

CMBI Credit Commentary

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

- *China IG space widened 3-5bps this morning on the back of more rate hike expectation. SFHOLD tap issues outperformed the market, SFHOLD'26 tightened to T5+112 (RO: T5+120). SFHOLD'31 slightly widened to T10+157 (RO at T10+154.5)*
- *China HY space continued downtrend, AGILE/CENCHI/FUTLAN down 1-3pts. SHIMAO curve stabilized after rebounding 2-4pts yesterday. Media reported PBOC included Shimao in the list of developers up for asset sales to SOEs and also speculation of its asset sale to Vanke. Meanwhile SHIMAO's rating was further downgraded to B2/B- by Moody's/S&P*
- *SHXREG: Shinsun Holdings announced exchange offer for Jan'22 notes with options to exchange existing notes into either Series A or Series B New notes. See below for more*

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❖ Trading desk comments 交易台市场观点

Yesterday, China HY property sector opened in negative tone. AGILE fell 8-13pts due to JY Grandmark's exchange offer. JY Grandmark is founded by the son of Agile's vice chairman. Other names such as GRNLGR/SUNAC/ZHPRHK/COGARD were impacted by weak sentiment and dropped 1-3pts. High dollar price names like TPHL/PWRLNG were skewed to better selling. SHIMAO price rebounded 2-4pts after media reported that PBOC included Shimao in the list of developers that need liquidity support from SOEs from asset acquisitions. Industrial sector diverged yesterday, names like FOSUNI saw light demands but WESCHI were slightly down.

IG market traded softer amid increasing U.S. Treasury volatility and possible early rate hike from Federal Reserve, benchmark spread widened slightly. TMT names such as BABA were skewed to selling and closed 1-2bps wider. In SOE sector, 2-3Y papers saw relatively strong demands and continued to squeeze today. In addition, spread on SFHOLD widened 3-5bps post announcement of taps on 26s and 31s.

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➤ Yesterday's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
SHIMAO 4 3/4 07/03/22	50.2	4.9	AGILE 6.7 03/07/22	61.5	-12.1
SHIMAO 3.975 09/16/23	45.1	4.5	AGILE 5 1/8 08/14/22	46.8	-8.0
SHIMAO 5.2 01/30/25	41.2	3.2	AGILE 5 3/4 01/02/25	41.6	-7.7
SHIMAO 6 1/8 02/21/24	42.2	3.2	AGILE 5 1/2 04/21/25	39.5	-7.3
SHIMAO 5.2 01/16/27	39.8	2.9	AGILE 6.05 10/13/25	38.2	-7.2

➤ Macro News Recap 宏观新闻回顾

Macro – The S&P500 and Dow Jones Industrial Average fell on Monday as government bond yields continued to rise, signaling that investors expect possible early rate hike from Federal Reserve. The S&P dropped (-0.1%), Dow fell (-0.4%), while Nasdaq increased (0.1%). In addition, investors are also looking ahead to corporate earnings season which starts this week with results from U.S. financial firms such as JP Morgan Chase and Citigroup. U.S. Treasury yield curve continued to shift upward on Monday. The yield on the benchmark 10Y Treasury note was up to 1.78%. The 1/5/30Y yields rose to 0.46/1.53/2.11% respectively.

➤ Desk analyst comments 分析员市场观点

➤ SHXREG: Exchange Offer Exchange Offer of 12.5% Jan '22 Notes

SHXREG: Existing noteholders of Jan'22 notes (O/S ~USD 275.15mn) can exchange into either Series A or Series B New notes, both with 1-year maturity extension, but series A new notes offer upfront cash and credit enhancement (i.e. personal guarantee by chairman; and onshore projects as collateral). Exchange deadline is on 14 Jan'22, key terms as below:

- 1) Series A New Notes, subject to maximum issuance amount of USD 164mn
 - USD 5 cash upfront principal repayment
 - Accrued Interest of USD 6.25
 - USD 95 extend into a new 364 notes at 13% interest coupon
 - Secured by 3 onshore projects as collateral (LTV ratio not exceeding 68%)
 - Personal Guarantee of Mr. Chen Guoxiang, controlling shareholder of Shinsun Real Estate Group

- 2) Series B New Notes offer no upfront cash payment/accrued interest, and no personal guarantee by chairman and no collaterals.

➤ Offshore Asia New Issues (Priced)

Issuer	Size (mn)	Tenor	Coupon	Yield	Issue Rating (M/S/F)
SF Holding Investment 2021 Limited	USD 300	9.9	3.125%	3.374%	A3/A-/A-
	USD 400	4.9	2.375%	2.737%	A3/A-/A-

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

Issuer	Currency	Size (mn)	Tenor	IPG	Issue Rating (M/S/F)
HKT Group Holdings Ltd	USD	-	10	-	Baa2/BBB/-
Link Real Estate Investment Trust	USD	-	10	-	A2/A/-

➤ **Onshore China conditions and color**

- Regarding onshore primary issuances, there were 62 credit bonds issued yesterday with an amount of RMB76bn. As for Month-to-date, 458 credit bonds were issued with a total amount of RMB464bn raised, representing a 26.2% yoy increase
- **DAFAPG** Moody's downgrades DaFa to Caa2/Caa3, changes outlook to negative
- **[GRNCH]** raises RMB 2.6bn via offering of three-year MTNs at 3.62% to repay debts, fund project development
- **[HPDLF]** completes issue of USD 250mn 8% guaranteed CBs due 2023
- **[KWGPRO]** transfers funds to trustee account for settlement of USD notes due 11 January
- **[LNGFOR]** announced on 11 January that it will issue up to RMB 2.8bn two-tranche domestic corporate bonds with 3.15%-4.6% coupon range
- **[RISSUN]** successfully closes exchange offer for 8.95%, 8% senior notes issues
- **[SHIMAO]** announced that the Company has no outstanding ABS due and payable and has not entered into a preliminary agreement in relation to the disposal of Shanghai Shimao International Plaza. Moody's/S&P downgrade Shimao to B2/B-
- **[VEDLN]** to test market for USD bond, potential sustainability-linked issue
- **[YUZHOU]** downgraded to Caa2/Caa3; outlook negative – Moody's

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