company sweetened terms for the consent of the perps. Underperformer include PWRLNG'22s/23 (further down 5-6pts) and GRNLGR (down 3-5pts). FTLNHD/ROADKG/SUNAC down 2-3pts while AGILE/CENCHI/DALWAN/LOGPH down 1-2pts. Industrial space also underperformed, CARINC/WESCHI/FOSUNI down 1-3pts.

IG market sentiment still weak amid negative macroeconomic backdrop. In TMT sector, spread generally widened for names like WB/BABA. SOE names like SINOPE also traded down and spreads closed around 1-3bps wider.

**Glenn Ko, CFA 高志和**  
(852) 3657 6235  
glennko@cmbi.com.hk

**Polly Ng 吴宝玲**  
(852) 3657 6234  
pollyng@cmbi.com.hk

**James Wen 温展俊**  
(852) 3757 6291  
jameswen@cmbi.com.hk

**CMBI Fixed Income**  
fis@cmbi.com.hk

## ➤ Yesterday's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
REDSUN 9.95 04/11/22	52.0	9.8	FTLNHD 4 5/8 10/15/25	40.9	-3.3
XINHUZ 11 03/27/23	93.4	8.0	LOGPH 5 3/4 01/14/25	20.7	-3.3
COGARD 8 01/27/24	78.9	3.0	HPDLF 7 05/18/24	74.0	-3.4
COGARD 5 1/8 01/14/27	67.3	2.8	ROADKG 5 1/8 07/26/26	68.7	-3.7
COGARD 7 1/4 04/08/26	73.0	2.5	GRNLGR 5.6 11/13/22	71.2	-3.9

## ➤ Macro News Recap 宏观新闻回顾

**Macro** – U.S. stock indexes dropped and bond yields tightened from risk aversion last Friday. The S&P (-0.79%), Dow (-0.53%), Nasdaq (-1.66%) closed lower. Oil prices soured due to delay in potential return of Iranian crude to global markets as US/Europe consider banning imports of Russia Oil, WTI reached USD 130.5 a barrel, the highest level since 2008. U.S. Treasury yield curve tightened 3-9bp across curve, with 1/5/10/30Yr yield being 1.05%/1.65%/1.74%/2.16%.

## ➤ Desk analyst comments 分析员市场观点

## ➤ China Policy – China signals stronger policy to boost growth

The National People's Congress opened its annual session on 5 March and Premier Li Keqiang mapped out major development targets and policies for 2022 in the working report. Summary as below:

- **GDP growth target higher than market consensus.** China sets its GDP growth target at 5.5% for 2022, in line with our expectations yet higher than the Bloomberg consensus of 5%-5.5%. The government acknowledged the 5.5% growth target is not easy to achieve and requires a huge effort, implying stronger policy support this year.
- **Unemployment rate target more aggressive than expected.** China targets keeping urban registered unemployment rate within 5.5% instead of around 5.5% in 2022. It indicates that the government would prioritize the employment stability in supporting the growth.
- **No specific target for energy saving this year with a more flexible and long-term perspective.** There is no specific target for energy saving in 2022. China will consider the goal of reducing energy consumption per unit of GDP by 13.5% in the "14 Five-Year Plan" within five years..
- **Fiscal deficit below consensus, yet tax cut & fiscal expenditure stronger than expected.** Broad fiscal deficit is planned to decline from 6.3% of GDP in 2021 to 5.8% of GDP in 2022. General fiscal deficit and local government special bond quota is planned to respectively decline from 3.1% and 3.2% of GDP in 2021 to 2.8% and 3% of GDP in 2022. But tax cut and fiscal expenditure growth will be stronger than expected. Total tax cut and credit is expected to reach RMB2.5tn in 2022, including RMB1tn tax cut for SMEs, individual business, manufacturing & selected services and RMB1.5tn VAT credit refunds for all enterprises.

- **More easing monetary policy ahead.** The cabinet calls for an expansion of new loans and a decline of loan contract rates to corporate sector. We expect another possible RRR cut and LPR reduction within this year. M2 growth may rise from 9% at end-2021 to 9.8% at end-2022.
- **Consumption stimulus focusing on service consumption resumption.** The cabinet vows to resume consumption in tourism, catering, accommodation, movies, recreation and other services by more scientific and accurate virus control. It is possible to see China adjust its strict zero Covid policy in a gradual manner from the summer season. The cabinet encourages local government to boost upgrading demand for green smart home appliance, indicating central government will not provide subsidies to stimulate home appliance consumption.
- **Infrastructure investment focusing on water conservancy, transportation network, new energy generation base and gas supply network.** The Russia-Ukraine tensions make China pay more attention to the grain and energy security issue. The government will allocate more infrastructure funds into water conservancy, transportation network, energy production base and gas supply network. To facilitate a power system dominated by new energy, China plans to establish large-scale wind power and photovoltaic power generation bases in desert and Gobi areas and to transform coal power as the backup or reserve energy.

