

## CMBI Credit Commentary

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

#### The Asset Asian G3 Bond Benchmark Review 2023

We hope you found our commentaries and ideas helpful. We seek to elevate our efforts and value-add further in the coming year. We highly appreciate your support to us in Sell-Side Analysts of the polls of [“The Asset Asian G3 Bond Benchmark Review 2023”](#). Thank you for your time. Your support will mean a lot to us.

- *Markets were mixed two-way this morning. Recent new issues CICCHK, HKLSP and KOHNPW widened 1-2bps. TMTs were strong that MEITUA tightened 10bps and BABA/TENCNT were unchanged to 3bps tighter. For LGFV and SOE Perps, there were inflows on short-term names with high yields.*
- *China LGFV: National Council for Social Security Fund to reduce non-state-owned developers and weaker LGFV exposures. See below.*
- *SINOCE: Media reported that Sino-Ocean Group is still seeking funds for USD7mn coupon due 13 Jul and likely to pay in grace period. SINOCEs moved -0.125 to +0.125pt this morning.*

#### ❖ Trading desk comments 交易台市场观点

Yesterday, new KOHNPW 28 was traded around at RO of T+90 while new CICCHK 26 widened 3bps. The other recent new issues were also mixed. KORHIC 26s/KORGAS 28s edged 1-2bps tighter. HKLSP 33s, priced at T+125, widened 2bps. In Chinese SOEs, HAOHUA curve grinded 2-3bps tighter. TMT benchmarks BABA/TENCNT edged 1-2bps tighter, while the high beta TMTs such as MEITUA/XIAOMI/LENOVO 30s were squeezed 5-10bps tighter under short-covering ahead of CPI data on Wed night. In financials, AMCs were traded slightly weaker. HRINTHs were around 0.25pts lower with mixed flows. Chinese AT1s were under better buying. European AT1s such as STANLN 4.3 Perp/HSBC 8 Perp were bid up 0.25-0.75pt with active two-way flows among Chinese securities houses and prop desks. Chinese properties performed mixed. COGARDs gained 0.5pt. ROADKGs were traded 1.25-2.75pts higher. On the other hand, LNGFORs lowered 1-1.5pts. GRNLGRs were marked down 0.75-1.75pts. In industrials, FOSUNI 26s were indicated 1.5pts higher. STCITYs/WYNMACs/MPELs were traded 0.5-2pts higher. In Indian space, VEDLNs dropped 2.5-5pts on media reports that Vedanta was exploring a potential partial exchange offer of its due-2024s. AZUPOEs were bid up 0.25pt. Indonesian SOEs PERTIJs/PLNIJs were marked 0.5-1pt higher.

The LGFV/Perp spaces held up well. The deployment buying in LGFV space gradually resumed from banks and AMs, focusing on papers yielding mid-6%,

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including those names that had tightened from >7% (Qingdao names) and those that had widened from <6% (the quality 24s). ZJBOXV announced a tap of USD125mn on its USD200mn due-2024. The keep-well 364d issue ZJBOXV 5.9 '24 were better-offered from its re-tap level at 6.5%. SOE Perps were largely quiet. There were small better buying interests from local accounts. HUADIA 4 Perp/RLCONS 3.97 Perp were indicated 0.125pt higher.

#### ❖ Last Trading Day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
ROADKG 5.9 03/05/25	60.8	2.7	VEDLN 6 1/8 08/09/24	67.3	-5.0
WYNMAC 5 1/8 12/15/29	84.1	1.8	VEDLN 9 1/4 04/23/26	65.9	-4.7
FOSUNI 5 05/18/26	73.5	1.5	VEDLN 8.95 03/11/25	68.4	-4.0
ROADKG 6 09/04/25	55.0	1.5	VEDLN 13 7/8 01/21/24	87.6	-2.8
STCITY 5 01/15/29	74.6	1.5	GRNLGR 5.9 02/12/25	19.4	-1.8

#### ❖ Marco News Recap 宏观新闻回顾

**Macro** – S&P (+0.74%), Dow (+0.25%) and Nasdaq (+1.15%) rallied higher post the lower-than-expectation Jun CPI published, the latest CPI was +3.0% yoy, down from +4.0% yoy in May and was lower than expectation of +3.1% yoy. US dollar index down to 100.2 that markets estimate a 25bps rate increase in Jul'23 will be the last interest rate hike. The US treasury yields were bull flattened yesterday, the 2/5/10/30 yield reached 4.72%/4.07%/3.86%/3.96%, respectively.

