

CMBI Credit Commentary

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

- *BNKEA 6.625'27 tightened another 1bp this morning. China IGs were 0-2bps wider. DAESEC/HYUELE were 2-7bps wider. Chinese properties were well bid, VNKRLs rebounded up to 3.5pts and CPDEV/CHIOLI were also higher. EU AT1s marked up c0.5pt.*
- *Asia ex-JP USD bonds issuance: 2M24 gross issuance down 4.3% yoy to USD39.3bn. See below.*
- *China Economy - Implications of strong exports. See below for comments from CMBI economic research.*

❖ Trading desk comments 交易台市场观点

Asia IG space was mixed yesterday. The new BNKEA 6.625 27NC26 LAC tightened around 18bps from RO (T+230) under PB chasing. The successful issue lifted the sentiment on Asian banks. BNKEA AT1s moved another 0.3-0.5pt higher after gaining 0.4-0.6pt on Wed. CHOHIN/CHIYBK Perps closed unchanged to 0.1pt higher. KBTB/KBANK Perps were unchanged to 0.1pt higher, and we saw the loose bonds from AMs were well absorbed. EU NC25-NC31 AT1s such as BACR 8 Perp/UBS 7.75 Perp edged 0.2-0.4pt higher from Wed close, under strong buying in light of the overnight rates tightening. The front-end of T2s such as NANYANS/DAHSINs were sought after. We saw active two-way flows on the long end of BOCAVIs/ICBCILs. In Chinese IGs, HAOHUA 28-29s tightened 1-2bps while its 30s widened 1-2bps. The longer-dated BABAs were better bid, while TENCNT 28-30s closed unchanged to 2bps wider and MEITUA/WB 30s widened 2-3bps. In KR, DAESEC/HYUCAP/HYUELE 27-29s tightened 1-3bps but HYNMTR/SAMTOT 28-29s widened 1-2bps. In AU/NZ space, MQGAU '32/WSTP '29 T2s tightened 1bp. JP name SUMIFL 28-29s were unchanged to 2bps wider. In HK names, NWDEVL Perps were down another 0.4-0.7pt. Chinese properties performed mixed. VNKRL 4.2 06/07/24 and VNKRL 25/29 rebounded 1.1-1.3pts. Media reported that three Beijing-based insurers agreed to defer puts and extend maturities on the debt investment products of China Vanke. RDHGCL '24 was up 0.7pt. YUEXIUs/YXREITs were 0.1-0.3pt higher. On the other hand, ROADKG 24-26s were down 1.7-3.1pts. FUTLAN '24/SHUION 25-26s were 0.6-1.3pts lower. In industrials, EHICAR 24/26 were up another 0.9-1.5pts and closed 3-4pts higher since report of partial exchange on Tue. WESCHI '26 was up 0.8pt and closed at 83, the recent high. Macau gaming names were quiet. SANLTDs/STCITYs were down 0.2-0.3pt. Indonesian name LMRTSP 24/26 were 2.1-2.2pts lower.

The LGFVs/perps/high beta names had a firm session. GZDZCD '26 was up 0.2pt. The quality LGFVs NJYZSO '27/ HZCONI '25 were 0.1-0.2pt higher. Shandong names JMUDIV '25 /JNHITE '24 were 0.1-0.3pt higher. In SOE

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perps, HAUDIA 4 Perp/CHPWCN 3.45 Perp were 0.1pt higher whilst CHCOMU 3.425 Perp was down 0.2pt. FRESHK '25 was down 0.2pt.

❖ Last Trading Day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
EHICAR 7 09/21/26	86.3	1.5	ROADKG 5.2 01/12/26	31.0	-3.1
VNKRLE 3 1/2 11/12/29	42.5	1.3	ROADKG 5.9 03/05/25	63.4	-2.5
VNKRLE 4.2 06/07/24	89.6	1.2	LMRTSP 7 1/4 06/19/24	94.7	-2.2
VNKRLE 3.15 05/12/25	67.5	1.1	LMRTSP 7 1/2 02/09/26	84.8	-2.1
EHICAR 7 3/4 11/14/24	96.4	0.9	ROADKG 6 09/04/25	53.2	-1.8

❖ Marco News Recap 宏观新闻回顾

Macro – S&P (+0.51%), Dow (+0.20%) and Nasdaq (+0.58%) rebounded on Wednesday. US Feb'24 ADP employment was 140k, lower than the expectation of 149k. China Feb'24 export/import increased 7.1%/3.5% yoy, higher than the expectation of +1.9%/1.5% yoy. UST yield retreated yesterday, 2/5/10/30 yield reached 4.55%/4.12%/4.11%/4.24%.

