

CMBI Credit Commentary

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

- Trading flow remained light this morning given China market will only resume trading next Monday. This morning we saw AGILE front end marked 0.5-1pt higher while LOGPH/KWGPRO/ZHPRHK lower by 0.5-1pt.
- **YUZHOU:** relaunched exchange offer for remaining YUZHOU 6% 2022 and YUZHOU 8.625% 2022 (total outstanding principal USD105mn) with the same term, consistent with company guidance in Jan'22. See below.
- **SHIMAO:** chairman pledged two floors at THE CENTER as additional collateral for HKD1.7bn loan for a London commercial property and chairman also planned to sell the property for GBP340mn. See below.

❖ Trading desk comments 交易台市场观点

Trading flow remained light on Monday and this morning given Chinese New Year Holiday and China market will only resume trading next Monday. This morning we saw AGILE front end marked 0.5-1pt higher while LOGPH/KWGPRO/ ZHPRHK lower by 0.5-1pt.

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➤ Yesterday's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
AGILE 6.7 03/07/22	85.0	3.9	ZHPRHK 8.3 09/15/23	50.8	-2.6
CAPG 7.95 02/19/23	17.9	3.3	ZHPRHK 7.1 09/10/24	46.4	-2.5
CAPG 6.35 02/08/24	18.5	3.2	ZHPRHK 6.7 08/04/26	41.6	-2.3
CAPG 7.95 06/21/24	18.3	3.2	ZHPRHK 6.63 01/07/26	43.0	-2.1
CAPG 5.88 03/01/27	18.5	3.1	ZHPRHK 7.35 02/05/25	43.9	-2.1

➤ Macro News Recap 宏观新闻回顾

Macro – U.S. stock indexes tumbled on Thursday, dragged down by technology and social media companies, as Meta plunged after a disappointing earnings report. The S&P fell (-2.4%), Dow (-1.5%), Nasdaq (-3.7%). In addition, the Bank of England increased the Bank Rate to 0.5% from 0.25% while the European Central Bank kept the key interest rates unchanged. U.S. Treasury yield curve shifted upward slightly. The yield on the benchmark 10Y Treasury note up to 1.82%. The 1/5/30Y yields climbed to 0.78/1.66/2.14% respectively.

➤ Desk analyst comments 分析员市场观点

➤ YUZHOU: Why exchange offer relaunched?

Cross default triggered on obligations other than the public USD bonds

Yuzhou relaunched the exchange offer for the remaining outstanding amount for YUZHOU 8.625%'22 (o/s USD30.511mn) and 6%'22 (o/s USD74.346mn) due 23 Jan'22 and 25 Jan'22. Recalled that Yuzhou obtained requisite consent from holders of other YUZHOUs such that the non-payment of the holdout of YUZHOU 8.625%'22 and 6%'22 will not trigger cross-default/acceleration of other YUZHOUs. However, the non-payment has triggered cross-default of Yuzhou's other borrowings, including offshore PPs and bank facilities. We noticed that Yuzhou has 5 o/s PPs totaled USD857mn, the cross-default of USD667mn of these were triggered resulting from the non-payment. In our opinion, the incentive for Yuzhou to relaunch the exchange offer is to clean up the remaining o/s of YUZHOU 8.625%'22 and 6%'22, such that Yuzhou can obtain waiver for the cross-default triggered more easily. This will also help remove one of the stumbling blocks for future funding access, introduction of investors and further exercises of asset liability management.

More comprehensive asset liability management is likely

Yuzhou has so far missed coupon payments of USD61.8mn and their grace periods will be in mid and late Feb (see the table below). It will have coupon payments totaled USD69.5mn in Feb'22, including the USD21.3mn for YUZHOU 8.5%'23 due today. Even before cross-default triggered, it will have PPs of USD267mn due Mar'22, USD440mn due Jun'22 and USD150mn due Sep'22 in addition to USD115mn YUZHOU 8.5%'22 due Sep'22. We also noticed that it has offshore loan facilities of up to USD338.5mn which is subject to the cross-default of non-payment. We believe that the company is trying hard and has a strong incentive to cure the missed coupons as evidenced by its efforts to avoid default. That said, the liquidity pressure remains high and further exercises of asset liability management are likely without a sizeable equity infusion.