For more details, please refer to report: <https://www.cmbi.com/article/6428.html?lang=en>

➤ **China Grand Auto: CHIGRA '22 will be money good**

CHIGRA: announced signing a syndicated loan of USD 130mn (with upside potential to USD 280mn) today ([link to announcement](#)). Although this is below management's previous guidance of USD 200mn (with upside potential to USD 250mn – USD 300mn), we view the signing of this syndicated loan can help address a large part of upcoming maturity pressure in Mar – Apr 22, including

- a) offshore syndicated loan USD 358mn (c. RMB 2.3bn)
- b) onshore SCP RMB 400mn
- c) onshore bond of RMB 950mn puttable in March 2022
- d) USD notes CHIGRA 8.625% '22 (USD 253mn O/S, RMB1.7bn)

As per our communication with management yesterday, most of the c) puttable bond (O/S RMB 950mn) did not registered to put back. Management's plan is to repay CHIGRA 8.625% '22 USD notes (O/S USD 253mn) with internal resources in April '22. We expect CHIGRA'22 to be money good, given its free cash balance of c. RMB 7bn as of Dec 21 and its progress in refinancing. CHIGRA '22 has moved up 5-8 pts from its low 75 since mid-Feb. **We upgrade our recommendation on CHIGRA '22 to Buy on high repayment visibility, while maintaining Hold on CHIGRA 9.125 '24 at 73 and CHGRAU Perp at 56.**

Please see our full note: <https://www.cmbi.com/article/6432.html?lang=en>

➤ **Zhenro: Perps be traded flat to other ZHPRHK'22s should the consent goes through**

Zhenro sweetened the terms for the consent of the perps and ZHPRHK'22s. The major changes for the perps include the removal of the optional deferral and mandatory redemption at 102 on 6 Mar'23. As per Zhenro, failure to redeem the perps then would be an event of default. If Zhenro successfully secured the requisite consent, the perps will bear essentially the same terms as the proposed exchange terms of ZHPRHK'22s of which the exchange terms sweetened with redemption price increased to 102 at maturity on 6 Mar'23. Hence, we expect the ZHPRHK perps (quote at 10) to be traded flat to ZHPRHK'22s (quoted at mid-teens). As we discussed before, to successfully resolve the event of default resulting from the perps redemption is a critical step for any asset liability management of Zhenro. The sweetened consent terms for the perps, in our view, increases the chance of securing the requisite consent for the perps and the minimum acceptance level for the exchange of ZHPRHK'22s. Separately, Zhenro secured the requisite consent from longer-dated from holders of other ZHPRHKs to carve-out the non-payment of ZHPRHK perps and '22s from triggering cross default.

Please see our full note: <https://www.cmbi.com/article/6427.html?lang=en>

➤ **Jingrui: Minimum acceptance level for exchange secured**

After extending the exchange offer for JINGRU 12.75%'22 (o/s USD190mn due 11 Mar'22) to 4 Mar'22, Jingrui secured holders of usd175.33mn (i.e. 92.28%) in principal amount to accept the exchange offer. The acceptance level is above the minimum acceptable level of 90%. Recalled that the exchange offer is to effectively extend the maturity of the bonds by 1.5 years to Sep'23. We believe that further liability management for the remaining maturities in 2022 is likely. For more details of the exchange offer and consent solicitation, please see [comments titled JINGRU: Option B!](#)

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

Issuer	Size (mn)	Tenor	Coupon	Yield	Issue Rating (M/S/F)
No Offshore Asia New Issues Piced Today					

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

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

➤ **Onshore China conditions and color**

- Regarding onshore primary issuances, there were 45 credit bonds issued last Friday with an amount of RMB 90bn. As for Month-to-date, 256 credit bonds were issued with a total amount of RMB 293bn raised, representing a 2.7% yoy increase.
- **[LOGPH]** only institutional investors allowed to buy unit's three onshore bonds following adjustment
- **[RONXIN]** Ronshine China Holdings informally said it has remitted funds to an escrow account to redeem the remaining RMB 500mn outstanding on its 5.9% asset-backed securities (ABS) due on 11 March
- **[SHIMAO]** media reported CITIC Trust places Shimao RMB 6bn trust products under "observation period" from 4 March to 31 May '22
- **[VNKRLE]** China Vanke raises RMB 1.99bn via offering of corporate bonds to repay debts
- **[ZHPRHK]** Zhenro Properties receives requisite consents for senior notes due 2023 - 2026; early consent deadline extended to 11 March

*CMB International Securities Limited*

*Fixed Income Department*

Tel: 852 3761 8867/ 852 3657 6291

[fis@cmbi.com.hk](mailto:fis@cmbi.com.hk)

CMB International Securities Limited ("CMBIS") is a wholly owned subsidiary of CMB International Capital Corporation Limited (a wholly owned subsidiary of China Merchants Bank)

## Author Certification

The author who is primary responsible for the content of this research report, in whole or in part, certifies that with respect to the securities or issuer that the author covered in this report: (1) all of the views expressed accurately reflect his or her personal views about the subject securities or issuer; and (2) no part of his or her compensation was, is, or will be, directly or indirectly, related to the specific views expressed by that author in this report.