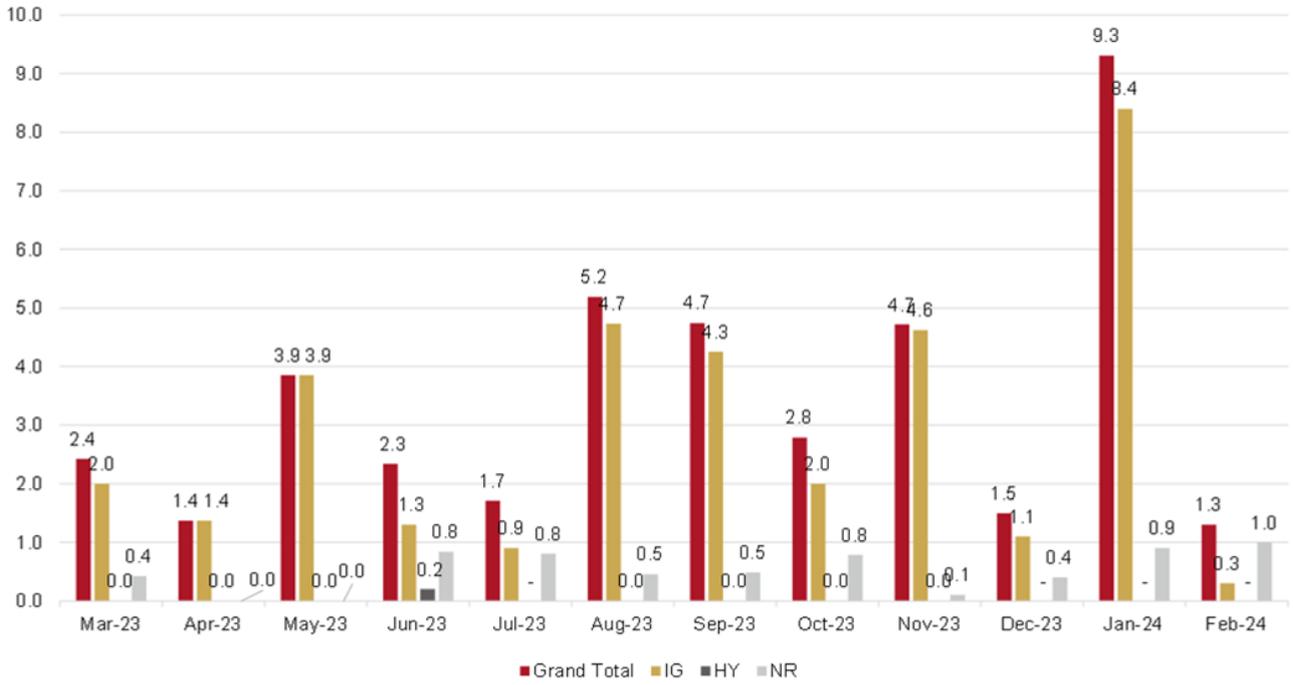
❖ Desk analyst comments 分析员市场观点

➤ Asia ex-JP USD bonds issuance: 2M24 gross issuance down 4.3% yoy to USD39.3bn

In Feb'24, Asia ex-JP USD bonds issuance was USD9.8bn, rose 9.6% yoy from USD8.9bn in Feb'23. The Philippines (USD3.5bn), South Korea (USD3.5bn) and China (USD1.3bn) are among the largest issuers and IG issuances accounted for 89.8% of the gross issuance. By sector, financials issued USD8.3bn bonds, c84.3% of total issuance. Nonetheless, gross issuance of Asia ex-JP USD bonds declined 4.3% yoy to USD39.3bn in 2M24.

