

CMBI Credit Commentary**Fixed Income Daily Market Update 固定收益部市场日报**

- *Markets were overall quiet this morning. In Asian IG, new issue SHNHAN'28 and RECLIN'28 tightened c5bps. China names were mostly unchanged. Korean names were mixed that KHFC narrowed 5-10bps while HYUELE widened 5-10bps. AT1 rose c0.25pts as rates down.*
- **CENCHI & EHOUSE:** *Liability management plans announced. See below.*
- **China Macro Monitor** – *In continuous recovery. See below for comments from our economic research.*

❖ Trading desk comments 交易台市场观点

Yesterday, Asia IG space had a very quiet session ahead of Easter long weekend. IG spreads opened in a firm tone to edge 1-3bps tighter, but soon the gains faded away and spreads retraced to unchanged before lunch. In China SOEs, SINOCH tightened 3-6bps. In TMTs, BABA/TENCNT papers closed unchanged but BBB names encountered some selling. We saw some profit taking flows on WB/XIAOMI. MEITUA curve was quiet and unchanged after last Friday's dramatic price action. In financials, HRINTHs closed 20-70bps tighter (or 0.5-1pt higher). Other AMCs remained stable. We saw some bank accounts loading up low beta bank T2s in HK/Korea space. However, T2s in China/SG space were still overall under better selling. UOBSP/OCBCSP/CINDBK widened 2-4bps. China property space was still largely subdued except several quality names. DALWANs were traded 0.5-1.5pts higher (50-150bps tighter). COGARDs gained 1-3pts. On the other hand, SINOCes dropped another 2-6pts across the curve after falling 4-6pts last Friday. CENCHIs were traded down 1-2pts. At mid-day, CCRE announced an exchange offer for its three due-2023s with a total amount of USD897mn principal outstanding. CIFIHGs/CENCHIs were marked 0.5-2pts lower. Industrial names FOSUNIs/WESCHIs were bid up 0.5-1.5pts. Macau gaming papers MPELs/SANLTDs/STCITYs drifted another 0.5-1.25pts higher. In India space, VEDLNs and renewables edged 0.5-1pt higher. Indonesian oil name MEDCIJs were marked 0.5-1.5pts higher.

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In the Asia AT1/Perp/LGFV space, the rebound momentum in European AT1s carried on to Asia AT1s as flows remained better buying across London and Asian hours. Flow wise, we saw regional demand in previously underperforming AT1s from HF and Chinese AM, as the likes of HSBC/STANLN AT1s were marked around 1.25-2pts higher versus Asia close on Friday. SOFTBK Perps followed the suit to gain 1-2pts. Meanwhile Thai and Korean AT1s also ground 0.25-0.5pt higher on the back of PB demand. Chinese bank perps were around 0.125-0.25pt higher despite some RM taking profit into the rally. Activities were fairly lackluster away from AT1s, as many dealers were already out on Easter holiday. In LGFVs, we saw light balanced two-way flows among Chinese AMs generally. Whilst SOE Perps were largely stable amid mixed light two-way flows.

❖ Last Trading Day's Top Movers

| Top Performers | Price | Change | Top Underperformers | Price | Change |
|-----------------------|-------|--------|-----------------------|-------|--------|
| COGARD 5 5/8 01/14/30 | 55.5 | 3.2 | SINOCE 6 07/30/24 | 56.8 | -6.2 |
| COGARD 3 7/8 10/22/30 | 48.9 | 3.0 | SINOCE 3 1/4 05/05/26 | 44.5 | -6.0 |
| SINOCE 3.8 04/26/25 | 41.3 | 2.4 | SINOCE 4 3/4 08/05/29 | 35.9 | -5.0 |
| COGARD 5.4 05/27/25 | 66.9 | 2.0 | SINOCE 4 3/4 01/14/30 | 35.4 | -3.6 |
| COGARD 7 1/4 04/08/26 | 64.2 | 2.0 | SINOCE 2.7 01/13/25 | 44.9 | -2.6 |

❖ Marco News Recap 宏观新闻回顾

Macro – U.S. stock markets were divergent yesterday, S&P (+0.37%), Dow (+0.98%) and Nasdaq (-0.27%) were led by energy sector's rally. U.S. ISM March manufacturing PMI was 46.3 and lower than estimation of 47.5. China Caixin March manufacturing PMI was 50.0 and lower than expectation of 51.7. The U.S. treasury yields overall down, the 2/5/10/30 yields reached 3.97%/3.52%/3.43%/3.64%, respectively.

