

## CMBI Credit Commentary

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

- *This morning, pressure on China HY continued. LOGPHs down another 10pts on media report of private USD debts. See below for more. COGARD/CIFIHG/ROADKG/SHUION/PWRLNG were dragged down -4 to -7pts.*
- *Macau gaming: The proposed new gaming law relieved some of the major overhangs. This should support the near-term performance of Macau gaming bonds, especially those of the operators with US-ownership such as MGMCHIs, SANLTDs and WYNMACs. In the sector, our top picks are STCITYs and WYNMACs. See below for more.*
- *TQLTHI: HK IPO in 1H22 and surge in Chinese Lithium price support TQLTHI repayment in Nov 2022. See below for more.*

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#### ❖ Trading desk comments 交易台市场观点

Last Friday, China HY space remained weak with sentiment skewed to better selling. Property names like COGARD/CIFIHG continued to see selling in the market and trade down 3-5pts. LOGPH was also impacted by rumors of private placement and fell 6-8pts. In addition, AGILE, the already low dollar price, outperformed and closed down only 1pt post the news of buyback of USD 13mn senior notes due in March 2022. **Movements for the week from 10 Jan to 14 Jan are as below: AGILE/LOGPH/CENCHI/KWGPRO/SUNAC/TPHL/ZHPRHK down 15-20pts, COGARD/CHINSC/PWRLNG down 10-15pts, SINOCE/FUTLAN/FTLNHD/CIFIHG/REDSUN down 7-10pts, LNGFOR/SHIMAO/YUZHOU down 4-7pts, and other property names down 1-4pts.** In the Macau gaming sector, SJMHOL back to unchanged for the day, after dipping as much as 2 pts before Macau released details of the license.

IG market continued to trade soft with benchmark spread wider by 1-2bps. IG property names such as LNGFOR/VNKRLE traded down and spread widened 30-40bps. Besides, the AMC space continued negative sentiment. CCAMCL down in both equity and bond, and perps slipped almost 1pt for the day.

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➤ **Yesterday's Top Movers**

Top Performers	Price	Change	Top Underperformers	Price	Change
WYNMAC 5 1/2 01/15/26	96.1	4.8	LOGPH 4 1/2 01/13/28	68.1	-9.5
WYNMAC 5 1/2 01/15/26	96.1	4.8	LOGPH 5 3/4 01/14/25	72.3	-9.3
WYNMAC 4 7/8 10/01/24	97.0	4.7	LOGPH 6.9 06/09/24	73.7	-9.1
WYNMAC 5 1/8 12/15/29	92.0	4.7	LOGPH 6 1/2 07/16/23	73.8	-9.0
WYNMAC 4 7/8 10/01/24	97.0	4.7	LOGPH 5 1/4 10/19/25	68.1	-8.9

➤ **Macro News Recap 宏观新闻回顾**

**Macro** – Lackluster earnings from some big U.S. banks, along with weak retail sales and manufacturing data, sent most of the market lower again on Friday until a late-session buying rush pushed the S&P 500 and Nasdaq back into positive territory. The S&P advanced (0.1%), Nasdaq gained (0.6%), but Dow fell (-0.6%). In addition, U.S. Treasury yield curve shifted upward last Friday with market expectations for a rate hike as soon as March. The yield on the benchmark 10Y Treasury note climbed to 1.78%. The 1/5/30Y yields rose slightly to 0.51/1.55/2.12% respectively.

➤ **Desk analyst comments 分析员市场观点**➤ **LOGPH: Sharp corrections on reports of private debts**

Media reported that Logan had 4 private USD bonds/repackage loans. A quick check on Bloomberg, the total outstanding amount of these 4 private USD bonds/repackage loans is USD812mn, including USD170mn due in Mar'22, USD170mn due in May'22, USD212mn due in Mar'23 and USD260mn due in Jun'23. As quoted by media, Logan previously denied that it had private debt. Nonetheless, LOGPHs moved 14-17 pts lower since last Fri (14 Jan'22) despite it bought back USD20mn of LOGPH 7.5%'22 due Aug'22 on last Fri.