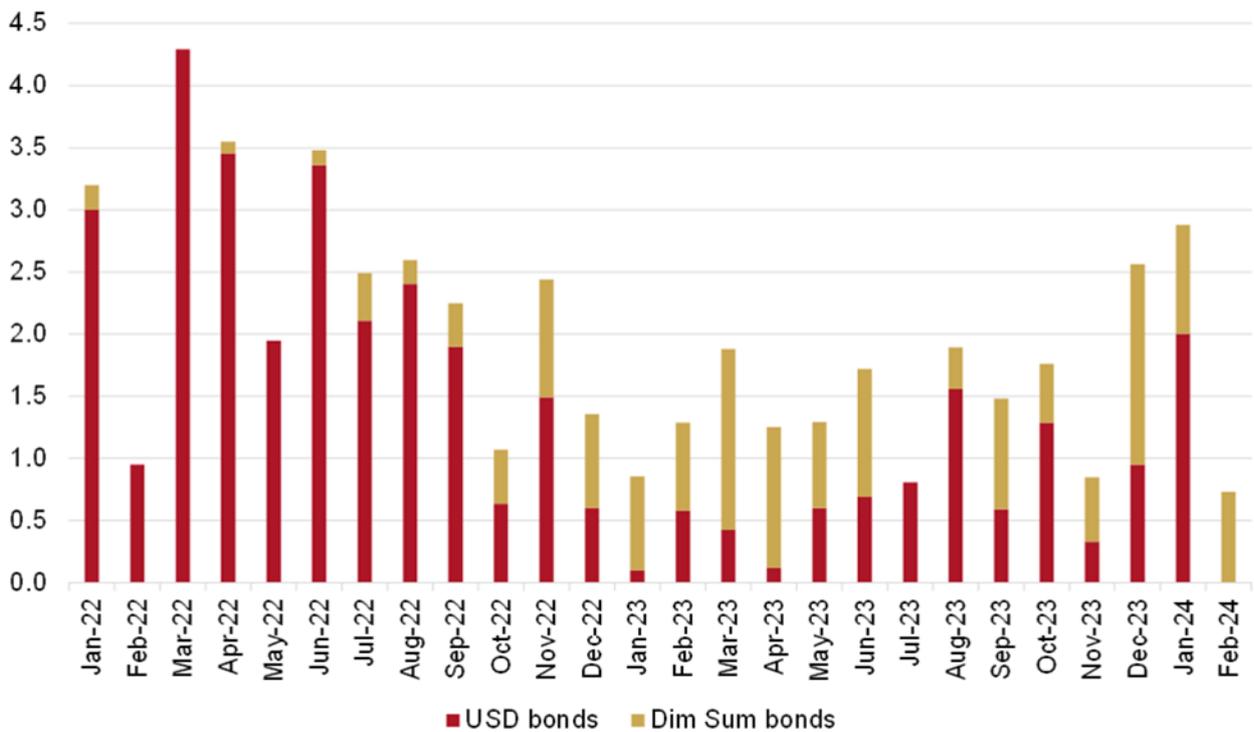
In the Chinese space, the new issuance decreased 66.9% yoy to USD1.3bn in Feb'24, partly because of the CNY holiday. On LGFV, Feb'24 is the first month since Jan'19 that no LGFV USD issue with an issue size over USD100mn. On the other hand, Dim Sum bonds has been cannibalizing USD issuance in LGFV sector since 2H22. The Dim Sum LGFV bonds issuance continues to pick up even though aggregate issuance amount of offshore LGFV bonds has shrunk. In 2M24, Dim Sum LGFV bonds issuance amount was cUSD1.6bn, increased 9.7% yoy. Media reported that NDRC might further restrict county/district-level LGFVs to issue medium- and long-term offshore bonds for new financing after Chinese regulators suspended 364d offshore issuance in Jan'24. We expect LGFV offshore issuance to be on the decline in the near term.

Chinese USD bonds new issuance amount (USD bn)



Source: Dealogic.

LGFV Dim Sum bonds issuance (USD bn)



Source: Dealogic, Bloomberg.

➤ China Economy - Implications of strong exports

China's exports of goods came in above market expectation dramatically thanks to overseas demand improvement and China's value chain upgrading, continuous deflation as well as closer ties with emerging markets. Imports of goods also improved though at a lower magnitude as demand and price in the domestic market were weaker than in overseas markets. Looking forward, exports and imports of goods may continue to improve with their growth expected to rise from -4.6% and -5.5% in 2023 to 3.6% and 3.3% in 2024. China's strong exports may indicate an improvement of overseas demand as both consumer confidence and producer sentiment have rebounded in advanced economies. In line with the resilient economy in the US, the US Fed may postpone its rate cut to June or even later. The better-than-expected trade data may also lower the possibility of strong policy stimulus in China in the near term. The overcapacity and deflation pressure with a lack of strong demand-side stimulus will continue to press Chinese enterprises to increase exports and outward investment to the overseas. As China strengthens its position in manufacturing supply chain and overseas inflation gradually declines, we estimate China's trade tensions with the US and EU may further increase.

EMs became the major driver for China's exports. China's exports of goods came in above market expectation dramatically, picking up 7.1% YoY (all on a YoY basis unless specified) in Jan-Feb after rising 2.3% in Dec 2023. While exports to most economies all improved, China's trade relation further strengthened with most emerging markets and developing countries. Latin America, Africa, India and Russia were the primary drivers of the upside surprise of China's exports, increasing 19%, 15.5%, 11% and 11.8% in 2M24 respectively after growth of 6.8%, 4%, 6.2% and 21.6% in Dec 2023. ASEAN saw a mild rebound from dropping 6.1% in Dec 2023 to 0.1% growth in 2M24. Exports to broad western countries, on the other hand, were lacklustre as exports to the EU, Japan, Australia and South Korea continued to decline, dropping 2.3%, 10.4%, 12.1% and 11.9% in 2M24 after falling 1.9%, 7.3%, 12.4% and 3.1% in Dec 2023, while the US and UK saw moderate 2.6% and 2.9% growth in 2M24. The year 2023 witnessed a significant pivot in China's export structure when ASEAN became the largest trading partner surpassing the US and EU, as China ramped up trade connections with emerging economies amid global geopolitical realignment. The shift towards prioritizing quantity over quality due to the growing exports to emerging economies resulted in the recent trend marked by higher volumes and lower prices.

