

CMBI Credit Commentary

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

- *This morning flow is skewed to selling on high dollar price bonds. SHIMAO curve down 10-15pts to mid-10s (except 22s) while LOGPH saw little impact from report of significant amount of off-balance debts, only down 1-2pts this morning. IG spread generally widened due to negative macro sentiment and lower treasury yield.*
- *The Russia-Ukraine crisis could disrupt commodity supply, raise inflation and slow growth. CMBI equity research highlighted the impact on macro economy and different sectors. See below.*
- *JINGRU: Deadline of exchange offer extended to 4 Mar'22 while requisite consent secured See below.*

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❖ Trading desk comments 交易平台市场观点

Yesterday, China HY property space remained weak. FTLNHD/JIAYUA were skewed to better selling and down 4-7pts. SHIMAO traded relatively stable but dropped 5-8pts at the closing hours post news that Shimao Group hired Admiralty Harbour and Sidley Austin as advisors. KWGPRO/PWRLNG traded down 1-2pts while AGILE/LOGPH/CHINSC/RAODKG also down around 1pts for the day. CIFIHG traded flat and closed around 1pt up. Macau gaming space was mixed post the annual result announcement, SJMHOL rose 0.5-1pts for the day while STDCTY closed 0.5pts down.

IG market continued to trade soft with benchmark spreads widening 5-7bps. In SOE sector, names such as CHALUM/CHITRA saw two way flows in the market and closed relatively unchanged to 2-3bps wider. TMT sector names like BABA/TENCNT saw light selling flows and spreads widened 3-5bps.

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➤ Yesterday's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
SUNAC 7.95 08/08/22	63.8	2.3	JIAYUA 12 1/2 07/21/23	40.0	-10.2
SUNAC 7 1/4 06/14/22	68.3	1.4	SHIMAO 5.2 01/16/27	18.4	-9.7
CITLTD 4.85 03/13/38	111.6	1.3	SHIMAO 5.2 01/30/25	21.9	-9.2
CITLTD 4 7/8 02/04/41	113.2	1.3	SHIMAO 4.6 07/13/30	18.0	-8.9
SDBC 4.4 09/29/34	118.3	1.3	JIAYUA 11 02/17/24	39.9	-8.2

➤ Macro News Recap 宏观新闻回顾

Macro – U.S. stock indexes fell and bond yields slipped on Tuesday while oil price advanced. The S&P (-1.5%), Dow (-1.8%), Nasdaq (-1.6%) all fell for the day. Oil prices rallied, rising back above USD 100 a barrel to the highest level since 2014. U.S. Treasury yield curve shifted downward yesterday. The yield on the benchmark 10Y Treasury note dropped to 1.72%. The 1/5/30Y yields down to 0.91/1.56/2.11% respectively.

➤ Desk analyst comments 分析员市场观点

➤ Russia-Ukraine crisis and sector implications

CMBI Equity Research published the report highlighted the impact of Russia-Ukraine crisis on macro economy and sectors. Summary as below:

- **Macro:** The tensions could disrupt commodity supply, raise inflation and slow growth. US & China should be more resilient with US dollar and RMB both strengthening. Investors focus on dynamics of geopolitical tensions, US inflation and China's growth.
- **Strategy:** China/HK stock market is more defensive than US/Europe. Geopolitical events only have short-lived impact. We suggest taking profit on international/HK banks, getting ready to sell oil stocks into strength and accumulating internet, consumption & infrastructure sectors.
- **Technology:** there is limited disruption to semi and smartphone/PC supply chain. Our analysis suggested Xiaomi has 5%/2% smartphone exposure to Russia/Ukraine, and Lenovo has 2% PC exposure to Russia in 2021.
- **Renewables:** Prices face upside pressure as LNG importers and gas operation companies may see cost pressure. But gas operation companies have great potential in expanding renewable & value added business.
- **Banking & insurance:** Banks and insurance have limited business or exposure in Russia & Ukraine. The sanctions on Russia may facilitate renminbi settlement in long-term, providing benefit for Chinese banks.
- **Software & IT services:** Data center supply chain could be affected. Ukraine supply over 70% of neon which is used in chip-making. Possible chip shortage may lengthen server delivery for IDCs like GDS (GDS US), 21Vianet (VENT US), ChinData (CD US) and Shanghai Athub (603881 CH).
- **Internet:** Internet companies have very limited business exposure to Russia or Ukraine. The impact is through the sentiment channel as investors shift from growth stocks to safe havens.

