

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

- *The key messages from the Politburo meeting on 6 Dec regarding the property is to promote the construction of social housing. The more supportive tone and more relaxed onshore credit environments, including faster mortgage approval process and gradual resumption of onshore bond markets is the silver lining to the property sector. See below for more.*
- *Market opened in a firm tone today on the back of multiple positive headline (SHIMAO/LOGPH equity placement and GZRFPR asset sale). GZRFPR curve rallied 2-7pts, SHIMAO and SUNAC also up 2-3pts. The rest of the space generally opened 0.5-1pt higher. See below for developers' recent funding exercises.*
- *GRNLGR: Proposed New USD bond of 8 months tenor. Use of proceed will be to refinance its GRNLGR 6.25 2022 put on 16 Dec 2021. See below for more.*

### ❖ Trading desk comments 交易台市场观点

Yesterday, China HY space was mixed, but we saw some names stabilized a bit from the decline of last week. SUNAC once rose by 4-5pts in the morning, while gains narrowed slightly by 0.5pt in the afternoon. COGARD and LOGPH also rose by 1-2pts on the news of the proposed issuance of ABS. Other higher quality names such as CIFIHG/FUTLAN also saw some buying. Affected by the company's announcement of inability to fulfill its guarantee obligations, EVERRE fell by about 2-6pts, seeing the '22s falling the most. Other names such as GZRFPR /KWGPRO/SUNSHI also saw more selling, falling by about 1-3pts.

Although US treasury yields retreated, IG side was also relatively stable with overall spreads remained unchanged or slightly widened. TMT sector were relatively stable, BABA tightened by about 1-2bps. LGFV was still relatively quiet, seeing better demands on short ends. AT1/PERP sector overall remained unchanged or slightly rose by 0.125pt, seeing more buying from PB/RM accounts.

### ➤ Yesterday's Top Movers

|                      |             |            |                        |             |             |
|----------------------|-------------|------------|------------------------|-------------|-------------|
| SUNAC 8.35 04/19/23  | <b>71.0</b> | <b>6.0</b> | EVERRE 8 1/4 03/23/22  | <b>23.1</b> | <b>-8.7</b> |
| SUNAC 6.8 10/20/24   | <b>66.8</b> | <b>6.0</b> | EVERRE 9 1/2 04/11/22  | <b>22.1</b> | <b>-5.2</b> |
| SUNAC 7 07/09/25     | <b>66.3</b> | <b>4.7</b> | RONXIN 8 3/4 10/25/22  | <b>41.8</b> | <b>-4.2</b> |
| SUNAC 5.95 04/26/24  | <b>67.0</b> | <b>4.5</b> | SUNSHI 10 1/4 03/18/22 | <b>26.3</b> | <b>-4.1</b> |
| SUNAC 6 1/2 01/10/25 | <b>66.2</b> | <b>4.4</b> | KWGPRO 7.4 03/05/24    | <b>70.9</b> | <b>-3.5</b> |

### ❖ Macro News Recap 宏观新闻回顾

**Macro** – U.S. equities rose on Monday, led higher by travel stocks, as fears that the Omicron coronavirus variant would lead to fresh lockdowns eased. The S&P500 rose by (+1.17%), Nasdaq (+0.93%) and Dow (+1.87%). The broader market is coming off of a choppy week of trading as investors gauged the threat from COVID-19, along with a mixed batch of job market data and lingering inflation concerns. Investors will get

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more economic data this week that could help give them a clearer picture of the economy. On the other hand, US Treasuries yields continued to rally as risk sentiment looked for a rebound following Friday's pullback, with investors monitoring the omicron Covid-19 variant and the Federal Reserve's potential policy tightening. The US 1/5/10/30Y yields widened 2/8/8/6bps to 0.28%/1.21%/1.43%/1.75% respectively.

PBOC announced RRR cut of 50bps, taking effect from on 15 Dec'21 and releasing RMB1.2 trillion. Weighted average RRR for financial institution will be at 8.4% after the reduction. A portion of the releasing liquidity will be used to repay maturing MLF and another portion for financial institutions to replenish long-term capital. The cut is within market expectation as it was flagged by Premier Li Keqiang last Friday.

#### ❖ **Desk analyst comments 分析员市场观点**

##### ➤ **Chinese properties: more supportive tone at Politburo meeting**

The key messages from the Politburo meeting on 6 Dec regarding the property is to promote the construction of social housing, support commodity housing market to better satisfy the reasonable housing demand and promote the healthy developments and virtuous cycle of the property sector. The tone of this Politburo meeting is more supportive compared with that of the meetings in Jul' 21 and Apr' 21. The most notable difference is "house is only for living, not speculation" no longer being mentioned. This is in line with the base case of CMBI equity research. Please click [here](#) for the full report.

The more supportive tone and more relaxed onshore credit environments, including faster mortgage approval process and gradual resumption of onshore bond markets is the silver lining to the property sector. These should help stabilize the property market and stamp the chain effect on potential defaults of some larger developers. That said, it could take time for the more supportive tone from the Politburo meeting to be translated into supportive policies. Additionally, only state-owned, quasi state-owned and some of the largest developers (such as COLI, Longfor, Country Garden, Greentown, Vanke and Logan) can access the onshore bond markets so far. For non-SOEs and smaller developers, their near-term repayments will still be hinged on its internal resources and major shareholders' ability and willingness to support.

