

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 sentiment was firm this morning. IG TMT benchmarks BABA/TENCNT were unchanged while high-beta XIAOMI/WB tightened 3-5bps. BOCAVI'28/33 were 2-3bps tighter and HRINTHs rose 1-2pts. For LGFV/SOE Perp/China AT1, flows were better buying amid improved sentiment.*
- **China Economy – Weak exports support further policy easing.** CMBI expects China's exports of goods to drop 2.3% in 2023 before rising 6.5% in 2024 and imports of goods to drop 3.2% in 2023 before growing 5.5% in 2024. See below for comment from our economic research.
- **FUTLAN/FTLNHD:** Media reported CBICL got internal approval to provide guarantee for Seazen's planned onshore bonds of RMB850mn. As discussed, a key differentiator among Seazen and other non state-owned developers is [Seazen's ownership of a matured IP portfolio](#). FUTLAN/FTLNHDs were unchanged to +3.5pts this morning

❖ Trading desk comments 交易台市场观点

Asia ex-JP IG market had a busy day with active two-way interests yesterday. Overnight UST 2Y yields dropped 16bps to 4.72% after US inflation slide to a two-year low. The recent new issues CICCHK 5.442 '26 widened 5bps to CT2+64. HKLSP 33s/CKHH 28s/NACF 28s were marked 1-4bps wider. IG benchmarks opened 3-5bps tighter, but gave back most of the tightening after a wave of profit taking flows in the PM session. In Chinese SOEs, HAOHUA curve closed unchanged to 2bps tighter. TMT benchmark TENCNT/BABA papers closed 1-2bps tighter. MEITUA 30 was squeezed 10bps tighter. WB/XIAOMI/LENOVO 30s grinded 5-8bps tighter. In financials, AMC space had a constructive session. HRINTH curve was marked 0.25-0.5pt higher with better buying from PBs/AMs. Chinese AT1s and European AT1s were sought-after. HSBC/STANLN Perps were indicated 0.25-0.5pt higher, with buying from PB after the post-CPI rates drop. Chinese properties were mixed. COGARDs were traded 1.5-4pts higher. ROADKGs gained 1.75-3.5pts across the curve. FUTLAN 24s/25s were marked 2-2.5pts higher. AGILEs were quoted 0.5-1.5pts higher. On the other hand, CENCHIs/GRNLGRs were marked 0.25-1.25pts lower. In the industrial space, FOSUNI/EHICAR 26s were marked 0.75-1.25pts lower. Macau gaming names MPELs/STICITYs/WYNMACs were traded 0.5-0.75pt higher. In Indian space,

PLEASE READ THE AUTHOR CERTIFICATION AND IMPORTANT DISCLOSURES ON LAST PAGE

Glenn Ko, CFA 高志和
(852) 3657 6235
glennko@cmbi.com.hk

Cyrena Ng, CPA 吳蓓瑩
(852) 3900 0801
cyrenang@cmbi.com.hk

Jerry Wang 王世超
(852) 3761 8919
jerrywang@cmbi.com.hk

ADSEZs were bid up 0.5-1pt. Renewables GRNKENS/AZUPOEs drifted 0.5pt higher. Indonesian SOEs PERTIJs/PLNIJs were traded up 0.75-1.25pts.

The LGFV/Perp spaces were stable. Market reaction was no more than checking whether there was a reaction, following a few BBG pieces on LGFV space. The flows in spaces remained skewed to better buying thanks to banks/AMs gradually deploying cash, albeit at a higher minimum hurdle yield around mid-6%. Shandong names such as SHGUOH/QDHTCO papers remained active with two-way flows. KMRLGP 3.9 '24 was quoted 0.15pt higher. SOE Perps continued to see demand from Chinese NBRMs, particularly in the front-end of SOE Perps as clients hunted for short-term yield pickup. HUANEN/HUADIA/HAOHUA Perps were bid up 0.125pt. In HK Corp Perp space, NWDEVL/PEAKRN Perps were marked 0.75-1.5pts higher.

