

## CMBI Credit Commentary

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

- *REDPRO* marked down as much as 15-35pts yesterday to mid-20pts and *SHIMAO* also traded lower on several negative head-lines. This morning we saw *ZHPRHK* slightly up 0.25pt after investor call held yesterday afternoon. China IG generally widened 4-6bps this morning amid weak macro sentiment.
- *EHOUSE*: Tender offer/Exchange offer of *EHOUSE* 7.625% '22 notes to extend its maturity a likely scenario. See below.
- *CSCHCN*: Another strategic cooperation framework agreement with another Shenzhen SOE reflects that the share subscription of *SZCDG* is proceeding on track, in our view. *CSCHCNs* remains our picks for the Chinese property sector. See below.

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#### ❖ Trading desk comments 交易台市场观点

Yesterday, China HY property space were mixed yesterday. *CHINSC* climbed 2-3pts driven by bond repurchase news. *CENCHI/COGARD/KWGPRO/TPHL* saw market buying and up 1-3pts. *SHIMAO* curve was skewed to selling and down 5-10pts post headlines including 6 billion trust repayment with *CITIC Trust* and downgraded to 'Caa1/Negative' by Moody's. In industrial sector, *EHOUSE* closed down 8pts to 40-50 level.

IG market traded firm with rebounding sentiment, benchmark spread tightened 5-6bps. New issue *CHITRA* 27s traded slightly up and spread tightened to T5+113/112 from reoffer. Driven by better buying and the rising of UST yield, *HAOHUA* spread narrowed 6-7bps for the day. TMT names including *BABA/TENCNT/BIDU* continued to see better selling in the street and closed slightly wider

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➤ **Yesterday's Top Movers**

Top Performers	Price	Change	Top Underperformers	Price	Change
REDSUN 9.95 04/11/22	68.2	4.6	JINGRU 12 07/25/22	23.3	-9.9
TPHL 5.55 06/04/24	45.2	4.5	JINGRU 14 1/2 02/19/23	18.5	-9.3
TPHL 6.6 03/02/23	49.6	4.3	SHIMAO 4 3/4 07/03/22	56.6	-8.6
TPHL 6 3/4 07/16/23	48.0	3.7	JINGRU 12 09/26/22	18.1	-7.4
TPHL 6 3/4 07/08/25	40.6	3.7	SHIMAO 3.975 09/16/23	43.1	-6.9

➤ **Macro News Recap 宏观新闻回顾**

**Macro** – U.S. stocks indexes further decline yesterday as Russia-Ukraine tensions escalate. Reports of a pullback yesterday ignited hopes of a peaceful outcome, but accusations by Russian-backed separatists that government soldiers have fired at them have intensified concerns that the conflict could quickly escalate. The S&P (-1.84%), Nasdaq (-2.57%), and Dow (-1.38%) ended lower. The yield on the benchmark treasury came up except the 1-year treasury. The 1/5/10/30 yield increased -1/4/5/5bps to 1.16/ 1.89/ 1.99/ 2.29% respectively.

➤ **Desk analyst comments 分析员市场观点**➤ **EHOUSE: S&P cut to CCC/Neg**

Per our discussion with management, Ehouse's current free cash on hand can roughly cover its 2022 USD notes due Apr'22 (USD 300mn O/S), but after full repayment its liquidity will diminish to service daily operation. We believe Ehouse will seek liability management, if new funding from shareholder (i.e. Alibaba) fails to come through.

Amid difficult operating environment as primary property sales slump, Ehouse has halved its salesforce in 2H2021 and will likely downsize further. Still, the company currently needs c. RMB 200mn per month to service its operational overhead. Management also hopes to preserve liquidity in case it encounters difficulty rolling over its bank loans.

Under this backdrop, we see a Tender offer/Exchange offer of EHOUSE 7.625% '22 notes to extend its maturity a likely scenario.

➤ **CSCHCN: Another strategic agreement with another SZ SOE**

On 23 Feb'22, China South City (CSC) announced the strategic cooperation framework agreement with Shenneng Nanjing Energy for carrying out cooperation in rooftop distributed photovoltaic, carbon asset management, energy storage, contract energy management, etc. Shenzhen Nanjing Energy is a subsidiary of Shenzhen Energy which, in turn, is 43.91% and 25.02% owned by Shenzhen SASAC and Huaneng, respectively. The framework agreement was jointly promoted by SZCDG and Shenzhen Energy. Recalled that CSC entered into shares subscription agreement with SZCDG on 30 Dec'21, such that SZCDG will acquire 29.28% enlarged stakes and become the largest shareholder of CSC. SZCDG is a LGFV wholly owned by Shenzhen SASAC.

While there is no detail of the framework agreement, another cooperation agreement with another Shenzhen SOE reflects that the share subscription of SZCDG is proceeding on track, in our view. On 16 Feb'22, CSC announced the strategic cooperation agreement with Pengcheng Zhixiang, a subsidiary of SZCDG to offer the information-based and intelligent park solutions for the 8 China South Cities. As per our discussions with CSC, the timetable to complete the share subscription agreement remains to be on Apr'22. CSCHCNs remains our picks for the Chinese property sector.

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

Issuer	Size (mn)	Tenor	Coupon	Yield	Issue Rating (M/S/F)
Huai'an Investment Holdings	300	3	3.3 fxd	3.3	-/-/-
Fugao Wantai Group	130	3	4.2 fxd	4.2	-/-/-
Quzhou State-owned Capital	470	3	3 fxd	3	-/-/BBB-

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

Issuer	Currency	Size (mn)	Tenor	IPG	Issue Rating (M/S/F)
CNGR Advanced Material	USD	-	5yr	-	-/-/-
Hubei United Development	USD	-	3yr	-	Baa2/-/-

➤ **Onshore China conditions and color**

- Regarding onshore primary issuances, there were 31 credit bonds issued yesterday with an amount of RMB77bn. As for Month-to-date, 453 credit bonds were issued with a total amount of RMB668bn raised, representing a 0.3% yoy decrease.
- **[CCAMCL]** raises RMB 12bn via offering of capital bonds to boost additional Tier I capital
- **[CHINSC]** further repurchases USD 31mn of 5.875% senior notes due 2022 in open market
- **[SDEXPR]** proposes to offer RMB 1bn 270-day bills to repay debts
- **[CQNANA]** S&P affirmed its BBB- ratings and revised outlook to negative
- **[GEMDAL]** raises RMB 1.7bn via offering of three-year MTNs to repay debts and fund project development
- **[HRINTH]** Fitch upgraded to BBB+ with stable outlook
- **[MIDEA]** Midea Real Estate intends to issue up to CNY 1.5bn MTNs

- **[SHIMAO]** redeems RMB 249mn ABS one week early; Moody's downgrades Shimao to Caa1 with negative outlook
- **[ZHPRHK]** conference call was held on the exchange offer and consent of the 10.25% perpetual bonds due on March 5 yesterday. Management said that domestic bonds will also be negotiated simultaneously, hoping that they can be extended for more than one year, and that domestic and foreign bonds will be treated fairly. If the USD notes exchange offer cannot be completed, the company will consider debt restructuring

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