

CMBI Credit Commentary

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

- *New issue AVILC was well sought after this morning, tightened to T2+139/135 (RO: T2+146.5). Higher quality developers saw better buying amid positive sentiment after 5-year LPR rate cut.*
- *China cut 5-year LPR 15bps to 4.45% while maintains 1-year LPR unchanged. The mild cut is in line with our house view. See [comments of our economist on 16 May'22](#).*
- ***JIAYUA**: More updates and thoughts on shares pledge. See below.*

❖ Trading desk comments 交易台市场观点

Yesterday, Chinese HY property space was firm with positive market sentiment. Higher quality names outperformed the market. FUTLAN/FTLNHD curves traded up 1-2pts on the back of news that company is planning to issue up to RMB1bn onshore MTN. CIFIHG also up 1-2pts post news that company plans to issue new ABS and bonds protected by CDS and CRMW. COGARD rose 1-2pts as well. On the other hand, we saw SINOCE/SHIMAO down around 1pt. The Macau gaming sector continued to underperform and generally down 0.5-1pt.

Chinese IG market was relatively weak with benchmark names generally widened 3-8bps. In financial sector, we saw two-way trading for some AMC names like ORIEAS/CCAMCL. In SOE sector, benchmark names like SINOPE/HAOHUA widened 1-2bps.

Glenn Ko, CFA 高志和
(852) 3657 6235
glenko@cmbi.com.hk

Polly Ng 吴宝玲
(852) 3657 6234
pollyng@cmbi.com.hk

James Wen 温展俊
(852) 3757 6291
jameswen@cmbi.com.hk

CMBI Fixed Income
fis@cmbi.com.hk

➤ Yesterday's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
AGILE 5 1/8 08/14/22	77.7	6.6	JIAYUA 11 02/17/24	15.2	-21.4
COGARD 4.8 08/06/30	57.9	2.7	JIAYUA 12 10/30/22	28.7	-12.8
FTLNHD 4 1/2 05/02/26	50.4	2.2	WYNMAC 5 1/8 12/15/29	66.7	-3.0
COGARD 5 1/8 01/17/25	69.1	2.1	WYNMAC 5 1/8 12/15/29	66.8	-3.0
JIAZHO 10 7/8 06/18/22	41.7	1.9	SHIMAO 3.975 09/16/23	19.0	-2.0

❖ Macro News Recap 宏观新闻回顾

Macro – U.S. stocks continued to close lower and Treasury rose yesterday, as investors sought to navigate a tricky outlook for global equities marred by inflation and signs of slowing growth. The S&P (-0.58%), Nasdaq (-0.26%), and Dow (-0.75%) closed lower. Disappointing earnings reports in recent days from big US companies including retailers Walmart and Target and networking group Cisco have shown how corporate America is struggling with headwinds including soaring input costs, the war in Ukraine and cooling growth in China. Treasury yield continued to retreat, with the 2/5/10/30 yield reaching 2.63/2.84/2.84/3.05% respectively.

❖ Desk analyst comments 分析员市场观点

➤ Jiayuan: More updates and thoughts on shares pledge

Some more thoughts on Jiayuan after various client discussions, here is to summarize a few key points below:-

