

CMBI Credit Commentary

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

- *Continual better buying on short tenor IG (<5yr), i.e. HAOHUA/CNBG. Recent New issue BNKEA '32 Tier 2 tightened 3-4bp to T5+213bp. AT1/Perps, on the other hand, underperformed amid sharply upward UST moves. We also saw buyer of BEDUUS buyer and EHICAR seller.*
- **Sino Ocean:** 3 yr USD notes at FPG 3.8% with SBLC backed by Zheshang Bank, Beijing branch (Baa3/BBB-). This is 140bps behind GRNCH 2.3% '25 with SBLC by Zheshang Bank, Hangzhou branch (Baa3/BBB-).
- **Jiayuan:** Media reported a winding-up petition against Jiayuan on the default of bonds of HKD10mn due 5 Feb'22. Management will settle the repayment asap in view of the relatively small amount and expects the court case to be withdrawn soon. We maintain BUY on JIAYUAs, see below.

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❖ Trading desk comments 交易台市场观点

Yesterday, Chinese HY property space continued to underperform amid negative market sentiment. We saw strong selling flows in high-quality names. COGARD/LOGPH/PWRLNG/TPHL were traded down 1-2pts. KWGPRO curve slightly dropped 1pt after releasing its audited financial report. Other property names like CHINSC/GRNLGR/SUNAC also down 1pt. On the other hand, CSCHCN rose 1-2pts after its repayment of onshore notes and obtaining all regulatory approval for shareholder change to a Shenzhen SOE. DEXICN Dec'22 marked up higher around 10pts, after its announcement of depositing funds for due Apr 22 notes. The industrial and Macau gaming sector were also weak with EHOUSE/GWFOOD/SJMHOL down around 1pt.

Chinese IG market was quiet. In TMT sector, benchmark names like MEITUA/BIDU widened 3-10bps alongside their decline in equity market. In SOE sector, CHGRID and SINOPE widened 2-3bps. Financial sector broadly tightened 3-5bps. The new issued BNKEA'32 Tier-2 tightened 4-6bps (vs last Thursday close). AT1 names slightly dropped 0.25-0.5pt.

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➤ **Yesterday's Top Movers**

Top Performers	Price	Change	Top Underperformers	Price	Change
DEXICN 9.95 12/03/22	64.8	13.0	GRNLGR 5 7/8 07/03/24	65.8	-5.0
CSCHCN 10 7/8 10/26/22	91.8	2.0	DAFAPG 12 3/8 07/30/22	12.1	-3.6
REDPRO 11 08/06/22	24.0	1.9	GRNLGR 6 3/4 03/03/24	67.8	-2.5
PINGIN 2.95 02/25/31	84.7	1.8	AGILE 6.05 10/13/25	41.5	-2.4
CSCHCN 7 1/4 11/20/22	90.6	1.7	COGARD 5.4 05/27/25	75.0	-2.3

❖ **Macro News Recap 宏观新闻回顾**

Macro – U.S. stock market ended higher and Treasury yields further advanced to multi-year high yesterday, absorbing the hawkish comments from an influential Federal Reserve president and a resurgence in fighting in eastern Ukraine. The S&P (+1.61%), Nasdaq (+2.15%), and Dow (+1.45%) closed higher. Federal Reserve Bank of St. Louis President James Bullard said on Monday that he wouldn't "rule out" a 75 basis point rate hike in any of the central bank's upcoming meetings, adding that he'd like to see faster moves from his colleagues in order to tamp-down the inflationary pressures building in the world's biggest economy. The UST yield climbed up again yesterday, with the 1/5/10/30 yield reaching 1.94/2.91/2.93/3.01% respectively.

❖ **Desk analyst comments 分析员市场观点**

➤ **Sino Ocean: New 3 year USD notes, SBLC backed by Zheshang Bank, Beijing Branch**

For 3-yr Sino ocean SBLC backed by China Zheshang Bank, Beijing branch (Baa3/BBB-), its most direct comparable is GRNCH 2.3%'25 which is trading at a YTM of 2.4% (3yr UST-42bp). Greentown's SBLC provider is China Zheshang Bank, Hangzhou branch. Both China Zheshang Bank Beijing and Hangzhou branches are rated the same. On a standalone basis, Greentown is rated Ba3/BB- by Moody's/S&P, 3 notches lower than those of Sino Ocean (rated Baa3/BBB-) by Moody's/Fitch. IPT of 3.8% of Sino Ocean 3yr is c140bps behind GRNCH 2.3%'25.