##### ➤ **Chinese properties: Equity-related funding exercises and shareholders support**

Logan and Shimao announced the share placements to raise cUSD150mn. The share placements not only help improve liquidity and leverage ratio, but also send a strong signal of major shareholders' willingness and ability to support. Indeed, over the past 2-3 months, we saw various types of equity related financing such as share placements at holdco levels and subsidiary levels, rights issue, exchangeable bonds, etc. Sunac appears to be the most active developer in this regard.

| Announcement date | Company | Funding exercises      | USD (mn) | Remarks                             |
|-------------------|---------|------------------------|----------|-------------------------------------|
| 7/12/2021         | LOGPH   | Share Placement        | 151      |                                     |
| 7/12/2021         | SHIMAO  | Share Placement        | 151      |                                     |
| 2/12/2021         | SEAZEN  | rights issue           | 202      |                                     |
| 26/11/2021        | COGARD  | Share Placement        | 1,032    | Through Country Garden Services     |
| 20/11/2021        | EVERRE* | Share Placement        | 348      | China Evergrande New Energy Vehicle |
| 18/11/2021        | AGILE   | EB                     | 312      | SNP3 Ebs                            |
| 17/11/2021        | SUNAC   | Share Placement        | 301      | Through Sunac Services              |
| 17/11/2021        | SUNAC   | Share Placement        | 656      |                                     |
| 14/11/2021        | SUNAC   | Share holder financing | 450      |                                     |
| 2/11/2021         | SHIMAO  | Share Placement        | 225      | Through Shimao Services             |
| 1/11/2021         | CIFIHG  | Share Placement        | 170      | CIFI Ever Sunshine Services         |
| 11/10/2021        | MOLAND  | Share holder financing | 125      |                                     |
| 20/9/2021         | GZRFPR  | Share holder financing | 1,625    |                                     |

\*Media reported Chairman of Evergrande provided RMB7bn, cUSD1.1bn financial support

#### ➤ **GZRFPR sales of the remaining 30% stakes in GZ Airport Logistics Park**

GZRF sold the remaining 30% stakes in GZ International Airport R&F Integrated Logistics Park for RMB1,263mn (cUSD194mn) to Blackstone. The long-stop date of the sale will be on 31 Dec'21. Recalled that GZRF completed the sale of 70% stakes in GZ International Airport R&F Integrated Logistics Park to Blackstone for cRMB4bn in Jan'21. The stake sales help shore up GZRF's near-term liquidity for the repayment of GZRFPR 5.75%'22 (o/s USD725mn). Major shareholders have a capital commitment of JV with GZRF for up to RMB10.4bn after they sold their stakes in property management operations to Country Garden Services. We maintain OW on GZRFPR 5.75%'22.

#### ➤ **GRNLGR: Refinancing of 6.25%'22 put with 8-month notes**

GRNLGR: Proposed New USD bond of 8-months tenor. We understand use of proceed will be to refinance its GRNLGR 6.25%'22 put on 16 Dec 2021. Recall this puttable bond has been our OW since beginning of 2021. We are somewhat surprised by the refinancing of puttable bonds with 8-month notes. The refinancing pressure in FY22 remains heavy (USD1.1bn in 1H22 and USD570mn in 2H22). We take some comfort with its SOE background and recent liquidity support from the municipal government. On 29 Nov, Greenland's largest shareholders Shanghai Real Estate Group and Shanghai Chengtou Group (both 100% owned by Shanghai SASAC) signed an agreement to subscribe for 60% stake in a Greenland's subsidiary for RMB3bn (USD 460mn) ([Link](#)). We believe the liquidity support from Shanghai local government will likely continue. Except GRNLGR 6.25%'22 on which we have an OW recommendations, we maintain our neutral recommendations on the other GRNLGRs.

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

| Issuer                       | Size (mn) | Tenor | Coupon | Yield | Issue Rating (M/S/F) |
|------------------------------|-----------|-------|--------|-------|----------------------|
| Yantai Guofeng Investment    | USD 250   | 3     | 2.2%   | 2.2%  | -/-/BBB+             |
| Ming Yang Smart Energy Group | USD 200   | 3     | 1.6%   | 1.6%  | -/-/A                |

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

| Issuer                                       | Currency | Size (mn) | Tenor | IPG  | Issue Rating (M/S/F) |
|--|----------|-----------|-------|------|----------------------|
| Greenland Holding Group                      | USD      | Benchmark | 0.6   | 8.0% | -/-/-                |
| CEB International                            | USD      | Benchmark | 3     | -    | -/-/BBB              |
| Weifang Binhai Investment Development        | EUR      | Benchmark | 1     | 5.5% | -/-/-                |
| Jinan Rail Transit Group                     | USD      | Benchmark | 1     | 2.4% | -/-/A-               |
| Wuxi Construction and Development Investment | USD      | Benchmark | 3     | 2.5% | -/-/BBB+             |

➤ **Onshore China conditions and color**

- **Regarding onshore primary issuances, there were 64 credit bonds issued yesterday with an amount of RMB62bn. As for Month-to-date, 291 credit bonds were issued with a total amount of RMB410bn raised, representing a 61% yoy increase**
- **[AGILE]** told investors that funds for the repayment of a USD250mn private bond it guaranteed have been remitted to the trustee's bank account, two sources briefed by the Hong Kong-listed developer said
- **[COGARD]** redeems HKD4.524bn of 4.5% CBs due 2023 following exercise of put options by certain bondholders
- **[GZRFPR]** to sell 30% of Guangzhou airport logistic park properties to Blackstone for RMB7.3bn
- **[LOGPH]** announces HKD1.17bn share placement for project investments
- **[RISSUN]** seeks USD bondholder feedback on potential exchange; ratings downgraded to B3/Caa1, outlook remains negative - Moody's
- **[SHIMAO]** announces HKD1.173bn share placement, proceeds to repay debt

- **[YUZHOU]** says full funds remitted to clearinghouse for RMB560mn due-15 December ABS

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