

CMBI Credit Commentary

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

- *Not insulated from global equity meltdown this morning, COGARD/CIFIHG/SHUION down 3-5pt. Rest of space, including industrial and AT1, down 1-2pt. REDPRO which announced exchange offer hovers at 20s handle.*
- **CHIGRA:** *Exchange offer of '22 notes is possible, but not final yet. The company's liquidity is impeded by lockdown from Covid. See below.*
- **REDPRO:** *announced the offer to purchase and concurrent consent solicitation for its outstanding offshore. The terms and form of offer are largely in line with the exchange and consent solicitation of other peers such as Dafa and Yuzhou. See below.*

❖ Trading desk comments 交易台市场观点

Yesterday, China HY property space sentiment remained weak. CIFIHG curve saw selling flows in the street and down 5-10pts for the day. AGILE were broadly flat while KWGPRO/SHIMAO slightly traded down around 1pt. DALWAN/LOPGH/PWRLNG/SUNAC underperformed and down 2-3pts. Other property names including CENCHI/COGARD/GRNLGR/CHINSC/SHUION closed down 3-5pt. In industrial sector, HONGQI underperformed and down 5pts. Other names like CHIOIL/EHICAR/SJMHOL/WESCHI were skewed to selling and down around 2pts.

IG market opened relatively stable but turned into another day of soft tone soon. TMT space was impacted by heavy selling flows and spreads widened as much as 30bps. SOE space was also skewed to better selling and spread closed 5-8bps wider. In financial sector, AMC names like CCAMCL saw selling in the street and widened around 20bps while AT1 names traded down around 1pt for the day.

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➤ **Yesterday's Top Movers**

Top Performers	Price	Change	Top Underperformers	Price	Change
JINGRU 12 01/28/24	20.6	4.9	CIFIHG 5 3/8 PERP	59.9	-10.4
YUZHOU 5 3/8 PERP	8.8	2.8	CENCHI 6 7/8 08/08/22	45.5	-8.7
SUNSHI 10 1/4 03/18/22	13.6	2.8	CIFIHG 5.95 10/20/25	45.1	-8.5
AGILE 7 3/4 PERP	18.3	1.9	CIFIHG 6 07/16/25	45.1	-8.5
YUZHOU 7 3/8 01/13/26	9.7	1.5	CIFIHG 6.55 03/28/24	50.5	-8.0

➤ **Macro News Recap 宏观新闻回顾**

Macro – Stocks and oil prices tumbled yesterday as investors assessed the impact of new Covid-19 outbreaks in China and awaited a likely rate hike by the Federal Reserve this week. The S&P (-0.7%), Dow (0%), Nasdaq (-2%) all dropped for the day. Futures for Brent crude fell 5.1% to USD 106.90 a barrel. The yield on the benchmark 10Y Treasury note rose to 2.14%. The 1/5/30Y yields up to 1.28/2.10/2.47% respectively.

➤ **Desk analyst comments 分析员市场观点**

➤ **CHIGRA '22: Exchange offer scenario is possible**

As per our discussion with management, China Grand Auto has yet to make a final decision on any exchange proposals as the company is working hard on full repayment. That said, the company's sales performance over past few months weakened notably due to lockdown as Covid-19 cases surged.

In Oct 2019, China Grand Auto conducted exchange offer for its CHGRAU 7.9 02/2020 notes (USD 300mn). For each USD 100 principal amount of existing notes, noteholders received USD 105 new notes (due July 2021) + USD 3.5 cash repayment of existing notes and accrued interest. The company issued USD 83.34mn new notes post this exchange offer and repaid the remaining outstanding amount of its CHGRAU 7.9 02/2020 notes (USD217.7mn) in Feb 2020 when it came due. The anchor investors for its 2019 exchange offer were primarily Chinese banks, according to management.

➤ **REDPRO: Exchange offer and consent solicitation**

Redco announced the offer to purchase and concurrent consent solicitation for its outstanding offshore bonds to lengthen maturities. The terms and form of the offer and consent solicitation are largely in line with the exchange and consent solicitation of peers such as Dafa and Yuzhou.

