

CMBI Credit Commentary

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

- *Better buying flow this morning. Front-end SHUION/YLLGSP/ROADKG/COGARD saw demand from real money. While we also saw short-covering in IG TMT and low dollar price HY credits, i.e. GRNLGR/FTLNHD/TPHL.*
- **EVERRE:** *limited updates from investor call yesterday. We believe the group's share trading suspension will be prolonged, taking a cue from Kaisa's almost 2 years suspension started from Mar'15. Separately, Kaisa will also delay the publication of FY21 results and will likely face another lengthy spell of suspension. See comments below.*
- **CHIOIL:** *announced to redeem USD250mn of 5.5% senior notes due 2023 at 102.75% on 5 April. USD100mn of '23 notes will remain outstanding. We expect technical support to remaining outstanding notes, including CHIOIL '26 (YTM~6.1%, 95-mid) due to scarcity value. See below.*

❖ Trading desk comments 交易台市场观点

Yesterday, Chinese HY space was mixed with most names down 1-2pts. SUNAC curve down 3-5pts the most post the delay of annual report publication news but paired some loss to only down 0.5-1pt before closing. Benchmark names like COGARD was traded down 1-2pts, and CIFIHG down 0.5-1pt. Outperformers include higher quality names like SHUION/ROADKG (up 1-3pts) and HPDLF (up 7pts). Large price mark down bonds were REDSUN Oct'22 (-15pts), JIAYUA Oct'22 (-4-5pts) and RONXIN Oct'22 (-4-5pts). Industrial sector continues its recovering trend with FOSUNI rose 1-4pts and HONGQI/WESCHI up around 1pt. Macau gaming names also traded firmer.

In Chinese IG space, TMT names like BABA/TENCNT continued to tightened, spread has tightened 70-90bps compared to last week during sell-off. CCB T2 also continued to tighten to +155 level. Bank AT1 such as ICBCAS up 0.1-0.25pt.

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➤ **Yesterday's Top Movers**

Top Performers	Price	Change	Top Underperformers	Price	Change
HPDLF 6.8 12/28/23	66.4	8.2	EHOUSE 7.6 06/10/23	14.8	-41.3
HPDLF 7 05/18/24	63.5	7.3	ZHLGHD 9 1/2 07/29/22	24.5	-21.9
GRNLGR 5 3/4 09/26/22	73.7	5.2	REDSUN 10 1/2 10/03/22	14.4	-16.1
FOSUNI 5.05 01/27/27	80.4	4.9	ZHLGHD 12 04/17/23	25.1	-15.6
FOSUNI 5 05/18/26	81.4	4.4	LSEAGN 10 3/4 10/21/22	45.5	-9.6

➤ **Macro News Recap 宏观新闻回顾**

Macro – U.S. stock market ended higher Tuesday, while Treasury bond yields advanced further, as investors continued to recalibrate growth and rate hike expectations while tracking developments in Russia's war on Ukraine. The S&P (+1.13%), Dow (+0.74%), Nasdaq (+1.95%) closed higher. A hawkish series of comments from Powell yesterday revived bets on faster - and deeper - rate hikes over the coming months as inflationary pressures continue to accelerate amid surging commodity prices and supply chain disruptions linked to China's renewed Covid surge. Treasury yield curve continued to shift upwards, with 1/5/10/30Yr yield reaching 1.59%/2.39%/2.38%/2.60%.

➤ **Desk analyst comments 分析员市场观点**

➤ **Evergrande: Not much new from the investor call**

Evergrande hosted an investor call last night. The company provided some updates on its operations such as over 80% of its projects under-development resumed construction, its EV operations obtained sales permit for Hengchi 5 and will start commercial production by Jun'22. There are limited updates as to the progress and framework of the debt restructuring plan. To us, the few takeaways from the call are:-

- Target to launch the debt restructuring plan by end of Jul'22 remains unchanged.
- Total offshore obligations are USD22.7bn, including USD14.2bn and USD5.2bn under EVERRE and TIANHL, respectively, and USD3.3bn in private placements, guarantees and repurchase obligations under equity financing.
- Deposit of RMB13.4bn (cUSD2.1bn) at Evergrande Property Services earmarked as security for 3rd party pledge guarantees had been enforced. Evergrande Property Services will establish an independent investigation committee.
- Suspension of share trading of group companies appears not related to the progress of debt restructuring, introduction of strategic investors, etc. Instead, we believe that the suspension is related to account irregularities taking a cue from RMB13.4bn deposit being enforced and failure to publish FY21 results, even unaudited. Evergrande and its fellow group companies could face lengthy period of share trading suspension. This could complicate the debt restructuring process and introduction of strategic investors. **Recalled that Kaisa shares were suspended from trading for 4 days short of 2 years (from**

31 Mar'15 to 27 Mar'17) after Kaisa failed to file FY14 results. The share trading were only resumed after the completion of debt restructuring and filing of latest financial statements.

