

## CMBI Credit Commentary

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

- LOGPH down another 8-12pts to 30-40 handles this morning after a significant plunge yesterday. PWRLNG also down 4-5pts while SUANC/COGARD down 2-3pts. IG generally widened 1-3bps amid higher UST yield and we also saw more sellers in LGFV names like STSYIO/CQNANA/HZYUNI.
- The market impact of Russian-Ukrainian war outbreak should focus on how sanctions on Russia will be imposed. While geopolitical tension increases market volatility, corporate fundamental factors such as profits and liquidity are still the main focus for Chinese companies. See below.
- **CHJMAO**: proposed spin-off of property management subsidiary through IPO to raise HKD760-825mn and distribution of Jinmao Services Shares in specie to existing shareholders. We see CHJMAO as a quality pick amid Chinese property sector volatility, and prefer short-dated CHJMAO 4 '24 T2+312bp, 4.75% YTM at 98.4 mid. See below.

**Glenn Ko, CFA 高志和**  
(852) 3657 6235  
glennko@cmbi.com.hk

**Polly Ng 吴宝玲**  
(852) 3657 6234  
pollyng@cmbi.com.hk

**James Wen 温展俊**  
(852) 3757 6291  
jameswen@cmbi.com.hk

#### ❖ Trading desk comments 交易台市场观点

Yesterday, China HY property space traded very weak following the decline of the overall market. COGARD/SUNAC down 3-5pts while CIFIHG/KWGPRO/PWRLNG fell 2-3pts. SHIMAO/LOGPH saw better selling and down 12-15pts/ 15-20pts for the day. Other property names like AGILE/TPHL/DALWAN/ROADKG/ROXIN/SHUION outperformed and down around 0.5pts only. EHOUSE continue to decline following of yesterday plunge.

IG market opened relatively stable but sentiment turned risk-off after Russia started military operation across Ukraine, benchmark spreads widened 5-7bps. In financial sector, AMC names like HRINTH widened around 15bps post the UST movement. TMT names like BABA continued to trade down and spread widened 8-10bps. In SOE space, HAOHUA spreads widened around 6-8bps for the day.

**CMBI Fixed Income**  
fis@cmbi.com.hk

## ➤ Yesterday's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
JIAYUA 13 3/4 03/11/22	91.3	4.0	LOGPH 7 1/2 08/25/22	60.5	-20.3
ZHPRHK 14.724 PERP	15.5	3.4	LOGPH 5 1/4 02/23/23	50.1	-18.2
REDSUN 9.95 04/11/22	69.9	1.8	LOGPH 6 1/2 07/16/23	49.2	-17.4
CSCHCN 10 7/8 10/26/22	84.7	1.2	LOGPH 6.9 06/09/24	42.1	-16.7
GZRFPR 12 3/8 11/18/22	35.2	1.2	SHIMAO 4 3/4 07/03/22	40.4	-16.2

## ➤ Macro News Recap 宏观新闻回顾

**Macro** – U.S. stocks indexes went up yesterday after President Biden announced the sanction over Russia. Less than a day after Russian forces attacked Ukraine on all sides, setting off intense fighting around the country, President Biden said from the White House that it was a “dangerous moment for all of Europe,” and that President Vladimir Putin of Russia had “unleashed a great pain.” The S&P (+1.50%), Nasdaq (+3.34%), and Dow (+0.28%) closed higher. The yield on the benchmark treasury all came down. The 1/5/10/30 yield decreased 8/5/3/1bps to 1.08/ 1.84/ 1.96/ 2.28% respectively.

## ➤ Desk analyst comments 分析员市场观点

## ➤ Market impact of Russian-Ukrainian war outbreak

With the outbreak of the Russian-Ukrainian war, CMB research team believes that the focus should be on post-war arrangements, especially how the sanctions on Russia will be imposed and the impact on the market. Here are two scenario deduction:

- If only minor sanctions are imposed on Russia, such as sanctions against some Russian banks, elites, etc., the market sentiment is expected to gradually stabilize.
- If the sanctions against Russia involve commodities, price of energy and agricultural products may continue to rise and soaring inflation that come with it should be closely monitored.

In addition, Russian-Ukrainian war may lead to higher volatility in the market. However, corporate issues such as profits and liquidity are still the main factors. Chinese companies are still facing endogenous problems such as declining performance growth and structurally high valuations. Since the start of 2020, we saw government actively promoted fiscal policy to stabilize economy growth. However, it takes time from policy implementation to material fundamental improvement in corporates. Opportunities may appear after performance bottoms out, valuation adjustments, and the Fed raises interest rates and shrinks its balance sheet.

For more details, please refer to original research: <https://mp.weixin.qq.com/s/egB1u1WBVo3--jYvMfeqeA>

## ➤ CHJMAO: Proposed spin-off of property management subsidiary

CHIJMAO will spin off Jinmao Services, its property management subsidiary through: a) IPO of 101mn Jinmao Services shares at HKD 7.52 – HKD 8.14 per share to raise HKD 760mn – HKD 825mn; and b) distribution of 191,680,031 Jinmao Services Shares in specie to existing shareholders. Post IPO, Jinmao Service's market capitalisation will be between HKD 6.8bn – HKD 7.6bn, and Jinmao Holdings will retain 67.5% of its stake. This can serve as an additional financing channel for Jinmao Holdings in the future.

We see Jinmao Holdings as a quality pick amid Chinese property sector volatility, thanks to its SOE status, with RMB104bn of unutilized domestic bank lines. We prefer short-dated CHJMAO 4 '24 T2+312bp, 4.75% YTM at 98.4 mid.

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

Issuer	Size (mn)	Tenor	Coupon	Yield	Issue Rating (M/S/F)
CNGR Advanced Material	100	5	4.55 fxd	4.55	-/-
Lishui ETDZ	100	3	2.7 fxd	2.7	-/-
Lishui ETDZ	100	3	2.7 fxd	2.7	-/-

➤ **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 65 credit bonds issued yesterday with an amount of RMB91bn. As for Month-to-date, 518 credit bonds were issued with a total amount of RMB759bn raised, representing a 3.8% yoy increase.
- Funding conditions for SOEs in China's Henan province recover, according to Fitch
- **[GRNKEN]** looking to raise USD 500m to refinance existing debt
- **[CIFIHG]** receives NAFMII notice of acceptance of registration for proposed issue of up to RMB 5bn MTNs
- **[CNOOC]** CNOOC's application for CNY-share issue approved by CSRC
- **[LNGFOR]** to issue up to CNY 5bn in MTNs
- **[RONXIN]** arranged necessary funds to offshore account to repay outstanding 10.5% senior notes due 1 March totaling USD 286.5m
- **[YUZHOU]** launches exchange offer for USD 667mn of private bonds due 2022

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