❖ Desk analyst comments 分析员市场观点

➤ CENCHI: Exchange offer for due-2023 notes and consent solicitation for rest bonds

Central China announced exchange offer for three due 2023 bonds with o/s principal amount totaled USD897.3mn to extend maturity for two years. Concurrently, there is a consent solicitation for other four bonds to carve out event of default from exchange notes. See below table for details:

In FY22, CENCHI's revenue declined 43% to RMB24.1bn and net loss was RMB7.8bn. As of Dec'22, its cash (excl. restricted cash) to short-term debt ratio was 0.1x, sharply decreased from 0.9x in Dec'21. The exchange offer helps relieve its liquidity pressure and buy time for significant sales recovery.

Table 1: details of CENCHI's offer

| Bond | Amt Out (MM) | Maturity | Upfront cash | Incentive cash | New Bond | New Maturity | Type | Remarks |
|----------------------|--------------|----------|--------------|----------------|----------------------|--------------|----------------------|--|
| CENCHI 7.25 04/24/23 | 300 | 04/24/23 | | | CENCHI 7.25 04/24/25 | 04/24/25 | | |
| CENCHI 7.9 11/07/23 | 197.3 | 11/07/23 | | 0.5pt | CENCHI 7.9 11/07/25 | 11/07/25 | Exchange Offer | -Coupon unchanged |
| CENCHI 7.65 08/27/23 | 400 | 08/27/23 | | | CENCHI 7.65 08/27/25 | 08/27/25 | | -0.5pt incentive cash for exchange offer, 0.25pt for consent soliciatation |
| CENCHI 7.25 07/16/24 | 200 | 07/16/24 | 0 | | | | | -Minimum acceptance level: 90% |
| CENCHI 7.25 08/13/24 | 291.23 | 08/13/24 | | 0.25pt | No New bonds | unchanged | Consent Solicitation | -Expiration deadline: 18 Apr'23 |
| CENCHI 7.75 05/24/24 | 297.55 | 05/24/24 | | | | | | |
| CENCHI 7.5 07/14/25 | 260 | 07/14/25 | | | | | | |

EHOUSE: A new RSA which was signed by Alibaba

E-house announced RSA for its two USD598.2mn USD bonds and HKD1.03bn CBs (held by Alibaba). The RSA consideration consist of two parts: 1) 6pts cash, funded with HKD480mn rights issue underwritten by Chairman Zhou Xin and 2). 65% new shares of TM Home, of which 10.793% will be held by Alibaba and 54.207% by other creditors if the RSA gets approved. TM Home's main businesses are CRIC and Leju, the current core business of E-house. Notwithstanding, the financial conditions of TM Home is also weak amid sluggish real estate market. We take some comfort with the support of Alibaba which will continue the cooperation between Tmall Haofang and TM Home, and has signed RSA.

Bonds:

| o/s amount (USD mn) | | |
|-----------------------|-------|-------------------------|
| EHOUSE 7.625 04/18/22 | 298.2 | |
| EHOUSE 7.6 06/10/23 | 300 | |
| EHOUSE 2'23 | 131.5 | HKD CB, held by Alibaba |

RSA Details:

| | |
|-----------------------------|---|
| Instruction Fee | 0.25% of aggregate o/s principal and accrued/unpaid interest to 30 Jun'23 |
| Restructuring Consideration | 1. 6pts cash, funds by HKD480mn rights issue underwritten by Chairman Zhou Xin. 2. Issue 65% new shares of TM Home to Creditor SPV and CB holders on pro rata basis. |
| Effective level | 75% of aggregate principal |
| RSA Expiration Deadline | 28 Apr'23 six months after the RSA Expiration Deadline, or such later date and time as the Company may elect to extend, shall not be later than 31 Mar'24 |
| RSA Long-stop date | |

Details of TM Home:

| | | |
|-------------------------------|--|---------|
| Financials as of Dec'22 (RMB) | Revenue | 3.88bn |
| | Net loss | 1.69bn |
| | Net assets | 206.2mn |
| Core business | 1.CRIC Holdings Limited and operate the online real estate marketing service business in partnership with Tmall Network 2.Controlling stake in Leju Holdings Ltd | |
| Current shareholder | E-house | 70.23% |
| | TM Home minority shareholder (Alibaba) | 29.77% |
| | Creditor SPV | 54.207% |
| Shareholder after RSA | CB holders and TM Home minority shareholder (Alibaba) | 10.793% |
| | E-House | 20% |
| | E-House management | 15% |
| New BCA of TM Home | 1.Tmall Network and TM Home WFOE would continue the cooperation on the Tmall Haofang (天貓好房) platform business with TM Home WFOE being designated as the exclusive Tmall partner for the online real estate platform on Tmall, for the period from the date of the NewCooperation Agreement to 31 August 2024 | |
| | 2.TM Home would be renamed. | |