Offer to purchase

The offer to purchase is for REDPRO 8%'22 due 13 Apr'22, 11%'22 due a Aug'22 and 13%'23 puttable on 27 May'22. This is essentially an exchange offer to extend maturities/redemption date for 10-12 months with an

upfront fee of 1pt, partial redemption of 5pts on before their original maturities/redemption date and cash payments on accrued interests on their original coupon dates. In short, holders of these 3 bonds will receive 10-12.5pts (including coupon of 4-6.5pts) up to their original maturities/redemption dates. The key terms of offer to purchase are:-

	REDPRO 8 04/13/22	REDPRO 11 08/06/22	REDPRO 13 05/27/23
Upfront cash consideration	1pt	1pt	1pt
Partial redemption	5pts	5pts	5pts
Partial redemption date	10 Apr'22	6 Jul'22	6 May'22
Accrued interests to be paid in cash	4pts	5.5pts	6.5pts
Dates on accrued interests to be paid	13 Apr'22	6 Aug'22	27 May'22
<i>Original coupon dates</i>	<i>13 Apr'22</i>	<i>6 Aug'22</i>	<i>27 May'22</i>
Expected issue dates of new notes	25 Mar'22	25 Mar'22	25 Mar'22
New notes maturities	23 Mar'23	6 Aug'23	24 Mar'23
<i>Original maturities/redemption date</i>	<i>13 Apr'22</i>	<i>6 Aug'22</i>	<i>27 May'22</i>
O/s amt of new notes per 100 upon the payment of accrual interests	95	95	95
New notes coupon rate	8%	11%	13%
<i>Original coupon rate</i>	<i>8%</i>	<i>11%</i>	<i>13%</i>
Minimum acceptance level	90%	90%	90%
Offer deadline	21 Mar'22	21 Mar'22	21 Mar'22

Concurrent consent solicitation

At the same time, Redco launched the consent solicitation of its 2 remaining offshores to increase the threshold of event of default to USD25mn from USD10mn and to carve out the default of bonds subject the offer to purchase and offshore bank loans to trigger cross default of other offshore bonds. The consent fee is 0.25pt and deadline for the consent is on 21 Mar'21.

➤ SAKAEI: Tender offer upsized, maintain Buy

Saka Energi upsized the tender offer 10% to accept the purchase of USD220mn of SAKAEI4.45%'24. After the completion of the tender offer, USD405mn of SAKAEI4.45%'24 will remain outstanding. As we discussed in our daily on 1 Mar'22, Saka Energi's tender offer demonstrated its manageable liquidity position after PGN extended the maturities of shareholder loans to Saka Energi in Sep'21. We maintain our Buy recommendation and consider SAKAEI'24 an leverage play on Indonesia sovereign given the spread differential and cross default with PGN. The spread between SAKAEI'24 and PGASIJ'24 has tightened c130bps to c240bps since our coverage initiation in Dec'21 and we still see room for spread compression of 90-100bps. Recalled that the spread differential was hovering below 150bps before the COVID-19 outbreak.

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

Issuer	Size (mn)	Tenor	Coupon	Yield	Issue Rating (M/S/F)
CICC Hong Kong	USD 600mn	3 yr	2.875%	T3+105	Baa1/BBB+/BBB+
BOCOM Hong Kong	USD 400mn	3 yr	2.375%	T3+45	A2/A-/A

➤ **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 84 credit bonds issued yesterday with an amount of RMB111bn. As for Month-to-date, 842 credit bonds were issued with a total amount of RMB870bn raised, representing a 4.1% yoy decrease.
- **[CIFIHG]** issues RMB1bn four-year MTNs with 4.75% coupon
- **[GRNLGR]** repurchases USD 26.1mn of 6.75% notes due 2022 in open market
- **[GZRFPR]** to sell 'Vauxhall Square' in London to Far East Consortium International for around HKD 977mn; the Company seeks one-year maturity extension for RMB 1.95bn public bonds due on 7 April
- **[HONGSL/REDSUN]** Hong Yang and Redsun downgraded to 'B' outlook negative – Fitch
- **[LOGPH]** yet to pay loan due 11 March, according to Hong Kong Economic Times
- **[MDLNIJ]** Modernland Realty commenced tender offer for MDLNIJ'25 MDLNIJ'25 (PIK) and MDLNIJ'27 at 53-60, 53-60 and 47-55, respectively. The tender offer will expire on 25 Mar'22
- **[RSMACA]** affirmed at 'BB'; outlook negative by Fitch
- **[ZHPRHK]** Zhenro Services 24.4% stake transferred from controlling shareholder Ou Zongrong to Fujian Huamin Import and Export to settle a loan.

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