

Flash note  
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## Evergrande's latest (good) news

- **Acquisition of Evergrande's troublesome division:** Evergrande's stock had been suspended pending an announcement that Hopson Development was set to acquire a 51% stake in Evergrande's property services unit. Although Hopson's shares were also suspended all day, its bonds tumbled.
- **Evergrande bonds bought by distressed debt investors:** Reported that distressed debt investors have been buying Evergrande bonds in the expectation that Beijing will come to the rescue of the company. Marathon Asset Management and Saba Capital Management have both bought bonds in recent weeks.
- **Evergrande's asset management division returns funds owed to wealth product investors:** Evergrande (3333.HK) has started to return some cash owed to buyers of its investment products, in line with a repayment plans announced in September. The schedule was introduced in response to angry investors of Evergrande's high yield products, some of whom who had protested outside the company's headquarters last month.
- **Chinese regulators vow that property market will remain "healthy":** A joint statement by regulator CBIRC and PBOC suggested that financial institutions must cooperate with related authorities to "maintain the steady and healthy development of China's property market". Under the principle that "houses are for living in, not for speculation," they said these institutions should implement prudential management for real estate finance. This supposes de facto what we already anticipated would happen: A tightening of the commercial real estate activity, aimed at controlling leverage, and consequently giving place to a less dynamic sector but a much safer one in the future.

- **In a nutshell, Beijing steps up efforts to ring fence Evergrande, but not to save it:** Beijing has stepped up efforts to contain fallout from Evergrande rather than to save it. Top regulators last week urged banks to support the property sector, signaling that Beijing is willing to prop up healthy developers, homeowners, and the real estate market at the expense of Evergrande's global bondholders.

These are the main news that have occurred in the last 48 hours and point towards a dynamic of relatively quick resolution for the situation of this company. Anything that means completing the Evergrande liquidation process in an orderly and prompt manner helps to dissipate the risk of contagion to emerging Asian indices, although we will have to follow events very closely, as the environment can change rapidly.

Best