

## CMBI Credit Commentary

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

- *Markets sentiment recovered this morning. AT1 sector rebounded after EU regulators clarified that they would impose losses on shareholders before bondholders. HSBC AT1 rallied c5pts; TH,KR AT1 rose 2-3pts and China AT1 up c1pt. Asian IG space overall tightened 5-10bps by mid-day with two way balanced flows.*
- **China Macro Monitor – Underway to recover.** *CMBI maintain the forecast on China's GDP growth at 3.8% for 1Q23 and 5.4% for 2023. See below for comments from our economic research.*
- **FOSUNI:** *Media reported Fosun sold its new southern-regional-headquarters tower to Guangzhou LGFV for RMB3.5-4bn (cUSD0.51-0.58bn). FOSUNIs moved -0.5 to +1pt this morning.*

#### ❖ Trading desk comments 交易台市场观点

After the weekend announcement of merging with UBS, CS stated that FINMA has determined that the bank's CHF16bn AT1 capital will be written down to zero. Asia IG space followed AT1 space weakness and widened 10-25bps. TMT benchmark papers widened 15bps. BBB tech names LENOVO/MEITUA curves widened 30-40bps. In AMC space, HRINTHs were traded in a heavy tone, widened 20-40bps after profit warning, and other three AMCs widened 10-30bps. The front end of Bank T2 and leasing papers widened 10-30bps under heavy selling again. China property space performed weaker. DALWAN 23-26s dropped 2.5-3.5pts. SINOCEs/UTLANs/FTLNHDs were quoted down 1.5-2.5pts. CENCHI/GRNLGR 24-26s lowered 1-2pts. Industrial names FOSUNIs/HONGQIs drifted 0.5-1.5pts lower. Macau gaming names SANLTDs/STCITYs/WYNNMACs were marked down 1.5-2.5pts. Away from China, Indian space drifted lower. VEDLNs were traded 2.5-6pts lower. Renewables such as GRNKENS/RPVINs fell 1.5-3pts. Indonesian names LPKRIJs/MEDCIJs were indicated down 1.5-2.5pts.

In the Asia AT1/Perp/LGFV space, AT1 had a bloodbath after the surprising CS AT1 write-off in the UBS acquisition deal. European names plummeted 10-15pts. The new HSBC 8 Perp remained the most active one in Asia hours. The paper started off with HF re-establishing shorts before fund managers rushed in to trim exposure. The plunge was not resisted by sporadic short covering/PB punting until falling to around 85. Then more HFs stepped in to cover shorts after London entry and PB clients stepped in to support. The HSBC AT1 bounced back by 2-4pts from low to close at 87/89. HK beta names performed softly. BNKEA perps slumped 9-10.5pts and CHOHIN/CINDBK perps dropped 3.5-6pts. The plunge also spilled over to Asia AT1s, with Thai/ Korea names dropped 3-5pts and Chinese names lowered 2-3pts in the morning session. Though later Chinese AT1s

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bounced back around 1pt late afternoon on the back of onshore RM demand. Otherwise, we only saw dip buying in c23 issues. The other spaces were largely muted as the entire market focused on AT1s. Overall, sentiment was fragile and flows were skewed to small better selling.

#### ❖ Last Trading Day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
HXCEME 2 1/4 11/19/25	90.3	1.5	BNKEA 5 7/8 PERP	82.7	-10.4
LUSOIB 5 3/8 12/28/27	98.5	1.2	BNKEA 5.825 PERP	80.2	-9.9
CATIC 2 1/2 11/17/26	91.2	1.1	CINDBK 4.8 PERP	90.0	-6.3
YUEXIU 3.8 01/20/31	78.9	1.0	VEDLN 6 1/8 08/09/24	63.0	-5.9
SHCONS 2 1/4 06/16/25	94.4	1.0	BBNIJ 4.3 PERP	78.7	-5.9

#### ❖ Marco News Recap 宏观新闻回顾

**Macro** – U.S. stock markets rebounded yesterday, S&P (+0.89%), Dow (+1.20%) and Nasdaq (+0.39%) rallied while financial sector was still underperformed, dragged by CS and FRB. The volatile financial sector decreases probability that Fed lifts interest rate on 22 Mar'23 meeting to c60%. China PBOC maintains 1yr and 5yr LPR rate unchanged at 3.65%/4.3%. The U.S. treasury yields bounced up yesterday, the 2/5/10/30 yields reached 3.92%/3.56%/3.47%/3.65%, respectively.

