

CMBI Credit Commentary

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

- *Markets remained quiet this morning. China property sector turned to weak after previous rebound on profit taking. Macau gaming names performed well as Mainland China further relaxed the Covid control policies. Besides, Macau's senior government official signals gradual reopening and relaxation of COVID restrictions.*
- **China Policy:** *A shift from COVID control to boosting growth. See below for comments from our economic research.*
- **FUTLAN & FTLNHD:** *Media reported that Seazen plans for up to RMB2bn second tranche of CBICL-guaranteed notes with guidance of 3-4.3% for three years. FUTLANs & FTLNHDs were range-bounded, changed -2 to +0.5pts this morning.*

❖ Trading desk comments 交易平台市场观点

Yesterday, market was overall quiet. UST yields curve was bull flattened and long-term yields overall down 6-10bps. China IG space was firm, in TMT sector, benchmark names XIAOMI, BABA, JD tightened 2-5bps. Financials space was divergent with AMCs widened 2-10bps, i.e. price decline of 0.5 to 0.1pt. AT1/T2s performed well as ICBCAS 3.2 PERP, BCHINA 3.6 PERP up 0.25-0.5pt and T2 names CCB 2.85'32, CCB 4'29 rose 0.5-1pt. IG properties were overall weak on profit taking after previous days' rally. LNGFORs down 1 to 1.5pts, VNKRLEs, YUEXIUs, SINOCEs fluctuated between -0.5 to 0.5pt. China HYs also turned to sluggish after previous rebound. In HY properties, though COGARD announced its third share placement since Jul'22 and raised HKD4.8bn to manage debts, COGARDs declined 1.5 to 3pts. CHFOTNs, ROADKGs and FUTLANs also performed weakly. CENCHI was an exception and up 0.5 to 1.5pts as the company announced that it had remitted funds to cure the missed coupon payment for CENCHI 7.9%'23 before the end of grace on 7 Dec'22. CSCHCNs, another better performer in the sector, continued the uptrend and was traded at 50ish, up from 20ish 4-5 weeks ago. In industrial space, EHICAR and CARINC were boosted by China's new relaxed Covid control policies and raised 1 to 5pts. Elsewhere, LEEMAN 5.5 Perp rose another 3pts on Wednesday after Tuesday's 9pts jump post up to USD130mn tender offer launched. Outside China, Indian corp space was relatively stable. VEDLNs were unchanged to +1pt. GRNKENS moved between -0.25 to 0.25pt.

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The SOE/LGFV space continued to perform well despite the trading volume was gradually decreased. In SOE space, CHALUMs and shorter-dated HAOHUA, SINOPE were traded up 0.25pt. CNOOC 4.25'43 were up 2.9pts and traded at 86, recovered to the level in early Oct'22. In LGFVs, the sector was also less active than several days before. Strong region names remained in demand and traded higher, BJSTAT, NJYZSO, GUAMET edged 0.25 to 0.5pt higher. Shandong names outperformed again with QDJZWD, SHGUOH and QDHTCO were unchanged to 0.25pt higher. Weak region names GSHIAVs and KMRLGPs slightly down 0.25pt while Ningxia LGFV TLINVT up around 1pt to 93 level under increasing demands.

❖ Last Trading Day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
CARINC 9 3/4 03/31/24	84.7	4.8	CPDEV 5 3/4 PERP	74.8	-4.1
FWDGRP 8.492 PERP	81.8	4.7	ROADKG 5.2 01/12/26	70.1	-3.1
LEEMAN 5 1/2 PERP	84.6	3.1	COGARD 2.7 07/12/26	52.2	-3.1
AGILE 5 3/4 01/02/25	43.7	3.1	COGARD 3 1/8 10/22/25	55.6	-3.0
CNOOC 4 1/4 05/09/43	84.1	2.9	LNGFOR 3 3/8 04/13/27	82.4	-2.4

❖ Macro News Recap 宏观新闻回顾

Macro – U.S. stock markets kept weak trends on Wednesday, the S&P (-0.19%), Dow (+0.00%) and Nasdaq (-0.51%) 's weak performance shows markets worry about recession. Canada Central Bank raised 50bps interest rate to 4.25%. Crude oil price dropped in three consecutive days and WTI/Brent crude reached 72.5/77.5, respectively. The U.S. treasury yields overall fell yesterday and 2/5/10/30 yields were bullish to 4.26%/3.62%/3.42%/3.42%, respectively.