- **Property:** It may worsen the US bond refinancing condition for developers; but unfair pricing provide short-term profitable names including Longfor (960.HK), CR MixC (1209.HK) and Greentown Management (9979.HK).
- **Capital goods:** Construction machinery/HDT has limited exposure in Russia & Ukraine, but may see higher material cost. EU nations may want to reduce reliance on Russian energy supply in future, positive for solar power sector.
- **Auto:** The tensions would cause export slowdown, FX losses and supply chain instability. Russia is the 3rd largest export market for China's auto sector. Great Wall (2333 HK / 601633 CH) has assets in Russia. Russia and Ukraine are important exporters for some noble gases.
- **Healthcare:** We see very limited impact as only few pharmaceutical companies conduct very small scale of MRCT in Ukraine. Tigermed (300347 CH / 3347 HK) is conducting one clinical trial in Ukraine.
- **Consumer discretionary:** We see mild impact on home appliance sector in term of softening demand in Europe and rising material costs. The impact on sportswear sector and catering sector should be limited.
- **Consumer staples:** There is not too much impact on F&B stocks as majority of the demand and supply is domestic.

For more details, please refer to report: <https://www.cmbi.com/article/6409.html?lang=en>

➤ **China Economics - PMI rose slightly, while business confidence improved**

China's manufacturing PMI slightly rose in February 2022, in line with expectations, albeit tracking lower than 4Q21. In particular, PMI in construction & service respectively declined from 57.4% and 51.6% in 4Q21 to 56.5% and 50.4% in 2M22. Business expectation improved in manufacturing, construction and service sectors, as tax cut and credit easing boosted business confidence. New order rebounded in manufacturing & construction, but declined in service. Please see [our Equity team research on China Economics](#).

➤ **JINGRU: Exchange offer extended while requisite consent secured**

Jingrui extended the exchange offer for JINGRU 12.75%'22 (o/s USD190mn due 11 Mar'22) to 4 Mar'22. The exchange offer is to effectively extend the maturity of the bonds by 1.5 years to Sep'23. Recalled that the original deadline for the exchange is on 1 Mar'22 and the minimum acceptance level is 90%. As we discussed in our daily on 23 Feb 2022, option B of the exchange is clearly a better option which is in line with the recent exchange offers of other industry peers. We understand that the option A will be mainly for some long-term partners and investors of Jingrui. We also believe that further liability management for the remaining maturities in 2022 is likely. Meanwhile, Jingrui obtained the requisite consent the other 5 USD bonds due in 2022-2024 (total o/s cUSD1.2bn) to carve out cross default terms triggered by default of JINGRU 12.75%'22. 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)
Huaiyuan County New Urbanization Construction	100	3	3%	3%	-/-/-

➤ **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 61 credit bonds issued yesterday with an amount of RMB60bn. As for Month-to-date, 120 credit bonds were issued with a total amount of RMB109bn raised, representing a 1% yoy increase
- **[COGARD]** receives NAFMII's notice of registration acceptance for RMB 5bn MTN issue
- **[DAFAPG]** fails to pay USD 22.275mn interest on 12.375% senior notes by expiry of grace period; Sidley Austin to assist with offshore debt restructuring
- **[HAIDIL]** appoints Yang Lijuan as CEO
- **[JINGRU]** receives requisite consents for proposed amendments to five series of senior notes; extends deadline of exchange offer for 12.75% senior notes due March 2022 to 4 March
- **[YUNAEN]** is to raise up to RMB 1.866bn from investors led by Yunnan Provincial Energy Investment, Yuntianhua Group
- **[YUZHOU]** urges creditors to refrain from taking any radical legal action that may destabilize company's operations

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