

CMBI Credit Commentary

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

- *SUNAC down 3-4pts on commercial paper default rumor this morning while FTLNHD/PWRLNG/LOGPH down 0.5-1.5pts. CHINSC and RONXIN Mar'22 up 0.25-0.5pt. HAIDIL dropped 2pts post announcement of expected RMB3.8-4.5bn net loss in FY21.*
- *ZHPRHK announced consent solicitation to waive the event of default resulting from cancelling call for its perp and to change the first reset date. Further exercises of asset liability management are likely given the heavy maturities in 1H22. ZHPRHKs lowered 2-8pts this morning with the whole curve trading relatively flat at mid-high teens. See below.*
- *NDRC and other 13 central ministries announced policies to provide tax reduction and financial support for business. The policies should boost market confidence and facilitate a gradual stabilization of economic growth in 2Q22. See more in CMBI macro research report: [China launch supportive policies to boost growth](#)*

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❖ Trading desk comments 交易平台市场观点

Last Friday, sentiment in China HY property space recovered and benchmark bonds rose slightly. RONXIN due Mar'22 continued to rise to above 90 on rumor that the company could repay in full. LOGPH/CHINSC/SHIMAO rose by 2-4pts supported by market buying, and PWRLNG/COGARD/CIFIHG traded up 1-3pts. Other names such as REDSUN/TPHL were affected by ZHPRHK and closed 1-2 pts lower. In industrial space, we saw some buying interest in HONGQI'23 & 24.

IG market performed weak in general. Driven by the news that the National Development and Reform Commission guided the takeaway platform to lower the service fee standards for catering merchants, MEITUA spread widened by about 20bps. In tech sector, BABA/TENCNT spreads widened by 2-3bps driven by negative market sentiment. In addition, the newly issued CHALUM continued to fall, with the closing spread widening by about 3bps, while the newly issued MIDEAZ spread slightly narrowed by about 1bps.

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➤ Yesterday's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
RONXIN 10 1/2 03/01/22	91.3	10.2	MEITUA 0 04/27/28	88.0	-3.8
SHIMAO 4 3/4 07/03/22	62.4	7.8	MEITUA 0 04/27/27	89.6	-3.2
RONXIN 8 3/4 10/25/22	37.1	7.8	JINGRU 14 1/2 02/19/23	28.3	-2.9
SHIMAO 4.6 07/13/30	38.5	5.0	SUNSHI 10 02/12/23	16.0	-2.2
SHIMAO 5.2 01/16/27	39.2	4.5	GZRFPR 8 1/8 07/11/24	29.8	-2.2

➤ Macro News Recap 宏观新闻回顾

Macro – U.S. stocks indexes further decline on last Friday with concern over escalating Russia-Ukraine crisis. Geopolitical tensions became higher, as the new intelligence revealed that 40 to 50 percent of the Russian forces surrounding Ukraine have moved out of staging and into combat formation. The S&P (-0.72%), Nasdaq (-1.23%), and Dow (-0.68%) ended lower. The yield on the benchmark treasury all came down slightly. The 1/5/10/30 yield declined 2/3/5/7bps to 1.03/ 1.82/ 1.92/ 2.24% respectively.

➤ Desk analyst comments 分析员市场观点

➤ ZHPRHK: Consent solicitation

Zhenro announced the consent solicitation in relation to ZHPRHK 10.25% perps. As we discussed in our comments: [Chinese properties: from \(A\)MCs to \(Z\)henro on 11 Feb'22](#), the call of the perps is irrevocable, the cancellation of the call is an event of default. Hence, the consent solicitation is, in brief, to waive the event of default resulting from cancelling the irrevocable call and to change the first reset date (step-up margin of 500bps from the initial margin of 841.4bps).

The key terms and timelines of the consent solicitation are:

- **Consent & step-up fee:** 1.75pts
- **First reset date:** change to 6 Mar'23 from 25 Jan'22
- **Approval threshold:** 75% of holders in principal amount
- **Expiration date:** 11 Mar'22
- **EGM date:** 14 Mar'22

We believe that Zhenro chooses the route of an EGM, as in the case of GZRF, because of the lower approval threshold of 75%. In addition to the USD200mn ZHPRHK 10.25% perps, Zhenro will have public USD bonds of USD517.5mn (o/s, including dim sum bonds of cUSD250mn) maturing in 1H22, and cUSD550mn maturing in 2H22. Therefore, further exercises of asset liability management, especially on the 22s, are likely.

This morning, ZHPRHKs lowered 2-8pts with the whole curve trading relatively flat at mid-high teens. We shall monitor if there will be any spill-over impact to other near-term maturities such as AGILE6.7% '22, REDPRO 8%'22, REDSUN 9.95%'22, RONXIN 10.5%'22, TPHL 5.75%'22, etc. As discussed, we expect credit curves to flatten and prefer belly parts of the curves for Chinese HY properties. Please read our [Asia High Yield Corps Outlook 2022](#) for more details.

➤ **China announced policies to support economy growth**

NDRC and other 14 central ministries co-announced a package of policies to provide tax reduction and financial support for business. The policies include tax & social insurance cost reduction, financing cost relief & credit support, rent cost reduction, material cost relief, internet platform service fee reduction, scientific & accurate virus control to seek a balance and fixed asset investment stimulus. The policies should boost market confidence and facilitate a gradual stabilization of economic growth in 2Q22. Please read CMBI macro research report - [China launch supportive policies to boost growth](#) for more details.

➤ **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					

➤ **Market conditions and color**

- Regarding onshore primary issuances, there were 55 credit bonds issued last Friday with an amount of RMB100bn. As for Month-to-date, 378 credit bonds were issued with a total amount of RMB541bn raised, representing a 21.8% yoy increase.
- **[AMTDGC]** to issue USD 350mn 5% notes due 2022
- **[BYANIJ]** outlook changed to positive as new infrastructure expected to boost production while BB-rating was affirmed – Fitch
- **[DAFAPG]** to oppose winding-up petition filed in relation to the hold-out (cUSD40.36mn) of DAFAG 9.95%'22 matured on 18 Jan'22.
- **[FRETAI]** made USD14mn interest payment for half year on 5.6% senior secured notes due 2025, before the grace period ended on 21 Feb'21.
- **[FTLNHD]** completed tender offer for 7.5% notes due 2022
- **[HAIDIL]** expected up to RMB4.5bn net loss for FY21 due to one-off losses on disposal of long-term assets, impairment losses and others
- **[JINGRU]** expected up to 70% YoY drop in net profit for FY21 due to delay in delivery of certain projects caused by COVID-19

- **[JINKE]** Jinke Property's '20Jinke01' bondholders exercise RMB1.89bn put option
- **[RONXIN]** to sell 55% of property development holding company for RMB421mn. As per our discussions with Ronshine, all the proceeds will be used to repay onshore bank loans. Separately, the company bought back and cancelled USD62.473mn of 10.5% senior notes due 2022, equivalent to c12.5% of the issue size.
- **[ZHLGHD]** downgraded to B2, outlook changed to negative from stable - Moody's

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