➤ China Macro Monitor – In continuous recovery

Economic condition: China economy continued to recover in March as customer flow and service activity further rebounded. The resumption pace was basically in line with expectations. We maintain our forecast on the GDP growth at 5.4% for 2023, with the YoY growth rates for the four quarters respectively at 3.8%, 7.7%, 4.6% and 5.6%.

Traffic & passenger flow: The YoY growth of traffic flow mildly slowed in March. However, passenger and customer flow further improved as service activity continued to rebound. Outbound and inbound tourism recovered noticeably as number of international flights significantly increased. Retail sales and service output index should continue to recover.

Housing market, auto sales and construction activity: China's housing sales picked up in March thanks to low base, easing credit policy, economic reopening and release of pent-up demand accumulated during lockdowns. Housing sales in higher-tier cities further improved while sales growth in lower tier cities slowed. Auto sales remained weak as potential buyers chose to wait due to a price war in the sector. Construction activity continued to improve thanks to strong infrastructure investment and improvement of property development investment.

China exports: China's exports remained weak in March as the recent overseas banking sector turmoil may cause credit tightening and increase downside pressure on overseas economy. US 10Y/3M and 10Y/2Y term spreads remained negative as bond market investors expected a recession in US in future. China's exports may remain weak in 1H23 and gradually improve from 2H23. We expect the exports to drop 3.5% in 2023 after rising 7% in 2022.

China's liquidity condition & RMB exchange rates: PBOC's RRR cut in March indicates its easing bias towards liquidity and credit policy to boost confidence and growth. Credit policy should remain accommodative

especially for manufacturing, tech companies, service and SMEs. New credit remained strong as credit growth further rebounded in March. Sino-US long-term rate spread may rebound as China economy continues to rebound while US economy further slow. Renminbi may see moderate rebound against US dollar this year. We expect US\$/RMB spot rates to reach 6.6 at end-2023, compared to 6.95 at end-2022.

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➤ Offshore Asia New Issues (Priced)

| Issuer/Guarantor | Size (USD mn) | Tenor | Coupon | Yield | Issue Rating (M/S/F) |
|------------------|---------------|-------|--------|---------|----------------------|
| REC Ltd | 750 | 5yr | 5.625% | T+212.5 | Baa3/-/BBB- |
| Shinhan Bank | 500 | 5yr | 4.5% | T+107 | Aa3/A+/A |

➤ Offshore Asia New Issues (Pipeline)

| Issuer/Guarantor | Currency | Size (USD mn) | Tenor | Pricing | Issue Rating (M/S/F) |
|------------------|----------|---------------|-------|---------|----------------------|
| Kookmin Bank | USD | - | 3/5yr | - | -/-/- |

➤ News and market color

- Regarding onshore primary issuances, there were 54 credit bonds issued yesterday with an amount of RMB57bn. As for Month-to-date, 150 credit bonds were issued with a total amount of RMB132bn raised, representing a 145.3% yoy increase
- [ABMMIJ]** ABM Investama FY22 revenue rises 41.5% to USD1.45bn and profit up 83.6% to USD0.34bn
- [CHFOTN]** China Fortune Land Development signed agreement to sell stakes, creditors' rights in four firms to China Resources Land Holding for RMB12.4bn
- [EVERRE]** China Evergrande signed restructuring support agreements with members of AHG representing over 20% and 35% aggregate o/s amount of Evergrande and SJ notes
- [LMRTSP]** Media reported that Lippo Mall's manager said it is expected to pay its debts when they dues
- [LPKRIJ]** Media reported that Lippo Karawaci CEO said to do best to support LMIRT in refinancing loans; REIT business main pillar to conglomerate
- [MEDCIJ]** Medco Energi plans to set aside USD330mn for capex in 2023, rise from USD302mn in 2022
- [SHIMAO]** Shimao has circulated draft restructuring proposals to the advisor of the AHG and Co-ordination Committee

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