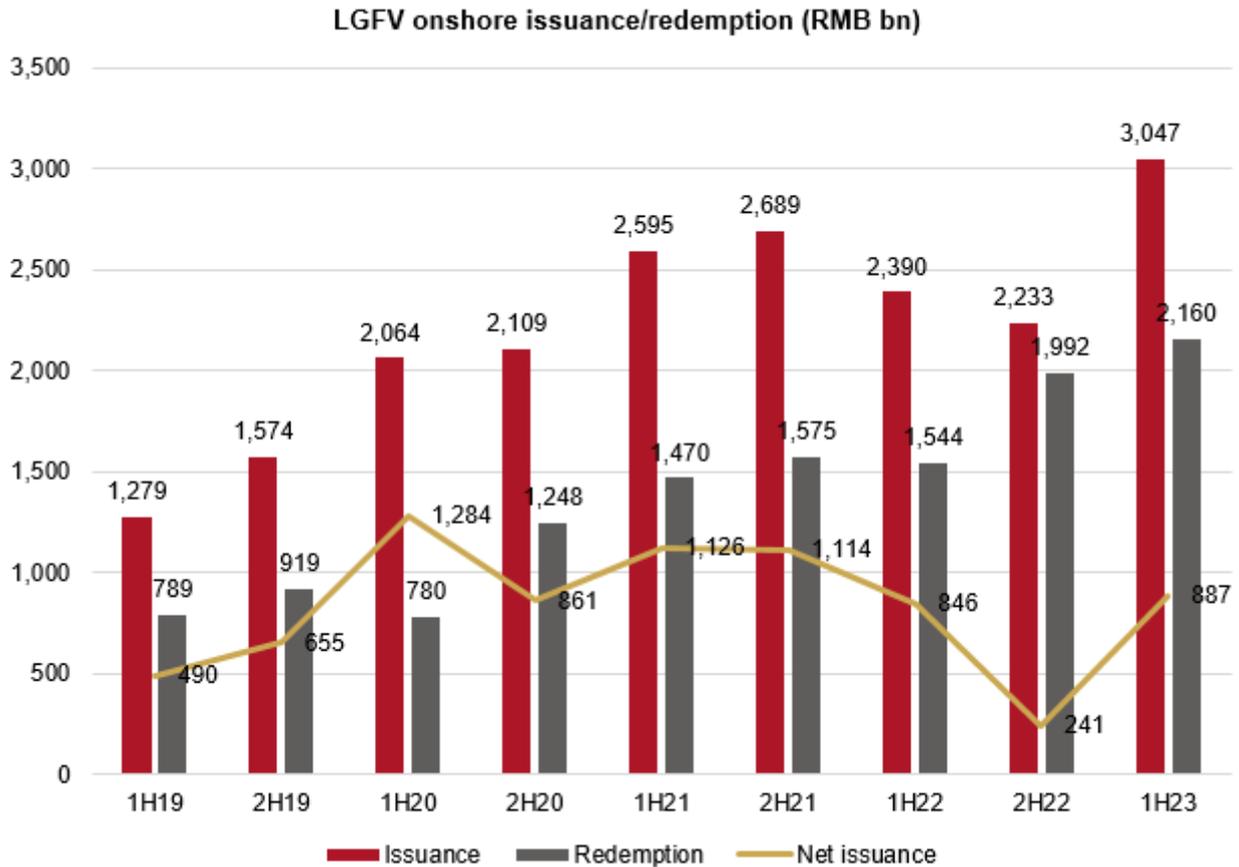
#### ❖ Desk analyst comments 分析员市场观点

##### ➤ China LGFV: National Council for Social Security Fund to reduce non-state-owned developers and weaker LGFV exposures

Media reported that the National Council for Social Security Fund, the state-owned pension fund of China, recommended its managers to reduce the exposure to non-state-owned developers and weaker LGFV bonds, and assess the bond risk for the bonds issued by above issuers with market prices below 95. The fund is managing AUM of cRMB3tn (cUSD416bn) as of Dec'21.

The move recommendation of the fund could further raise more questions on the repayment/refinancing ability of weaker LGFVs, especially in the regions including Guizhou, Jilin, Gansu, Tianjin, Yunnan which are facing higher refinancing pressure as mentioned in [our daily last week](#). During 1H23, the onshore issuances from LGFVs increased c27% yoy to RMB3,047bn. For the issuances in Free Trade Zone (FTZ), the LGFV issuances totaled RMB63.5bn in 1H23, close to double of the 2022 full year issuances of RMB32bn. We expect the onshore and FTZ issuances to moderate in 2H23, amid the market concerns on LGFV as well as government's effort in managing debt risk of local governments.

There are also chatters on China's state-owned banks denied to provide 25-year loans to creditworthy qualified LGFVs. Nonetheless, central government could encourage banks to provide refinancing to higher quality LGFVs. However, for weaker LGFVs, their respective local government could have to sort out their own rescue packages.



Source: Wind.

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

Issuer/Guarantor	Size (USD mn)	Tenor	Coupon	Priced	Issue Rating (M/S/F)
No Offshore Asia New Issues Priced Today					

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

Issuer/Guarantor	Currency	Size (USD mn)	Tenor	Pricing	Issue Rating (M/S/F)
Yangzhou Urban Construction State-owned Asset Holding Group	USD	-	3yr	5.95%	-/-/-

➤ **News and market color**

- Regarding onshore primary issuances, there were 87 credit bonds issued yesterday with an amount of RMB89bn. As for Month-to-date, 531 credit bonds were issued with a total amount of RMB484bn raised, representing a 8.2% yoy decrease
- **[ADEIN]** Media reported that Adani Group plans to complete up to USD4bn fundraising by year end

- **[BABA]** China NDRC praised BABA and MEITUA for helping support China's technological advancement and economic growth
- **[CENCHI]** Fitch withdrawn CCRE's unsecured rating of C withdrawn after developer withdraws from rating process; Media reported that its USD noteholders seek to organize ahead of restructuring talks with PJT and Moelis vying for role
- **[NEJAIN]** Neijiang Investment Holding Group announces issue of JPY10.5bn (cUSD75.8mn) 1.4% credit enhanced bonds due 2026
- **[NIO]** NIO Inc announced close of USD738.5mn strategic equity investment from CYVN Holdings
- **[PWRLNG]** Media reported that Powerlong got consents for one-year amortization of already extended RMB480mn domestic bonds due 15 July; the company is seeking same extension for next domestic bond maturity for another extended tranche
- **[SINOCE]** Media reported that Sino-Ocean Group is still seeking funds for USD7mn coupon due 13 Jul and likely to pay in grace period
- **[YNPOWE]** Yunnan Energy Investment announced to redeem USD150mn YNPOWE 4.5 PERP on 20 Aug'23

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