- As per Jiayuan, the company paid the coupon on JIAYUA 13.75%'23. At the time of writing, we understand some holders have yet to get the coupon up to now.
- Regarding share pledge, as disclosed in Jiayuan's FY21 annual report (p.44, note 4), the CBs the chairman obtained from asset injections last year can be converted into 1,036,557,575 shares. The number is exactly the same as the number of shares pledged to Allied Group ([Hong Kong Exchanges and Clearing Limited \(hkex.com.hk\)](http://www.hkex.com.hk)) on 11 May'22. Hence, the pledge to Allied Group is on the CBs, not the shares of Jiayuan. We do not think the 41% decline of Jiayuan (2768 HK) yesterday is related to any forced selling of shares pledged to Allied Group, the CBs have yet to be converted into shares. Indeed, the transaction value for such a drastic price movement was only HKD10.5mn (USD1.3mn) even if we assume that Jiayuan shares changed hand at HKD0.99 per share, the closing price on 17 May'22, before 41% decline in share price.
- Any forced selling on pledged Jiayuan Services shares by Allied Group? Jiayuan denied. Anyway, for the sake of discussions, assuming a LTV of 30% on pledged Jiayuan Services shares and a 76% share price decline since 11 May'22, the shortfall should be less than USD10mn.
- On 18 May'22, Jiayuan disclosed the long position of 1.618mn shares (equivalent to 32.96% of Jiayuan's o/s shares incl. shares to be converted from CBs) of Zhongrong. The 32.96% long position is likely to be another shares pledge by the chairman given the small free float of 6.05% of Jiayuan.
- The share/CB pledges reflect the tight liquidity of the company and the chairman. However, we believe that at least part of the proceeds from share pledges could be used to provide liquidity support for Jiayuan, reflected the effort of the chairman and Jiayuan to continue to honor payments.
- The litigations in Hong Kong are related to the unsettled CP resulting from Jiayuan's project acquisitions. Please see my previous comments (<https://www.cmbi.com/article/6661.html?lang=en>) for more.
- Going forward, we believe that its potential refinancing/funding options in addition to cash on hand are 1) negotiation with anchor investor(s); 2) monetization of Hong Kong and Macau projects and 3) monetization

of property management operations, i.e. Jiayuan Services shares. Admittedly, the share pledge on and drastic price decline of Jiayuan Services could make the prospect of a meaningful cash inflow from monetization of Jiayuan Services less likely.

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

Issuer	Size (mn)	Tenor	Coupon	Yield	Issue Rating (M/S/F)
Avic International Leasing	USD450	3yr	4.05%	T+130	-/-/-

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

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

➤ **Market conditions and color**

- Regarding onshore primary issuances, there were 44 credit bonds issued yesterday with an amount of RMB42bn. As for Month-to-date, 456 credit bonds were issued with a total amount of RMB493bn raised, representing a 13.6% yoy decrease.
- China one-year LPR remain unchanged at 3.7% while five-year rate was cut to 4.45% from previously 4.6%
- Indonesia to lift palm oil export ban starting 23 May
- **[EHOUSE]** gains HKEx waiver to hold FY21 AGM on or before 26 August
- **[FTHDGR]** to sell 51% of project company that develops residential property in Shaoxing for RMB760.6mn
- **[JIAYUA]** Jiayuan downgraded to C from B on missed interest payment - Fitch
- **[JINKE]** Purchase of eight bonds limited to institutional investors; plans to extend RMB1.25bn bond puttable 28 May by 15 months
- **[KIJAIJ]** Jababeka explores potential refinancing plan that may include mix of loans and bond
- **[LNGFOR]** issues RMB500mn 3+3yr corporate bonds with 4% coupon
- **[YUEXIU]** plans to issue up to RMB2.15bn corporate bonds

CMB International Securities Limited

Fixed Income Department

Tel: 852 3761 8867/ 852 3657 6291

fis@cmbi.com.hk

CMB International Securities Limited ("CMBIS") is a wholly owned subsidiary of CMB International Capital Corporation Limited (a wholly owned subsidiary of China Merchants Bank)

Author Certification

The author who is primary responsible for the content of this research report, in whole or in part, certifies that with respect to the securities or issuer that the author covered in this report: (1) all of the views expressed accurately reflect his or her personal views about the subject securities or issuer; and (2) no part of his or her compensation was, is, or will be, directly or indirectly, related to the specific views expressed by that author in this report.

Besides, the author confirms that neither the author nor his/her associates (as defined in the code of conduct issued by The Hong Kong Securities and Futures Commission) (1) have dealt in or traded in the stock(s) covered in this research report within 30 calendar days prior to the date of issue of this report; (2) will deal in or trade in the stock(s) covered in this research report 3 business days after the date of issue of this report; (3) serve as an officer of any of the Hong Kong listed companies covered in this report; and (4) have any financial interests in the Hong Kong listed companies covered in this report.