Besides, the author confirms that neither the author nor his/her associates (as defined in the code of conduct issued by The Hong Kong Securities and Futures Commission) (1) have dealt in or traded in the stock(s) covered in this research report within 30 calendar days prior to the date of issue of this report; (2) will deal in or trade in the stock(s) covered in this research report 3 business days after the date of issue of this report; (3) serve as an officer of any of the Hong Kong listed companies covered in this report; and (4) have any financial interests in the Hong Kong listed companies covered in this report.

## Important Disclosures

There are risks involved in transacting in any securities. The information contained in this report may not be suitable for the purposes of all investors. CMBIS does not provide individually tailored investment advice. This report has been prepared without regard to the individual investment objectives, financial position or special requirements. Past performance has no indication of future performance, and actual events may differ materially from that which is contained in the report. The value of, and returns from, any investments are uncertain and are not guaranteed and may fluctuate as a result of their dependence on the performance of underlying assets or other variable market factors. CMBIS recommends that investors should independently evaluate particular investments and strategies, and encourages investors to consult with a professional financial advisor in order to make their own investment decisions.

This report or any information contained herein, have been prepared by the CMBIS, solely for the purpose of supplying information to the clients of CMBIS and/or its affiliate(s) to whom it is distributed. This report is not and should not be construed as an offer or solicitation to buy or sell any security or any interest in securities or enter into any transaction. Neither CMBIS nor any of its affiliates, shareholders, agents, consultants, directors, officers or employees shall be liable for any loss, damage or expense whatsoever, whether direct or consequential, incurred in relying on the information contained in this report. Anyone making use of the information contained in this report does so entirely at their own risk.

The information and contents contained in this report are based on the analyses and interpretations of information believed to be publicly available and reliable. CMBIS has exerted every effort in its capacity to ensure, but not to guarantee, their accuracy, completeness, timeliness or correctness. CMBIS provides the information, advices and forecasts on an "AS IS" basis. The information and contents are subject to change without notice. CMBIS may issue other publications having information

and/or conclusions different from this report. These publications reflect different assumption, point-of-view and analytical methods when compiling. CMBIS may make investment decisions or take proprietary positions that are inconsistent with the recommendations or views in this report.

CMBIS may have a position, make markets or act as principal or engage in transactions in securities of companies referred to in this report for itself and/or on behalf of its clients from time to time. Investors should assume that CMBIS does or seeks to have investment banking or other business relationships with the companies in this report. As a result, recipients should be aware that CMBIS may have a conflict of interest that could affect the objectivity of this report and CMBIS will not assume any responsibility in respect thereof. This report is for the use of intended recipients only and this publication, may not be reproduced, reprinted, sold, redistributed or published in whole or in part for any purpose without prior written consent of CMBIS.

Additional information on recommended securities is available upon request.

#### Disclaimer

CMBIS or its affiliate(s) have investment banking relationship with the issuers covered in this report in preceding 12 months.

For recipients of this document in the United Kingdom

This report has been provided only to persons (I) falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended from time to time) ("The Order") or (II) are persons falling within Article 49(2) (a) to (d) ("High Net Worth Companies, Unincorporated Associations, etc.") of the Order, and may not be provided to any other person without the prior written consent of CMBIS.

For recipients of this document in the United States

CMBIS is not a registered broker-dealer in the United States. As a result, CMBIS is not subject to U.S. rules regarding the preparation of research reports and the independence of research analysts. The research analyst who is primary responsible for the content of this research report is not registered or qualified as a research analyst with the Financial Industry Regulatory Authority ("FINRA"). The analyst is not subject to applicable restrictions under FINRA Rules intended to ensure that the analyst is not affected by potential conflicts of interest that could bear upon the reliability of the research report. This report is intended for distribution in the United States solely to "major US institutional investors", as defined in Rule 15a-6 under the US, Securities Exchange Act of 1934, as amended, and may not be furnished to any other person in the United States. Each major US institutional investor that receives a copy of this report by its acceptance hereof represents and agrees that it shall not distribute or provide this report to any other person. Any U.S. recipient of this report wishing to effect any transaction to buy or sell securities based on the information provided in this report should do so only through a U.S.-registered broker-dealer.

For recipients of this document in Singapore

This report is distributed in Singapore by CMBI (Singapore) Pte. Limited (CMBISG) (Company Regn. No. 201731928D), an Exempt Financial Adviser as defined in the Financial Advisers Act (Cap. 110) of Singapore and regulated by the Monetary Authority of Singapore. CMBISG may distribute reports produced by its respective foreign entities, affiliates or other foreign research houses pursuant to an arrangement under Regulation 32C of the Financial Advisers Regulations. Where the report is distributed in Singapore to a person who is not an Accredited Investor, Expert Investor or an Institutional Investor, as defined in the Securities and Futures Act (Cap. 289) of Singapore, CMBISG accepts legal responsibility for the contents of the report to such persons only to the extent required by law. Singapore recipients should contact CMBISG at +65 6350 4400 for matters arising from, or in connection with the report.