

CMBI Credit Commentary

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

- *Rebound in Asian HY space this morning, following US equities rally overnight. Liquid credits in general up 2-3pt, i.e., COGARD/CIFIHG. CARINC announced tender offer of CARINC 8.875%'22 between 98-99 vs current level of 96/97.*
- **CIFI:** *Ping An Bank casted a vote of confidence. Buy on CIFIHGs. See below.*
- *Indonesian government mulls another export ban on coal in either April or August. See below.*

❖ Trading desk comments 交易台市场观点

Yesterday we continued to see fund outflow related sell-off. High cash price bonds underperformed most. COGARD lead the drop on the day, it was hit down -5-6pts across the curve. CIFIHG/COGARD/GRNLGR/ROADKG saw sellers and down 5-8pts. Other property names such as SHUION/YLLGSP/GRNCH down 3-5pts and AGILE/CENCHI/PWRLNG/SINOCE/LOGPH/SUNAC down 1-3pts. Industrial space was a bit more settled on the day with WESCHI up 2pts, but rest of the space was weak.

IG market also remained weak with a clear lack of buyers in 10-year benchmark. Selling flows mostly focused in LGFV and property. SOE and other China government related sector saw relatively better buyers, but SINOPE widened by 20bps.

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➤ **Yesterday's Top Movers**

Top Performers	Price	Change	Top Underperformers	Price	Change
REDSUN 7.3 01/13/25	20.5	4.3	GRNLGR 5 7/8 07/03/24	50.1	-11.1
GEZHOU 4.15 PERP	105.1	2.9	GRNLGR 6 3/4 03/03/24	50.6	-10.0
WESCHI 4.95 07/08/26	82.6	1.2	GRNLGR 6 3/4 09/26/23	51.4	-9.5
FANGYA 5.3 03/22/24	99.0	0.9	GRNLGR 7 1/4 01/22/25	48.7	-8.1
REDPRO 11 08/06/22	24.7	0.6	CIFIHG 6.55 03/28/24	62.7	-7.8

➤ **Macro News Recap 宏观新闻回顾**

Macro – U.S. stock indexes rose sharply and commodities including oil fell. The S&P (+2.57%), Dow (+2.00%), Nasdaq (+3.59%) closed higher. The easing of the situation in Russia-Ukraine tension and news that the UAE may support an increase in OPEC+ production caused oil prices to fall. Treasury yield curve shift upward yesterday, with 1/5/10/30Yr yield being 1.15%/1.87%/1.94%/2.29%.

➤ **Desk analyst comments 分析员市场观点**

➤ **CIFI: Ping An Bank casted a vote of confidence**

Recent price movements for CIFIHGs offer better entry opportunities

CIFIHGs were 16-25 lower over the past 4 weeks, partly reflected the weak market sentiment and partly reflected the vulnerability of high cash price bonds to EM fund outflow. That said, we are impressed with CIFI's ability to access various funding channels (equity, onshore bonds, onshore loans and USD bonds) in a very challenging market environment. In our view, Ping An Bank's strategic cooperation agreement to offer CIFI M&A loans is a confidence vote on the survival of CIFI. Furthermore, we believe that the risk of accounting issues will be low in view of Deloitte's assurance report in Dec'21 when CIFI conducted the rights offer. At current valuations, CIFIHGs offer better risk return profile for longer-term investors. We have Buy recommendations on CIFIHGs.

More M&A loans are possible

CIFI announced the strategic cooperation agreement with Ping An Bank which will offer RMB5bn (cUSD770mn) for property M&As. As per our discussions with CIFI, the M&A loans to be drawn down will be carved out from 3 Red Lines estimates and can be used for land acquisitions through M&As. The funding cost will be benchmarked with PBOC rate. The size of loans is relatively small from a M&A perspective but this will strengthen CIFI's financial flexibility to continue the land replenishment required to support sales momentum. More importantly, this agreement reflects Ping An Bank's view that CIFI is a survivor of the sector. It is noteworthy to point out that Ping An Insurance is a shareholder of CIFI and holds a 6.6% stake in CIFI. We understand that CIFI is under discussions with other banks for M&A loans.