Important Disclosures

There are risks involved in transacting in any securities. The information contained in this report may not be suitable for the purposes of all investors. CMBIS does not provide individually tailored investment advice. This report has been prepared without regard to the individual investment objectives, financial position or special requirements. Past performance has no indication of future performance, and actual events may differ materially from that which is contained in the report. The value of, and returns from, any investments are uncertain and are not guaranteed and may fluctuate as a result of their dependence on the performance of underlying assets or other variable market factors. CMBIS recommends that investors should independently evaluate particular investments and strategies, and encourages investors to consult with a professional financial advisor in order to make their own investment decisions.

This report or any information contained herein, have been prepared by the CMBIS, solely for the purpose of supplying information to the clients of CMBIS and/or its affiliate(s) to whom it is distributed. This report is not and should not be construed as an offer or solicitation to buy or sell any security or any interest in securities or enter into any transaction. Neither CMBIS nor any of its affiliates, shareholders, agents, consultants, directors, officers or employees shall be liable for any loss, damage or expense whatsoever, whether direct or consequential, incurred in relying on the information contained in this report. Anyone making use of the information contained in this report does so entirely at their own risk.

The information and contents contained in this report are based on the analyses and interpretations of information believed to be publicly available and reliable. CMBIS has exerted every effort in its capacity to ensure, but not to guarantee, their accuracy, completeness, timeliness or correctness. CMBIS provides the information, advices and forecasts on an "AS IS" basis. The information and contents are subject to change without notice. CMBIS may issue other publications having information and/ or conclusions different from this report. These publications reflect different assumption, point-of-view and analytical methods when compiling. CMBIS may make investment decisions or take proprietary positions that are inconsistent with the recommendations or views in this report.

CMBIS may have a position, make markets or act as principal or engage in transactions in securities of companies referred to in this report for itself and/or on behalf of its clients from time to time. Investors should assume that CMBIS does or seeks to have investment banking or other business relationships with the companies in this report. As a result, recipients should be aware that CMBIS may have a conflict of interest that could affect the objectivity of this report and CMBIS will not assume any responsibility in respect thereof. This report is for the use of intended recipients only and this publication, may not be reproduced, reprinted, sold, redistributed or published in whole or in part for any purpose without prior written consent of CMBIS.

Additional information on recommended securities is available upon request.

Disclaimer

For recipients of this document in the United Kingdom

This report has been provided only to persons (I) falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended from time to time) ("The Order") or (II) are persons falling within Article 49(2) (a) to (d) ("High Net Worth Companies, Unincorporated Associations, etc.") of the Order, and may not be provided to any other person without the prior written consent of CMBIS.

For recipients of this document in the United States

CMBIS is not a registered broker-dealer in the United States. As a result, CMBIS is not subject to U.S. rules regarding the preparation of research reports and the independence of research analysts. The research analyst who is primary responsible for the content of this research report is not registered or qualified as a research analyst with the Financial Industry Regulatory Authority ("FINRA"). The analyst is not subject to applicable restrictions under FINRA Rules intended to ensure that the analyst is not affected by potential conflicts of interest that could bear upon the reliability of the research report. This report is intended for distribution in the United States solely to "major US institutional investors", as defined in Rule 15a-6 under the US, Securities Exchange Act of 1934, as amended, and may not be furnished to any other person in the United States. Each major US institutional investor that receives a copy of this report by its acceptance hereof represents and agrees that it

shall not distribute or provide this report to any other person. Any U.S. recipient of this report wishing to effect any transaction to buy or sell securities based on the information provided in this report should do so only through a U.S.-registered broker-dealer.

For recipients of this document in Singapore

This report is distributed in Singapore by CMBI (Singapore) Pte. Limited (CMBISG) (Company Regn. No. 201731928D), an Exempt Financial Adviser as defined in the Financial Advisers Act (Cap. 110) of Singapore and regulated by the Monetary Authority of Singapore. CMBISG may distribute reports produced by its respective foreign entities, affiliates or other foreign research houses pursuant to an arrangement under Regulation 32C of the Financial Advisers Regulations. Where the report is distributed in Singapore to a person who is not an Accredited Investor, Expert Investor or an Institutional Investor, as defined in the Securities and Futures Act (Cap. 289) of Singapore, CMBISG accepts legal responsibility for the contents of the report to such persons only to the extent required by law. Singapore recipients should contact CMBISG at +65 6350 4400 for matters arising from, or in connection with the report.