Ticker	ISIN	Currency	Size (mn)	O/S	Coupon	Date of coupon missed /Next coupon date	Coupon payment missed /due (USD mn)	Grace period expiry	Issue date	Maturity
YUZHOU 8 5/8 01/23/22	XS1938265474	USD	500	30.511	8.625%	23/1/2022	10.4	22/2/2022	23/1/2019	23/1/2022
YUZHOU 6 01/25/22	XS1555300497	USD	350	74.346	6.000%	25/1/2022	10.2	24/2/2022	25/1/2017	25/1/2022
YUZHOU 7.8125 01/21/23	XS2429784809	USD	453.3514	453.3514	7.813%	20/7/2022	17.7		20/1/2022	21/1/2023
YUZHOU 8 1/2 02/04/23	XS1945941786	USD	500	500	8.500%	4/2/2022	21.3		4/2/2019	4/2/2023
YUZHOU 6 10/25/23	XS1508493498	USD	650	650	6.000%	25/4/2022	19.5		25/10/2016	25/10/2023
YUZHOU 8 1/2 02/26/24	XS1954963580	USD	500	500	8.500%	26/2/2022	21.3		26/2/2019	26/2/2024
YUZHOU 8 3/8 10/30/24	XS2073593274	USD	500	497	8.375%	30/4/2022	20.8		30/10/2019	30/10/2024
YUZHOU 7.7 02/20/25	XS2121187962	USD	400	400	7.700%	20/2/2022	15.4		20/2/2020	20/2/2025
YUZHOU 8.3 05/27/25	XS2085045503	USD	500	486	8.300%	27/5/2022	20.2		27/11/2019	27/5/2025
YUZHOU 7 3/8 01/13/26	XS2100653778	USD	645	636.5	7.375%	13/1/2022	23.5	12/2/2022	13/1/2020	13/1/2026
YUZHOU 7.85 08/12/26	XS2215399317	USD	300	295	7.850%	12/2/2022	11.6		12/8/2020	12/8/2026
YUZHOU 6.35 01/13/27	XS2277549155	USD	562	557	6.350%	13/1/2022	17.7	12/2/2022	13/1/2021	13/1/2027
YUZHOU 5 3/8 PERP	XS1692346395	USD	300	300	5.375%	29/3/2022	8.1		29/9/2017	N/A
YUZHOU 8 1/2 09/22/22	XS2388913290	USD	120	115	8.500%	23/3/2022	4.9		23/9/2021	22/9/2022
YUZHOU 9.95 06/08/23	XS2379568004	USD	200	179	9.950%	8/3/2022	8.9		8/9/2021	8/6/2023

Exchange remains the best available option

The terms are the same as those of the previous exchanged announced on 12 Jan'22, i.e. 5pts upfront repayment, 1pt incentive fee, and 95 in principal amount of new notes due Jan'23. The deadline of the exchange will be on 18 Feb'22. The relaunch of the exchange should not be a surprise as Yuzhou mentioned this when it announced the results of exchange on 13 Jan'22. We continue to see that the exchange is the best available option. See our comment: [YUZHOU – Exchange and Consent Solicitation on 13 Jan'22](#) and [YUZHOU: exchange is the best available option on 18 Jan'22](#).

<https://www.cmbi.com/article/6330.html?lang=en>

➤ SHIMAO: pledge another two floors at THE CENTER

Media reported that Shimao's chairman pledged two floors at THE CENTER as additional collaterals for the HKD1.7bn (cUSD218mn) London commercial property loan. Recalled that chairman also pledged three floors at THE CENTER for a HKD1.4bn (cUSD180mn) loans from DBS in Nov'21 and there are still four floors at THE CENTER owned by the chairman remaining unpledged. Another news also cited that chairman intended to sell that commercial property for GBP340mn (cUSD463mn) with a potential buyer from Hong Kong.

As stated in [our daily on Monday](#), Shimao entered into a disposal agreement to sell Hyatt on the Bund (Shanghai) for RMB4.5bn (USD707mn) and chairman sold 40% stake of a HK property to CC Land and CSI Properties for HKD1.05bn (cUSD134mn) last week. Company mentioned in Nov'21 that it had assets with saleable value of HKD20bn (cUSD2.6bn) and indeed it has been one of the most active asset seller among developers. We expect the potential sales to enhance the chairman's ability to provide support to Shimao if needed.

➤ **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 0 credit bonds issued yesterday with an amount of RMB0bn. As for Month-to-date, 0 credit bonds were issued with a total amount of RMB0bn raised, representing a 100% yoy decrease
- **[DAFAPG]** CEO Liao Lujiang resigns due to other personal commitments; Leng Junfeng re-designated from COO to CEO
- **[SHNSUN]** CFO Tan Mingheng resigns to pursue personal development; Chen Guonong appointed as replacement

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