❖ Last Trading Day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
COGARD 8 01/27/24	54.1	4.0	CENCHI 7.65 08/27/23	6.3	-1.3
ROADKG 6 09/04/25	58.5	3.5	CENCHI 7.9 11/07/23	6.3	-1.2
COGARD 6 1/2 04/08/24	44.0	3.5	FOSUNI 5 05/18/26	75.4	-1.2
ROADKG 6.7 09/30/24	73.2	3.3	GRNLGR 5 7/8 07/03/26	14.6	-1.0
COGARD 5 1/8 01/17/25	33.8	3.3	EHICAR 7 09/21/26	57.5	-0.8

❖ Marco News Recap 宏观新闻回顾

Macro –S&P (+0.85%), Dow (+0.14%) and Nasdaq (+1.58%) continued to be strong as US Jun PPI further cooled down to +0.1% yoy, lower than expectation of +0.4% yoy. The US latest initial jobless claim was +237k, lower than expectation of +250k. The US treasury yields overall down yesterday, the 2/5/10/30 yield reached 4.59%/3.93%/3.76%/3.90%, respectively.

❖ Desk analyst comments 分析员市场观点

➤ China Economy – Weak exports support further policy easing

China's exports of goods recorded the worst decline since the pandemic in June as overseas demand for goods remained weak, the de-stock cycle went on and the industrial deflation intensified. China's imports of goods also deteriorated as domestic demand weakened and commodity prices further declined. Weak exports should support further policy easing. China may further loosen credit supply and property policy and show more pro-business stance ahead. Looking forward, exports may maintain a double-digit decline in July and gradually improve from August due to the base effect and probable alleviation of the de-stock pressure. We expect China's exports of goods to drop 2.3% in 2023 before rising 6.5% in 2024. The imports of goods may narrow its YoY declines from July and turn to a mild positive growth in 4Q23. We expect China's imports of goods to drop 3.2% in 2023 before growing 5.5% in 2024.

China's exports showed consistent weakness in June due to weak foreign demand for goods, continuous de-stock cycle and severe industrial deflation. China's exports declined by 12.4% YoY (all in YoY term unless specified otherwise) in June after falling 7.5% in May. Exports to US further slumped 23.7% in June as the country was in the de-stock cycle and continued to diversify supply chain beyond China. Meanwhile, exports to EU also deteriorated significantly due to continuous shrinkage of retail sales in Europe. Exports to Japan and ASEAN further dropped 15.6% and 16.9% in June, in line with the slump of foreign trade activity in total in Asia. Exports to South Korea and Chinese Taipei maintained sharp declines with slight improvement as global foreign trade

activity related to AI equipment started to rebound. Exports to developing countries like India, Africa and Latin America sharply deteriorated with an economic slowdown in those countries.

Most export products slumped further in June. Exports of textile product, garment, toys, furniture and steel fell by 14.3%, 14.5%, 27.3%, 15.1%, and 42.7% respectively in June, after declining by 14.3%, 12.5%, 23.0%, 14.8%, and 28.0% respectively in May. Exports of integrated circuits and cellphone also declined further by 19.4% and 23.3% in June, respectively. Exports of motor vehicles and auto parts & accessories remained resilient in June by increasing 109.9% and 5.1% after rising 123.5% and 13.4% in May, respectively.

Imports fell below expectations in June as commodity deflation intensified and domestic demand was weak. China's imports of goods declined by 6.8% in June after falling 4.5% in May. The sharp decline of commodity prices twisted the import figure as import volume of most commodities seemed strong amid China's focus on supply security. In June, import volume of grain, soybean, iron core, coal, crude oil and natural gas increased 14.7%, 24.5%, 7.4%, 110.1%, 45.3% and 19.1%, while their import prices respectively dropped 10.5%, 15.8%, 21%, 29.8%, 32.2% and 13%. Meanwhile, import volume of airplane and medicine also increased strongly by 250% and 32.1% in June as related demand sharply improved after removing the zero Covid policy. Import volume of auto and beauty cosmetics improved. But that of machine tool, steel products and copper products further declined as business capex and construction activity was weak. Imports of integrated circuits maintained a double-digit decline as pace of domestic substitution accelerated.