➤ **Kaisa: Me too.... in delay!**

Kaisa is the latest Chinese property developer in announcing the delay in the publication of FY21 results. Like Evergrande, Kaisa did not mention if it would publish unaudited FY21 results. This means Kaisa shares could face lengthy suspension from trading. As discussed above, its shares were suspended from trading for almost 2 years from Mar'15. Please also see our comments titled "[Chinese properties: A stock-take on accounting issues so far](#)".

Summary of accounting issues so far

Date	Developers	Accounting issues
27 Jan'22	Hopson	Replaced PWC with E&Y. Expected audited FY21 results to be released on 31 Mar'22.
25 Feb'22	Yuzhou	Replaced E&Y with UniTax. Board meeting on FY21 results on 31 Mar'22.
21 Mar'22	Evergrande	Delay in publication of audited FY21 results. No indication on the publication of unaudited FY21 results. Current shares trading suspension should be related to the account irregularities and delay in publications of FY21 results.
21 Mar'22	Ronshine	Replaced PWC with Elite Partners. Delay in publication of audited FY21 results and unaudited results to be released on 31 Mar'22.
21 Mar'22	Shimao	Delay in publication of audited FY21 results to on or before 30 Apr'22. Unaudited FY21 results to be released on 31 Mar'22.
21 Mar'22	Sunac	Delay in publication of audited FY21 results and unaudited results to be released on 31 Mar'22.
22 Mar'22	Kaisa	Delay in publication of audited FY21 results. No indication on the publication of unaudited FY21 results. Lengthy share trading suspension expected.

➤ **CHIOIL: early redemption USD 250mn of 2023 notes at 102.75**

China Oil and Gas announced to redeem USD250mn of 5.5% senior notes due 2023 at 102.75% on 5 April. USD100mn of '23 notes will remain outstanding. A look through OC shows CHIOIL can exercise the optional redemption after 25, July 2022 at 101.375, instead of current redemption price of 102.75. The company's early redemption reflects its sound fundamental and a gesture to support its offshore bond price, in our view.

In 1H21, CHIOIL had a solid operating performance, with revenue growth of +49%yoy and EBITDA of 42%yoy, to RMB6,952mn and RMB 1,100mn respectively. LTM Net Debt to EBITDA lowered to 2.3x at Jun, 2021, from 3.0x at end-2020. We expect technical support to remaining outstanding notes, including CHIOIL '26 (YTM~6.1%, 95-mid) due to scarcity value of BB-rated Chinese industrial credit with good fundamental.

➤ **Redco: Extension of offer deadline**

Redco obtained requisite consent to carve out the default of bonds subject to the offer to purchase and offshore bank loans to trigger cross default of REDPRO 10.5%'23 and 9.9%'24. At the same time, Redco extended the deadline for the offer to purchase to 30 Mar'22 from 21 Mar'22. As per Redco, the tender levels for REDPRO 8%'22 due 13 Apr'22, 11%'22 due a Aug'22 and 13%'23 puttable on 27 May'22 are over 90%, the minimum acceptance level. Please see more details on the Redco's offer to purchase and concurrent consent solicitation in [our daily on 15 Mar'22](#)

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

Issuer	Size (mn)	Tenor	Coupon	Yield	Issue Rating (M/S/F)
Zhangzhou Transportation Development	175	364	3.18	3.18	-/BB+

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

Issuer	Currency	Size (mn)	Tenor	IPG	Issue Rating (M/S/F)
PTT Global Chemical	USD	-	30	T30+ 310bp	Baa2/BBB/-
Zhuzhou City Construction	USD	-	-	-	Baa3-/BBB-

➤ **Onshore China conditions and color**

- Regarding onshore primary issuances, there were 87 credit bonds issued yesterday with an amount of RMB99bn. As for Month-to-date, 1,352 credit bonds were issued with a total amount of RMB1,374bn raised, representing a 18.7% yoy decrease.
- [GRNCH]** Greentown unit plans to raise up to RMB2bn via domestic notes

- **[JINGRU]** fails to redeem remaining due-11 March notes after completing an exchange offer; some rump holders mull legal action
- **[SHIMAO]** Shimaao Construction proposes two-year extension for RMB ABS due 4 April, with "at least 1%" of principal upfront while keeping 5.65% coupon unchanged

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