

CMBI Credit Commentary

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

- *Broad based weakness in China Property, triggered by Shimao's distress.*
- *DAFAPG: company announced exchange offer and consent solicitation to its DAFAPG 9.95% due 18 Jan'22. Cash upfront \$5 includes (\$4 principal repayment and \$1 consent fee) + accrued interest. See below for more.*
- *SHIMAO: company is in talks to extend 3 onshore ABS due on 26/27/28 Jan 2022. This is the first extension proposal to its ABS, see below.*

❖ Trading desk comments 交易平台市场观点

Yesterday, China HY Space continue to slip, dragged by negative news in Chinese properties. GZRFPR curve down 8-10pts after the company announced materially less than USD 300mn is ready for the tender offer of its Jan 2022 notes. In addition, in the afternoon, news that SHIMAO defaulted its onshore trust loan led to more than 20pts decline of SHIMAO curve. Although Shimao clarified it is in dispute with the trust instead of default, market continued to sell down the bonds. Other property names like COGARD/TPHL/KWGPRO/ROADKG were also impacted and closed 2-3pts down.

IG markets turned soft yesterday amid possible early rate hike from Federal Reserve, benchmark yield spread widened by 2-3 bps. SOE names like SINOPE/HAOHUA/SINOCHEM saw light selling while TMT names like BABA/BIDU also had spread 2-3bps wider. In the primary market, new issue HKAA outperformed with 5Y/10Y bonds 5-6bps tighter from reoffer level, but the longer tenors, 52' and 62', showed lack of interest due to rate hike concern.

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➤ Yesterday's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
JIAZHO 10 7/8 06/18/22	40.6	1.2	SHIMAO 4 3/4 07/03/22	48.9	-21.4
HAOHUA 5 1/2 03/14/48	128.3	1.0	SHIMAO 3.975 09/16/23	44.1	-21.1
MEITUA 0 04/27/28	91.0	0.9	SHIMAO 5.2 01/30/25	41.6	-19.6
REDPRO 11 08/06/22	46.2	0.9	SHIMAO 5.2 01/16/27	40.2	-19.1
EHOUSE 7.6 06/10/23	57.5	0.7	SHIMAO 6 1/8 02/21/24	42.6	-18.7

➤ Macro News Recap 宏观新闻回顾

Macro – U.S. stocks finished the session lower, dragged down by investor worries about the impact the Federal Reserve would have on markets if it raises interest rates faster than once anticipated. The S&P dropped by (-0.1%), Nasdaq (-0.1%), Dow (-0.5%). In addition, the U.S. stock market selloff is hitting shares of meme stocks particularly hard, dragging down companies that became favorites among individual investors last year. U.S. Treasury yield curve moved upward for a consecutive second day. The yield on the benchmark 10Y Treasury note was up to 1.73%. The 1/5/30Y yields rose to 0.45/1.47/2.09% respectively for the day.

➤ Desk analyst comments 分析员市场观点

➤ DAFAPG: Exchange offer and consent solicitation

Dafa announced exchange offer and consent solicitation to its DAFAPG 9.95% notes due Jan'22. Cash upfront \$5 including \$4 principal repayment and \$1 consent fee + accrued interest, and \$96 new notes bearing a coupon rate of 12.5% and due 30 Jun'22. Dafa effectively seeks to extend maturity by ~5 months, instead of a comprehensive restructuring of its entire offshore bonds. We understand the company is in talks to sell more assets to meet its financial obligations. Recalled Dafa announced 33% equity sale of its Chengdu project for RMB195mn (USD30mn) on 5 Jan, 2022. The default of the existing notes due Jan'22 will be carved out from the triggering the cross default of the new notes.

Key terms of its exchange offer and consent solicitation are as below:

- Minimum Acceptance Amount: 90% of outstanding notes
- Expiration Deadline: 12 Jan, 2022
- Cash upfront: (a) 4% principal + Accrued Interest + \$1 cash consideration, i.e. \$9.975 for DAFAPG 9.95% due Jan'22
- Exchange into 1 New Notes: due on 30 Jun'22
- New Notes interest coupon: 12.5%, paid annually
- No credit enhancement

➤ SHIMAO: seeking extension of 3 onshore ABS of RMB 1.4bn

Media reported Shimao is in talks to extend 3 onshore ABS due on 26/27/28 Jan 2022. This is the first extension proposal to its ABS, with 10% upfront cash and 5% principal repayment each month thereafter. Meanwhile, China Credit Trust announced Shimao guaranteed trust product was in 'actual default', when its subsidiary Shanghai Construction missed RMB 302mn instalment due 25 Dec 2021 and triggered an acceleration of the outstanding RMB 645mn trust product. Shimao later announced it is in dispute with China Credit Trust over repayment of trust instalment which was under normal operation.

Recall we recommend investors to avoid SHIMAOs on 14 Dec 2021 upon new of its trust loan extension, in view of huge volatility from its headline risk.

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

Issuer	Size (mn)	Tenor	Coupon	Yield	Issue Rating (M/S/F)
	USD 1,750	30	3.625%	3.702%	Baa2/BBB+/-
Reliance Industries Ltd	USD 750	40	3.75%	3.802%	Baa2/BBB+/-
	USD 1,500	10	2.875%	2.903%	Baa2/BBB+/-
Jingjiang Port Group Ltd	USD 100	3	2%	2%	-/-/-

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

Issuer	Currency	Size (mn)	Tenor	IPG	Issue Rating (M/S/F)
India Clean Energy Holdings	USD	Benchmark	5.25	4.8%	Ba3/BB-/-
Fuzhou Digital Economy Investment Group Co Ltd	USD	Benchmark	3	2%	-/-/-

➤ **Onshore China conditions and color**

- Regarding onshore primary issuances, there were 51 credit bonds issued yesterday with an amount of RMB50bn. As for Month-to-date, 303 credit bonds were issued with a total amount of RMB289bn raised, representing a 7.1% yoy increase
- **[CAPG]** in talks to sell 4-5 offshore projects for RMB 3bn
- **[LNGFOR]** proposes to offer up to RMB 5bn corporate bonds
- **[REDPRO]** further repurchases USD 10.5mn of 8% senior notes due 2022
- **[SHIMAO]** in talks to extend three asset-backed securities worth RMB 1.4bn

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