Exports recovered across major products with China's continued supply-side upgrading. The deflation pressure with tough competition has accelerated the supply-side upgrading in China's manufacturing sector. Exports of computers and integrated circuits recorded a good start of 3% and 21.4% growth in 2M24 after dropping 20.4% and 10.1% in 2023. Motor vehicles moderated to 12.3% in 2M24 from 52% in Dec 2023 due to a higher base while cellphones notably declined by 18.3% in 2M24 from a 0.4% drop in Dec. Thanks to an improvement in overseas demand especially for travel services, exports of light manufacturing products including garment, travel goods & bags and textile increased 7.9%, 15.5% and 13.3% in 2M24 after growing -1.6%, 2.5% and 1.9% in Dec. Property-related products like furniture, home appliances and lamps & lighting fixtures also saw strong growth of 28.7%, 17.6% and 19.2% in 2M24 from 12.4%, 14.7% and 1.1% in Dec, probably indicating some improvement in overseas housing market.

Imports of goods recovered thanks to rebound in raw materials and integrated circuits. China's imports of goods increased 3.5% in 2M24 after rising 0.2% in Dec 2023, above market expectations. Import volume of energy goods including coal, crude oil and natural gas continued to expand by 22.9%, 5.1% and 23.6% in 2M24 from 53%, 0.6% and 23.1% in Dec. Intermediate goods for further processing including steel products, plastics and rubber remained soft as their import volume growth dwindled from -5.7%, 2.8% and -5.3% to -8.1%, -3.7% and -12.6%. Imports of raw materials including iron ore continued to increase in terms of volume and price by 8.1% and 13.6% respectively. For integrated circuits, the import volume continued to rebound by 16.8% in 2M24 after reporting 6% growth in Dec, while their import price fell by 1.3% after dropping 8.9% in Dec. For agriculture products, the import volume of grain grew by 7.7% while soybean dropped 8.8%. Meanwhile, the beauty cosmetics continued with YoY declines in volume and price.

Exports and imports of goods are expected to increase 3.6% and 3.3% in 2024 after decreasing 4.6% and 5.5% in 2023. In our view, global trade of goods may moderately improve in 2024 thanks to the base effect, an end of the de-stocking cycle as well as a stabilization of commodity prices. Forecast from the IMF and WTO

showed the global trade volume might increase by 3.2% in 2024. China's exports and imports of goods may continue to improve from the YoY perspective. We expect China's exports and imports of goods to respectively increase 3.6% and 3.3% in 2024 after dropping 4.6% and 5.5% in 2023.

Implications of China's trade data. Firstly, it may indicate an improvement of overseas demand and major central banks may cut their policy rates later. Both consumer confidence index and PMI has rebounded in advanced economies in recent few months. Secondly, it may also lower the possibility of strong demand-side policy stimulus in China in the near term. Thirdly, China's trade tensions with the US and EU may increase as the country continues to strengthen its position in global manufacturing supply chain and inflation further declines in its two trade partners.

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➤ 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)
No Offshore Asia New Issues Pipeline Today					

➤ News and market color

- Regarding onshore primary issuances, there were 123 credit bonds issued yesterday with an amount of RMB140bn. As for month-to-date, 541 credit bonds were issued with a total amount of RMB497bn raised, representing a 36.8% yoy increase
- Media reported that China regulator is suspending approvals for county-level LGFVs to issue medium- and long-term offshore bonds for new financing
- **[ADANIG]** Adani Green Energy announced to redeem USD500mn ADGREG 6.25 12/10/24 on 13 Mar'24
- **[CGSHCO]** Country Garden Services expects FY23 net profit to drop up to 80% yoy to RMB452mn due to provision for impairment of trade receivables from related parties
- **[CSCHCN]** Media reported that China South City hires Deloitte for due diligence on its cashflow and asset/liabilities. The due diligence is mainly being carried out to give regulators a better sense of CSC's financial situation and to prepare for the company's potential onshore debt extension
- **[KAISAG]** Kaisa HK winding-up case adjourned to 29 Apr'24 as petitioner wants out after selling debt, USD bond trustee substituting
- **[LNGFOR]** Longfor Group won bid for residential land parcel in Foshan for RMB624mn

- **[YUZHOU]** Yuzhou Group Holdings extends early-bird RSA fee deadline to 21 Mar'24 and general RSA fee deadline to 28 Mar'24 under offshore debts restructuring; it has acquired supports from public bondholders representing 73.6% of the aggregate outstanding amount

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