➤ **Jiayuan: Late payment of CP**

Media reported the winding-up petition against Jiayuan on the default of bonds of HKD10mn due 5 Feb'22. As per our discussions with Jiayuan, this is related to the company's guarantee on onshore commercial paper related to the acquisition of a project in Zhuhai. Jiayuan delays the repayment because the acquisition is still pending on unfilled conditions precedent (incl plot ratio change). The company will settle the repayment asap in view of the relatively small amount and expects the court case to be withdrawn soon. We maintain BUY on JIAYUAs and believe that the current valuations, especially those of the longer-end JIAYUAs trading at high 30s - low 40s, has priced in excessive downside.

Indeed, Jiayuan, audited by PWC, is one of the few Chinese developers with a "clean" FY21 results without even EOM (such as auditor mentioning the material uncertainty relating to going concern). While its revenue and core net profit in FY21 declined modestly by 1% and 9% to RMB18.9bn and RMB2.7bn, respectively, it remains in the green camp under 3-Red Lines. Its net gearing, adj liab/asset and unrestricted cash/ST debts ratios are 50.2%, 60.6% and 1.4x in Dec'21, improved from 53.9%, 64.3% and 1.3% in Dec'20, respectively. We are not surprised for Jiayuan to come up with a relatively 'clean' FY21 results as Jiayuan's growth trajectory is very

different from some industry peers. Jiayuan's expansion is mainly through equity-funded asset injections from major shareholder and it has maintained a high sales attributable ratio (81% in FY21) with a much higher balance sheet transparency.

Jiayuan repaid bonds with remaining outstanding of USD225mn due 11 Mar'22 and onshore ABS of RMB200.2mn on 31 Mar'22. It does not have onshore bonds and ABS outstanding. It has USD103mn outstanding for the bonds due 2 May'22. We understand the bonds are mainly held by a major investor. Jiayuan is exploring options to roll-over but can meet full repayment with internal resources. The only other bond maturity in FY22 will be USD200mn due 30 Oct'22. The refinancing pressure is manageable. While we would not rule out the possibility that Jiayuan will explore options for liability management to conserve liquidity for its longer-term development, we believe that current valuations, especially those of the longer-dated JIAYUAs, priced in excessive risk of "an distressed exchange".

➤ Offshore Asia New Issues (Priced)

Issuer	Size (mn)	Tenor	Coupon	Yield	Issue Rating (M/S/F)
Taiwan Semiconductor Manufacturing Company	USD1000	5	3.875%	3.913%	Aa3/AA-/-
Taiwan Semiconductor Manufacturing Company	USD500	7	4.125%	4.151%	Aa3/AA-/-
Taiwan Semiconductor Manufacturing Company	USD1000	10	4.25%	4.25%	Aa3/AA-/-
Taiwan Semiconductor Manufacturing Company	USD1000	30	4.5%	4.5%	Aa3/AA-/-

➤ Offshore Asia New Issues (Pipeline)

Issuer	Currency	Size (mn)	Tenor	IPG	Issue Rating (M/S/F)
Sino-Ocean Group (SBLC by China Zheshang Bank)	USD	-	3	3.8%	Ba3/-/-
Continuum Energy Aura	USD	400	3.5	-	NR/BB-/-
Singapore Technologies Engineering	USD	-	5/10	-	Aaa/-/-

➤ Market conditions and color

- Regarding onshore primary issuances, there were 103 credit bonds issued yesterday with an amount of RMB106bn. As for Month-to-date, 874 credit bonds were issued with a total amount of RMB937bn raised, representing a 17.5% yoy decrease.

- **[BTSDF]** launches syndication of USD 1.2bn-equivalent USD/AUD/HKD three-year refi loan
- **[KWGPRO]** Le Ming International has remitted the funds on (19 April) to fully cover the redemption of its KWG Group Holdings-guaranteed USD 220mn private bonds due 20 April
- **[PONEIV]** Port of Newcastle stake owned by China Merchants may be acquired by Australian government as possible submarine base location
- **[TSINGH]** Unigroup's parent - Tsinghua Holdings' equity transfer by Tsinghua University to Sichuan SASAC for nil consideration

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