

CMBI Credit Commentary

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

- *Mixed start today. SUNAC once down 2-3pt, dragging CIFIHG/COGARD down 1-2pt. We saw buyers for SHUION/YLLGSP and industrial credits HONGQI/FOSUNI*
- **Chinese properties:** *A stock-take on accounting issues so far. We maintain Buy on HPDLFs. See below.*
- **CHIGRA:** *announced to fully redeem its '21 SCP001' bills of RMB 400mn on 26 March. Media reported that China Grand Auto may drop the exchange plan and could fully repay CHIGRA 8.625%'22 (o/s USD252.856mn) in April.*

❖ Trading desk comments 交易台市场观点

Yesterday, Chinese HY space was mixed with relative low trading flows. Benchmark names like COGARD rose 2-4pts. We also see better buying in higher quality names, YLLGSP/CIFIHG/SHUION up 4-6pts. DALWAN/PWRLNG also gained 2-4pts. ROADKG bullet bonds up 2-4pts as well but Perp saw street selling and down 10-15pts. On the other hand, SUNAC was traded down 1-2pts, RONXIN down 1pt and JIAYUA 22s also down 4pts. The industrial space saw recovery with names such as FOSUNI/SJMHOL/CATHAY/CHIOIL up 2-4pts.

In Chinese IG space, TMT names like BABA/TENCNT/MEITUA continued to tighten 5-15bps while LENOVO underperformed. In SOE sector, SINOCH tightened 5-10bps. Financial and AT1 Space were generally stable.

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➤ **Yesterday's Top Movers**

Top Performers	Price	Change	Top Underperformers	Price	Change
CHINSC 7 3/8 04/09/24	42.7	10.1	ROADKG 7.95 PERP	62.2	-14.1
CENCHI 6 7/8 08/08/22	54.2	8.9	ROADKG 7 PERP	62.2	-13.6
STCITY 6 1/2 01/15/28	83.7	7.2	ROADKG 7 3/4 PERP	66.0	-10.2
STCITY 6 1/2 01/15/28	83.3	7.1	RONXIN 7.1 01/25/25	14.4	-5.5
GRNCH 5.65 07/13/25	89.9	6.8	JIAZHO 10 7/8 06/18/22	33.4	-5.3

➤ **Macro News Recap 宏观新闻回顾**

Macro – U.S. stock market ended lower Monday as Fed Chair Jerome Powell says interest rates must be raised quickly. The S&P (-0.04%), Dow (-0.58%), Nasdaq (-0.40%) closed lower. Oil prices climbed higher again Monday, taking U.S. crude closer to \$110 per barrel, as European officials mulled an embargo on Russia exports and rebel troops attacked a key pipeline in Saudi Arabia. Treasury yield curve widened, with 1/5/10/30Yr yield reaching 1.40%/2.33%/2.32%/2.55%.

➤ **Desk analyst comments 分析员市场观点**

➤ **Chinese properties: A stock-take on accounting issues so far**

As discussed in our Asia HY Corps Outlook published on 4 Jan'22 and our comments on Hopson's change of auditor on 28 Jan'22, we expect accounting issues on Chinese property developers including qualified opinions, account restatements, resignations of auditors or even delays in publications of FY21 results. Given all the noise on defaults and off-balance liabilities on the Chinese property sector over the past 12 months, auditors will definitely put developers under microscope for review, regulators may also put auditors under more stringent scrutiny. We highlighted before the Financial Reporting Council of Hong Kong's enquiries and investigation into the audit of Evergrande accounts by PWC in Oct'21. Click the link [here](#) for a list of Chinese property developers audited (up to 1H21) by PWC.

So far, Hopson, Ronshine and Yuzhou has replaced their auditors. Hopson replaced PWC with E&Y, another Big 4. As per our discussions with Hopson, it is confident that the audited FY21 results will be published as scheduled (i.e. 31 Mar'22). We have a buy recommendation on HPDLFs.

Ronshine and Yuzhou, on the other and, replaced their Big 4 auditors with non-Big 4 and lesser known auditors. While Yuzhou scheduled its board meeting for its FY21 results on 31 Mar'22, Ronshine, originally audited by PWC, announced that it would delay the publication of audited FY21 results.

Evergrande, Shimao and Sunac, all audited by PWC, announced the delay in the publications of FY21 results. Shimao offered more comforting signal and mentioned that it would publish audited results on or before 30 Apr'22. Ronshine, Shimao and Sunac will publish their unaudited FY21 results on 31 Mar'22 to avoid share trading suspension. Evergrande, on the other, did not mention that whether it would publish its unaudited FY21 results on or before 31 Mar'22. Evergrande could face share trading suspension. According to HK listing rules, HKEx can suspend the shares trading of an issuer if it fails to file preliminary full-year results within 3 months of the end of a financial year. Evergrande will host an investor call tonight, we shall provide more updates after the call.

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. Shares trading suspension is likely.
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.

<https://www.cmbi.com/article/6503.html?lang=en>

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

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

➤ **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 73 credit bonds issued yesterday with an amount of RMB94bn. As for Month-to-date, 1261 credit bonds were issued with a total amount of RMB1274bn raised, representing a 16.4% yoy decrease.
- **[CHEDRP]** Dr. Peng unit launches consent solicitation for USD 500mn 7.55% notes due 2022 in relation to PLCN sale
- **[CHIGRA]** to fully redeem its '21 SCP001' bills of RMB400mn on 26 March
- **[CQNANA]** proposes to offer RMB2bn corporate bonds
- **[EVERRE]** plans to conduct global investor conference this week to brief investors on restructuring framework
- **[FOSUNI]** to pay RMB6.342bn to acquire remaining 50% stake in Bund Finance Center property from Zhongrong International Trust for RMB 6.342bn
- **[SHNSUN]** says non-payment of 12% 2023 senior notes has not triggered cross-default under 10.5% 2022 senior notes

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