Weak exports support further policy easing. Weak exports add further slowdown and deflation pressure on China economy, thus increasing the possibility of additional policy easing ahead. We expect China may further loosen credit supply and property policy in 2H23. The PBOC may further lower deposit rates and RRR, creating additional downside room for loan rates. More cities will lower down-payment ratio and mortgage rates for first and second home buyers. Meanwhile, the policymakers may show more pro-business stance to boost the private business confidence.

Exports and imports are expected to drop 2.3% and 3.2% in 2023. China's exports of goods may maintain a double-digit decline in July and gradually improve from August thanks to the base effect and probable alleviation of the de-stock pressure. We expect the exports of goods to drop 2.3% in 2023 and rise 6.5% in 2024. China's imports of goods are likely to gradually improve in the second half year due to the base effect and possible improvement of domestic demand. The imports of goods are expected to drop 3.2% in 2023 and grow 5.5% in 2024.

Click [here](#) for full report

➤ Offshore Asia New Issues (Priced)

Issuer/Guarantor	Size (USD mn)	Tenor	Coupon	Priced	Issue Rating (M/S/F)
Yangzhou Urban Construction State-owned Asset Holding Grou	300	3yr	5.48%	5.5%	-/-/-

➤ 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 87 credit bonds issued yesterday with an amount of RMB86bn. As for Month-to-date, 620 credit bonds were issued with a total amount of RMB577bn raised, representing a 3% yoy decrease
- Media reported that Qingdao city established a China Development Bank funded company to bail out its LGFVs
- **[AZUPOE]** Media reported that Azure is seeking further extension from lenders to publish audited financials
- **[DALWAN]** Fitch downgraded Wanda Commercial to B, Wanda HK to B- and maintained RWN
- **[FUTLAN]** Media reported that CBICL got internal approval to guarantee Seazen's planned RMB850mn interbank bonds
- **[GCLNE]** GCL Energy Technology receives Shenzhen bourse approval over up to RMB2.55bn CB offering
- **[GRNCH]** Greentown issued RMB1.5bn three-year corporate bonds with 4.3% coupon to repay debts, boost working capital
- **[ROADKG]** Road King Infrastructure Chairman bought USD1.9mn of due-September 2025s; USD2.15mn of 7.75% perps
- **[SHAGAN]** S&P affirmed Jiangsu Shagang BBB- rating and revised outlook to stable from positive
- **[SINOCE]** Media reported that Sino-Ocean has not yet paid due 13 Jul USD coupon of SINOCE 2.7 01/13/25 and aims to cure within grace period
- **[VEDLN]** Vedanta denied receiving formal communication from Foxconn on intention to withdraw from semiconductor JV agreement
- **[YUNINV]** Yunnan Provincial Investment schedules redemption of RMB1.2bn bills on 20 Jul, RMB1.5bn bills on 23 Jul and RMB2bn notes on 24 Jul

Fixed Income Department

Tel: 852 3657 6235/ 852 3900 0801

fis@cmbi.com.hk

CMB International Global Markets Limited ("CMBIGM") is a wholly owned subsidiary of CMB International Capital Corporation Limited (a wholly owned subsidiary of China Merchants Bank)

Author Certification

The author who is primary responsible for the content of this research report, in whole or in part, certifies that with respect to the securities or issuer that the author covered in this report: (1) all of the views expressed accurately reflect his or her personal views about the subject securities or issuer; and (2) no part of his or her compensation was, is, or will be, directly or indirectly, related to the specific views expressed by that author in this report.

Besides, the author confirms that neither the author nor his/her associates (as defined in the code of conduct issued by The Hong Kong Securities and Futures Commission) (1) have dealt in or traded in the stock(s) covered in this research report within 30 calendar days prior to the date of issue of this report; (2) will deal in or trade in the stock(s) covered in this research report 3 business days after the date of issue of this report; (3) serve as an officer of any of the Hong Kong listed companies covered in this report; and (4) have any financial interests in the Hong Kong listed companies covered in this report.

Important Disclosures

CMBIGM or its affiliate(s) have investment banking relationship with the issuers covered in this report in preceding 12 months.