Ability to access different funding channels and manageable debt maturities in the near-term

CIFI has been able to access various funding channels even in a very challenging environment. In addition to M&A loans, CIFI completed rights issue to raise cUSD215mn in Dec'21. It re-tapped CIFIHG 4.45%'26 to raise USD150mn in Jan'22. CIFI is building the book for onshore 2+2 MTNs of RMB1bn. The indicative coupon rate

is 3.5%-4.8%. CIFI's debt maturity is manageable. In FY22, the only remaining offshore public bonds are the dim sum bonds with o/s amount of cRMB1.5bn (cUSD230mn) due Apr'22. CIFI has just deposited funds for the repayment of RMB800mn due 21 Mar'22. CIFI does not have any onshore bonds maturing or puttable in FY22.

Risk of accounting issues in FY21 results should be low

As discussed in our Asian HY corp outlook in Jan'22, we expect accounting issues such as change of auditors, qualified opinions, account restatements, etc. for Chinese property developers. That said, we believe that the risk is low for CIFI, taking comfort from Deloitte's assurance report in the offering circular for rights issue dated 6 Dec'21. A quick check on the offering circular, its total debt level as at 31 Oct'21 was largely the same as that of 30 Jun'21. CIFI will announce FY21 results on 24 Mar'21.

➤ **Indonesian coal sector mulls new negative restriction to coal miners**

Media reported Indonesian coal miners are likely to face new export restrictions in either April or August, when production is typically seasonally lower. This is to conserve coal stocks for domestic electricity provision, especially when international coal price remains high (Newcastle coal benchmark rose 24% year-to-date to 218.9), and coal miners often export more to maximize profit.

Meanwhile CNBC Indonesia reported Indonesian government is considering raising coal royalties to around 20%, from currently 13.5% for Indika (13.5% royalty rate on sales for coal mines under CCoW and IUPK). We will await the final release of potential regulatory change, to discern if there is any other adjustment to policy to offset this suggested increase in coal royalty rate, for example, easing of Domestic Market Obligation (DMO), if any.

➤ **Jiayuan: Full repayment of JIAYUA 13.75%'22**

Jiayuan remitted the funds for the full repayment of JIAYUA 13.75%'22 due 11 Mar'21. The outstanding amount is USD132.6mn. We expect Jiayuan to repay JIAYUA 11.375%'22 due May'21. The outstanding amount is USD103mn. JIAYUAs are our picks for FY22. Jiayuan will announce FY results on 30 Mar'22.

➤ **CARINC: Tender offer for CARINC 8.875%'22**

CARINC announced tender offer for CARINC 8.875%'22 between 98-99. The maximum acceptance amount is USD100mn (o/s amount is USD270.3mn) and the final maturity is on 10 May'22. The tender offer deadline is on 17 Mar'22. As per our discussions with CAR Inc., it is preparing to repay its CARINC 8.875%'22 while it continues to monitor USD bond market. Car Inc has un-utilized NDREC quota of USD500mn to be expired in Jul'22. We have a buy recommendation on CARINC '22. It is our short-term pick for carry.

➤ Offshore Asia New Issues (Priced)

Issuer	Size (mn)	Tenor	Coupon	Yield	Issue Rating (M/S/F)
Ninghai State-owned Asset Investment Holding	120	3	3.65	3.65	-/-/-
Shengzhou City Construction Investment	143	3	2.7	2.7	-/-/-
Shaoxing City Keqiao	300	3	3	3	-/-/BBB

➤ Offshore Asia New Issues (Pipeline)

Issuer	Currency	Size (mn)	Tenor	IPG	Issue Rating (M/S/F)
Jinjiang Road and Bridge Construction	USD	-	-	-	-/-/-
Shanghai Fosun High Technology	USD	150	3	FPG: 3	-/-/-

➤ Onshore China conditions and color

- Regarding onshore primary issuances, there were 87 credit bonds issued yesterday with an amount of RMB121bn. As for Month-to-date, 589 credit bonds were issued with a total amount of RMB634bn raised, representing a 1.7% yoy increase.
- **[BEDUUS]** repurchases total of USD 52.5mn of 7.45% senior notes due 2022 as of 9 March
- **[CIFHIG]** deposits all necessary funds for redemption of RMB 800mn 6.5% four-year domestic bonds. Separately, Ping An Bank will grant RMB 5bn financing for property M&A business
- **[FOSUNI]** one of its onshore subsidiaries – Shanghai Fosun Pharmaceutical completes issue of RMB 500mn T1 MTNs with 3.5% coupon
- **[JINGRU]** completes exchange offer for outstanding 12.75% senior notes due March 2022
- **[SFHOLD]** buys back 10.33m shares as part of up to RMB 2bn share repurchase plan

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