

## CMBI Credit Commentary

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

- *Relatively good start of the week, recovery continued from last week. CIFI/COGARD up 1-3pt while DALWAN/PWRLNG up 1-2pt. Distressed cohorts, however, fared worse. SUNAC down 1-2pt on news of company dissuading bondholders to exercise put on 1<sup>st</sup> April.*
- **HONGQI:** *Hongqiao delivered solid FY2021 result. Buy on HONGQI 7.375 '23 at 94 (YTM~ 13%) for just over 1 year tenor. See below.*
- *Profit warnings of DAFAPG/EHOUSE expecting net loss for FY2021. See our [daily on 24 Feb](#) on EHOUSE's operational update.*

#### ❖ Trading desk comments 交易台市场观点

Last Friday, Chinese HY space slightly retraced from the Thursday gain with most names down around 1pt. Underperformer include SUNAC, CIFIHG and COGARD. SUNAC curve down 13pts the most while paired some loss to 10pts before closing, this is after news of most of its 1<sup>st</sup> April puttable onshore bondholders will exercise put (RMB 4bn). CIFIHG/COGARD down 3-4pts. We saw slight recovery of LOGPH curve, and RONXIN was generally stable during the day.

China IG market continued its rebounding trend amid positive macro sentiment. Benchmark bonds generally tightened 5-7bps, led by the TMT sector.

**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

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

## ➤ Yesterday's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
WYNMAC 5 1/2 10/01/27	84.6	7.6	JIAYUA 12 10/30/22	39.1	- 17.6
PWRLNG 5.95 04/30/25	29.4	7.5	JIAZHO 11 1/2 04/07/24	24.6	- 10.2
SINOCE 2.7 01/13/25	72.3	7.1	REDSUN 9.95 04/11/22	38.8	- 6.2
PWRLNG 6.95 07/23/23	32.6	6.6	COGARD 5 1/8 01/14/27	56.0	- 5.7
STCITY 5 01/15/29	71.4	5.8	SUNSHI 7 1/2 02/17/25	8.5	- 5.6

## ➤ Macro News Recap 宏观新闻回顾

**Macro** – U.S. stock market finished higher Friday as markets continued to rally to end the week on a high note. The S&P (+1.17%), Dow (+0.80%), Nasdaq (+2.05%) closed higher. Oil prices continued to rise, with Brent crude futures gaining 96 cents, or 0.9%, to \$107.60 a barrel after surging nearly 9% on Thursday in the largest percentage gain since mid-2020. Treasury yield curve shifted downwards, with 1/5/10/30Yr yield reaching 1.29%/2.14%/2.14%/2.42%.

## ➤ Desk analyst comments 分析员市场观点

## ➤ HONGQI – Solid turnaround continues - FY2021 result

During 2021, China Hongqiao's revenue and EBIT grew to RMB 114.5bn and RMB 24.2bn, up 33% and 63% yoy, respectively. This was primarily driven by a 33% rise in its ASP of aluminum alloy products to RMB 16,689/ton (ex VAT), while sales volume remained unchanged at 5.05mn tons.

Hongqiao generated RMB28.7bn operating cash inflow in 2021, which funded RMB6bn capex, RMB7.2bn dividend, RMB 3.6bn interest expense and debt repayment of RMB10.3bn. After that, the company's net debt and gross debt lowered to RMB14.3bn and RMB 65.1bn, respectively, from RMB28.5bn and RMB75.5bn as of end-2020.

This significantly lowered its Gross Debt/EBITDA to 2.1x, from 3.5x in 2020. Net debt/EBITDA fell to 0.5x, from 1.3x in 2020. Cash/ST debt ratio improved to 1.6x. For its upcoming HONGQI 7.125 '22 notes due in July 2022 (USD 300mn), management prepares to repay with internal resources and is monitoring offshore market condition for new issuance.

We reiterate Buy on HONGQI's curve. Prefer HONGQI 7.375 '23 at 94 (YTM~ 13%) for just over 1-year tenor. This is our top Buy idea amid market sell-off on [16 March](#).

<https://www.cmbi.com/article/6488.html?lang=en>

## ➤ Offshore Asia New Issues (Priced)

Issuer	Size (mn)	Tenor	Coupon	Yield	Issue Rating (M/S/F)
Excellence Commercial	100	3	2.91	2.91	-/BBB-/-

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

Issuer	Currency	Size (mn)	Tenor	IPG	Issue Rating (M/S/F)
Hyundai Heavy Industries	USD	-	5	T+115bps	Aa2/-/-

➤ **Onshore China conditions and color**

- Regarding onshore primary issuances, there were 66 credit bonds issued yesterday with an amount of RMB59bn. As for Month-to-date, 1175 credit bonds were issued with a total amount of RMB1179bn raised, representing a 15.5% yoy decrease.
- **[BUMIJ]** plans to raise IDR 548.9bn (USD 38.2mn) via private placement
- **[DAFAPG]** expects to turn to loss for FY21 due to decrease in area of properties delivered
- **[DEXICN]** repurchases USD 4.2mn of 11.875% senior notes due 2022 in open market
- **[EHOUSE]** expects to swing to loss for FY21 due to decline in business scale
- **[FUTLAN]** Seazen Holdings' directors, executives to buy up to RMB 20mn bonds
- **[REDPRO]** extends expiration date of consent solicitation relating to outstanding 9.9% senior notes due 2024, 10.5% senior notes due 2023 to 22 Mar'22 from 21 Mar'22; Redco Properties unit Redco Healthy Living submits PHIP to HKEX in relation to IPO plan. The expected proceeds from the spin-off will be small.
- **[SHNSUN]** fails to make USD 12mn interest payment for 12% senior notes due 2023 before grace period expiry; appoints Sidley Austin. Meanwhile, Shinsun Holdings announced on 18 March that it has signed an agreement to sell 58.5% equity interest in a village renewal construction project in Taizhou City, Zhejiang, for RMB 272m (USD 43mn). Proceeds from the stake sale will likely be used to repay debts at project level.

- **[SUNSHI]** failed to make repayment for its "20YangguangchengMTN001" notes with maturity accelerated to 15 March, according to Shanghai Clearing House announcement on 18 March
- **[SAWSST]** Sawit Sumbermas plans to launch IPO for Citra Borneo unit this year
- **[VEYONG]** ENN Ecological proposes up to RMB 200mn share repurchase

*CMB International Securities Limited*

*Fixed Income Department*

Tel: 852 3761 8867/ 852 3657 6291

[fis@cmbi.com.hk](mailto:fis@cmbi.com.hk)

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