❖ Desk analyst comments 分析员市场观点

➤ China Policy – A shift from Covid control to boosting growth

The politburo held a meeting yesterday, mapping out the policy stance for 2023. The meeting indicates a policy shift from Covid control to boosting growth next year. China's new leaders have made a stronger commitment to growth with an ambitious growth target probably at 5%. China's reopening may be faster than market expectations amid the pro-growth shift. The country is bracing for the peak of the epidemic in Jan-Feb 2023. Both fiscal policy and monetary policy should be more accommodative next year with higher broad deficit and additional RRR & LPR cuts. 2023 is somewhat similar to 2009 as China will become the main source of stimulus when global economy sees a recession. China's new leaders will be more pragmatic with more friendly policy stance towards private businesses including those internet giants, as they will try their best to boost entrepreneurship, innovation and employment.

A stronger commitment to economic growth with the target probably at 5%. China's new leaders have made a stronger commitment to growth at the politburo meeting as they vowed to push for an overall improvement of the economy. We believe the new leaders may set an ambitious target at 5% for 2023 GDP growth. Moreover, GDP growth will once again become the most important KPI for local governments in 2023. It is highly possible for China to achieve around 5% growth as we maintain our forecast at 4.9% for 2023.

China's reopening probably much faster than market expectations amid the pro-growth shift. The policymakers have already shifted their focus from Covid control to economic growth. Local governments are required to accelerate vaccination for the elderly with the third dose coverage ratio target for population aged 60-79 at 95% and the first dose coverage ratio target for population over 80 years old at 90% by the end of January 2023. The first dose coverage ratio for population over 80 years old was only at 76.6% in end-November. There will be mass population movement and gathering around Chinese New Year holiday in late January. China is bracing for the outbreak of the epidemic as some officials may hope it can peak soon. That means people can get rid of fear faster and economic activities can restart earlier.

More accommodative policies with a shift from supply-side reforms to demand boost. The politburo has pledged to expand demand for 2023. It may be an important change of policy framework as the top leaders placed more emphasis on supply-side reforms in the past five years. We believe both fiscal policy and monetary policy will be more easing in 2023 than in 2022. If overseas recession is more severe than expected, China may launch more stimulus next year. We expect broad deficit may rise from 5.8% of GDP in 2022 to over 6% in 2023. Liquidity and credit policy should remain easing as the central bank may cut RRR and LPRs for twice. The new leaders have also promised to boost consumers' willingness to expand, indicating that some consumption-stimulus policies may be launched next year.

Significant change of policy stance towards capital. The politburo has called for great efforts to significantly boost market confidence, indicating a significant change of attitude towards capital. Meanwhile, the policymakers also vowed to take more efforts to attract foreign capital. China will speed up the rectification of internet platform giants as well as the introduction of a normal regulatory framework to lower policy uncertainty. China's new leaders will be more pragmatic with a more friendly policy stance towards private businesses, as they will try their best to boost entrepreneurship, innovation and employment.

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➤ Offshore Asia New Issues (Priced)

Issuer/Guarantor	Size (USD mn)	Tenor	Coupon	Yield	Issue Rating (M/S/F)
ICBC Macau Branch	USD250	2yr	SOFR+80	SOFR+80	-/-/A

➤ 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

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- Regarding onshore primary issuances, there were 80 credit bonds issued yesterday with an amount of RMB68bn. As for Month-to-date, 314 credit bonds were issued with a total amount of RMB313bn raised, representing a 40.4% yoy decrease

- Macau's senior government official, secretary for Social Affairs and Culture signals gradual reopening, relaxation of COVID restrictions
- **[COGARD]** Guangdong Join-Share Financing Guarantee Investment to provide irrevocable joint liability guarantee in relation to repayment obligations of Country Garden under up to RMB200m corporate bonds
- **[EHICAR]** S&P withdrawn eHicar B- ratings at company's request
- **[FOSUNI]** Fosun International's unit Shanghai Fosun Pharmaceutical schedules put option exercise for RMB1.6bn 21Fuyao01 bonds on 12-16 Dec
- **[FUTLAN]** Media reported that Seazen plans for up to RMB2bn second tranche of CBICL-guaranteed notes with guidance of 3-4.3% for three years; The company issued first RMB1bn three-year CBICL-backed notes on 13 Sep and the yield is 3.28%
- **[GRNLGR]** S&P raised Greenland Holding to CCC- despite high nonpayment risk and placed negative outlook; Ratings withdrawn at issuer's request; Greenland HK B- rating withdrawn at company's request
- **[MONMIN]** Mongolian Mining announces purchase of USD42.6mn of its USD440mn bonds due-2024 at 63 cents via tender offer; USD 376mn left outstanding after cancelation of treasury notes
- **[MUYUAN]** Muyuan Foods raises RMB6bn via private placement of new shares
- **[SHIMAO]** Shanghai Shimao records contracted sales of RMB8.6bn in 11M22, down 69% yoy
- **[SMCPM]** San Miguel declares cash dividend of PHP0.35 (cUSD0.00626) per share

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