There are risks involved in transacting in any securities. The information contained in this report may not be suitable for the purposes of all investors. CMBIGM does not provide individually tailored investment advice. This report has been prepared without regard to the individual investment objectives, financial position or special requirements. Past performance has no indication of future performance, and actual events may differ materially from that which is contained in the report. The value of, and returns from, any investments are uncertain and are not guaranteed and may fluctuate as a result of their dependence on the performance of underlying assets or other variable market factors. CMBIGM recommends that investors should independently evaluate particular investments and strategies, and encourages investors to consult with a professional financial advisor in order to make their own investment decisions.

This report or any information contained herein, have been prepared by the CMBIGM, solely for the purpose of supplying information to the clients of CMBIGM and/or its affiliate(s) to whom it is distributed. This report is not and should not be construed as an offer or solicitation to buy or sell any security or any interest in securities or enter into any transaction. Neither CMBIGM nor any of its affiliates, shareholders, agents, consultants, directors, officers or employees shall be liable for any loss, damage or expense whatsoever, whether direct or consequential, incurred in relying on the information contained in this report. Anyone making use of the information contained in this report does so entirely at their own risk.

The information and contents contained in this report are based on the analyses and interpretations of information believed to be publicly available and reliable. CMBIGM has exerted every effort in its capacity to ensure, but not to guarantee, their accuracy, completeness, timeliness or correctness. CMBIGM provides the information, advices and forecasts on an "AS IS" basis. The information and contents are subject to change without notice. CMBIGM may issue other publications having information and/ or conclusions different from this report. These publications reflect different assumption, point-of-view and analytical methods when compiling. CMBIGM may make investment decisions or take proprietary positions that are inconsistent with the recommendations or views in this report.

CMBIGM may have a position, make markets or act as principal or engage in transactions in securities of companies referred to in this report for itself and/or on behalf of its clients from time to time. Investors should assume that CMBIGM does or seeks to have investment banking or other business relationships with the companies in this report. As a result, recipients should be aware that CMBIGM may have a conflict of interest that could affect the objectivity of this report and CMBIGM will not assume any responsibility in respect thereof. This report is for the use of intended recipients only and this publication, may not be reproduced, reprinted, sold, redistributed or published in whole or in part for any purpose without prior written consent of CMBIGM.

Additional information on recommended securities is available upon request.

Disclaimer:

For recipients of this document in the United Kingdom

This report has been provided only to persons (I) falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended from time to time) ("The Order") or (II) are persons falling within Article 49(2) (a) to (d) ("High Net Worth Companies, Unincorporated Associations, etc.") of the Order, and may not be provided to any other person without the prior written consent of CMBIGM.

For recipients of this document in the United States

CMBIGM is not a registered broker-dealer in the United States. As a result, CMBIGM is not subject to U.S. rules regarding the preparation of research reports and the independence of research analysts. The research analyst who is primary responsible for the content of this research report is not registered or qualified as a research analyst with the Financial Industry Regulatory Authority ("FINRA"). The analyst is not subject to applicable restrictions under FINRA Rules intended to ensure that the analyst is not affected by potential conflicts of interest that could bear upon the reliability of the research report. This report is intended for distribution in the United States solely to "major US institutional investors", as defined in Rule 15a-6 under the US, Securities Exchange Act of 1934, as amended, and may not be furnished to any other person in the United States. Each major US institutional investor that receives a copy of this report by its acceptance hereof represents and agrees that it shall not distribute or provide this report to any other person. Any U.S. recipient of this report wishing to effect any transaction to buy or sell securities based on the information provided in this report should do so only through a U.S.-registered broker-dealer.

For recipients of this document in Singapore

This report is distributed in Singapore by CMBI (Singapore) Pte. Limited (CMBISG) (Company Regn. No. 201731928D), an Exempt Financial Adviser as defined in the Financial Advisers Act (Cap. 110) of Singapore and regulated by the Monetary Authority of Singapore. CMBISG may distribute reports produced by its respective foreign entities, affiliates or other foreign research houses pursuant to an arrangement under Regulation 32C of the Financial Advisers Regulations. Where the report is distributed in Singapore to a person who is not an Accredited Investor, Expert Investor or an Institutional Investor, as defined in the Securities and Futures Act (Cap. 289) of Singapore, CMBISG accepts legal responsibility for the contents of the report to such persons only to the extent required by law. Singapore recipients should contact CMBISG at +65 6350 4400 for matters arising from, or in connection with the report.