➤ **Macau gaming: Major uncertainties addressed**

Last Fri, Macau government hosted a press conference to sketch out the skeleton of the proposed new gaming law. While the drafted bill is pending upon the approval from Macau's legislative Assembly, we see more clarities on 4 major areas of concerns: 1) number of concessions will be up to 6; 2) gaming tax of 39% (including levies) will remain unchanged; 3) concession period of 10 years and up to 3 years extension in exceptional circumstances and 4) plan to appoint a government delegate dropped.

Our takes on the regulatory framework are operators with US-ownership are not being excluded from licenses renewal and the Macau government aims to maintain a largely stable operating environment for concessionaires with stable tax rate and long license period. The shorter license period of 10+3 years reflects the completion of major capex of concessionaires. There are tightening regulations on VIP junkets and satellite casinos. These should not be too surprising after the arrest of Alvin Chau of Suncity and the suspension of Suncity's operations. Additionally, the impact of these tightening regulations should be contained, especially for those operators with US-ownership as VIP operations contribute a lower portion of their gaming revenue and they do not have satellite casino. Overall, we see the proposed new gaming law relieved some of the major overhangs of the Macau gaming sector. This should support the near-term performance of Macau gaming bonds, especially those of the operators with US-ownership such as MGMCHIs, SANLTDs and WYNMACs. In the sector, our top picks are STCITYs and WYNMACs which, in our opinion, offer better risk and return profile.

➤ **Tianqi Lithium: Media reported of HK IPO listing in 1H22**

Tianqi Lithium is seeking HK IPO listing as early as 1H2022, according to media report. Following its EGM approval of HK IPO to issue new share up to 20% of its enlarged total equity in Sep 2021, the maximum equity fund raising can be up to RMB33bn, based on last closing market cap of RMB133.6bn at RMB88 share price.

Tianqi has RMB6.5bn upcoming maturity in 2022, including USD668mn series A/C syndicated loan and USD300mn USD notes due on Nov 2022. Although Tianqi is currently low in cash (RMB1.2bn as of 30 Sep 2021), the surge in lithium price will boost its operating cash flow and prospect of a successful HK IPO in 2022, for timely bullet debt repayment.

During 1Q-3Q2021, Tianqi revenue rose to RMB3.9bn (+60% yoy), EBITDA rose to 1.96bn (+86%yoy) and record an operating cash flow of RMB1.4bn. This is backed by a 106% increase in Chinese lithium price during the period, to an average of RMB110,141/ton in 3Q2021. Total debt also lowered to RMB20.4bn at 30 Sep 2021, from RMB 30bn at end-2020 after its 25% effective stake sale of Australia Greenbushes mine for USD 1.4bn.

Subsequent to that, Chinese lithium price rose further to an average of RMB 210,057/ton in 4Q2021, and RMB 305,333/ton in Jan'22. **In view of its high likelihood of successful IPO, we like TQLTHI 3.75%'22 at 94.5 (YTM~10.5%) as a diversification idea.**

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

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

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

Issuer	Currency	Size (mn)	Tenor	IPG	Issue Rating (M/S/F)
Chengdu Jingkai Guotou Investment Group Co	USD	-	2.9	5.8%	Ba2/-/-
Zhongchuang HK Technology Co	USD	-	3	2.1%	-/-/-
Golden Dragon Mountain Trading BVI Co Ltd	USD	-	1	4.3%	-/-/-

➤ **Onshore China conditions and color**

- Regarding onshore primary issuances, there were 75 credit bonds issued last week with an amount of RMB69bn. As for Month-to-date, 852 credit bonds were issued with a total amount of RMB886bn raised, representing a 25.5% yoy increase

- PBOC cuts rate on 7-day reserve repo to 2.1% from 2.2%, cuts rate on 1-year MLF loans to 2.85% from 2.95%
- **[GWTH]** more than 85% of aggregate outstanding principal amount of senior notes duly executes RSA
- **[LNGFOR]** issued RMB 2bn six-year 3.49%, RMB 800mn eight-year 3.95% corporate bonds on 13 January and 14 January 2022
- **[LOGPH]** bought back USD 20mn 7.5% '22 notes due August '22 on last Friday
- **[TQLTHI]** hires CICC, Morgan Stanley, CMB International to arrange USD 1bn HK listing

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