#### ❖ Desk analyst comments 分析员市场观点

##### ➤ China Macro Monitor – Underway to recover

**Economy Forecast:** China's economy continued to recover in March with construction, factory activity and freight flow improving and traffic & passenger flow mildly softening. We maintain our forecast on China's GDP growth at 3.8% for 1Q23 and 5.4% for 2023. China's reflation pressure remained low as the CPI growth may be around 1% in March-April while the PPI may further decline 2%-2.5% in next three months. Amid easing credit policy, the growth of renminbi loans may continue to rebound.

**Freight & Passenger Flow:** Railway freight and port container throughput continued to improve, indicating further improvement of industrial output and shipping activity. The number of express packages also picked up. However, inner-city passenger flow and traffic congestion index mildly declined as related service activity may have softened.

**Housing Market, Auto Sales, and Construction Activity:** China's housing sales had a better-than-expected recovery in March due to accommodative credit policy, confidence improvement after economic reopening and a release of potential demand delayed by lockdowns last year. Auto sales dropped as consumers waited for better prices in the producers' price war. Construction activity continued to improve as infrastructure investment may have remained strong and property development investment may have further improved.

**China Exports and US Recession Risk:** China's exports of goods may have remained weak with mild improvement in March. The recent turmoil in global markets pointed to higher recession risk for overseas economy ahead. The recession with the disinflation indicates China exports may remain weak in next two quarters. We expect China exports of goods to drop 3.5% YoY in 2023.

China's Liquidity Condition & RMB Exchange Rates: Money market rates increased in the past three months as liquidity demand rebounded along with credit expansion and economic recovery. The RRR cut indicates the PBOC's easing bias for liquidity and credit policy to boost the growth. Treasury bond rates mildly declined in March after moderate increases from early November. Renminbi depreciated against US dollar in the first half of March as the US dollar index rose thanks to better-than-expected economic data and the risk aversion sentiment during the recent global financial market turmoil. Renminbi may moderately rebound against US dollar in 2H23 after the US economy sees a recession. We maintain our forecast on US\$/RMB spot rate at 6.60 at end-2023.

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

Issuer/Guarantor	Size (USD mn)	Tenor	Coupon	Yield	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 89 credit bonds issued yesterday with an amount of RMB129bn. As for Month-to-date, 1,496 credit bonds were issued with a total amount of RMB1,335bn raised, representing a 18.6% yoy increase
- **[ADEIN]** Media reported that Adani Group puts proposed USD4bn coal-to-PVC plant at Mundra on hold, hopes to obtain financial closure in next 6 months
- **[EVERRE]** Media reported that China Evergrande to announce debt restructure proposal with offshore creditors on 22 Mar; it plans to issue new 9% unsecured bonds to exchange existing bonds
- **[FOSUNI]** Media reported Fosun sold its new southern-regional-headquarters tower to LGFV unit for RMB3.5-4bn (cUSD0.51-0.58bn)
- **[JINKE]** Jinke got approval from bondholder to amortize tis RMB1bn bonds in six installments
- **[KWGPRO]** Media reported that KWG redeemed RMB1bn domestic private notes due 20 Mar'23 on time
- **[LMRTSP]** LMIR Trust announced not to pay March distribution for SGD140mn perps
- **[MPEL]** Moody's affirmed Melco group units' B1-Ba3 CFR and unsecured senior ratings; maintained negative outlook
- **[REGH]** Regal Hotels expects to record net loss of around HKD 358m for FY22

- **[SJMHOL]** Moody's affirmed SJM Holdings' Ba3 CFR and B1 unsecured senior rating; maintained negative outlook
- **[SUNKWP]** Sunkwan Properties expects to get net loss attributable to owners of the parent for RMB1.7-2.2bn

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