

CMBI Credit Commentary

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

- *Asian IGs were mixed two-way this morning. The recent new issues KNBZMK/BOCAVI tightened 1-2bps. High beta names like MEITUA tightened c5bps. The front-end LGFV/SOE Perp were heavy while due/callable 25/26s were better buying. Chinese AT1s were resilient with buying interests from real money buyer.*
- **COGARD:** *expects to roll over 80% of cUSD1bn-equivalent due Jul'23 loan. COGARDs rose 0.75 to 2.5pts yesterday and changed -0.25 to +1.5pts this morning. See below.*
- **China Economy – Weak exports cast a shadow on growth.** *CMBI expects China's exports to drop 1% in 2023 after rising 7% in 2022 and imports may mildly improve due to slowly recovery of domestic demand as well as base effect. See below for comments from our economic research.*

❖ Trading desk comments 交易台市场观点

Yesterday, Asia ex JP IG space was traded in a small range. On the primary front, CMB London Branch priced a USD400mn blue bond at SOFR T+65. The new CHINAM 3Y SOFR bond was basically traded around T+63. The other recent new issues such as CKHH/BOCAVI/KNBZMK 28s/33s were traded 1-2bps wider. In Chinese SOEs, CHGRID/SINOPE 26-28s were sought-after. TMT benchmark papers TENCNT/BABA drifted 1bp wider. In financials, Chinese bank T2s such as CCB/BOCOHK stayed range-bound amid small two-way flows. CINDBK/BCHINA tightened 1-2bps. Chinese AT1s moved another ~0.125pt lower but the European AT1s also performed well. HSBC/STANLN AT1s were traded around 0.5pt higher on the back of demand from RMs/PBs, whilst the profit taking selling was very well absorbed. AMC space was quiet but firm. The long end GRWALL/CCAMCL/HRINTHS were better bid. Elsewhere, the front-end Korea IGs such as KOHNPW/KEBHN 23-25s were under better selling. Chinese properties were mixed. SINOCEs gained 1.25-4.25pts across the curve. COGARDs rebounded 1-2.5pts. Media reported that COGARD expected to roll over 80% of its USD1bn equivalent loan due Jul'23. HPDLF/CHINSC 24s were up 3-3.5pts. AGILE/GRNLGR 25-27s moved 0.5-1.5pts higher. On the other hand, DALWANs closed 1.5-4pts lower on the freeze of DALWAN shares due to commercial disputes of Dalian Wanda Group. FOSUNI/WESCHI 26s were both traded 1.5pts higher. EHICAR 24s/26s gained 1.25-1.75pts. Fitch upgraded eHi Car Services by one notch to B with a stable outlook. HONGQIs closed largely flat. S&P revised China Hongqiao's outlook to stable from positive on moderating profitability and affirmed BB- rating. Macau gaming names such as MGMCHIs/MPELs/SANLTDs were marked 0.25-0.5pt higher. Indian renewables RPVINS gained 0.75pt across the curve. VEDLNs were indicated 0.25-0.5pt higher. Indonesian oil name MEDCIJs were marked 0.5pt higher.

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The LGFV/Perp spaces had a quiet session. The new issue ZJBOXV 5.9 '24 was stable at 99.85/100 amid light flows. The pricing for this keepwell 364D paper at district level left little upside. We only saw small leftover selling flows that would not hit below par either, whilst any top-up demand was understandably unwilling to pay up. Meanwhile, new ZTSECB 6.7 '25 grinded 0.375pt higher on the back of topping up flows from AMs, against limited size of profit taking flows. The flows in LGFV overall remained light and sporadically PB-driven. SOE Perps moved another ~0.125pt lower as rates widened 5-10bps on the day. HUADIA/SINOCH Perps were quoted 0.125pt lower.

❖ Last Trading Day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
SINOCE 6 07/30/24	36.7	4.3	DALWAN 11 01/20/25	44.9	-4.0
HPDLF 7 05/18/24	75.5	3.6	DALWAN 11 02/13/26	44.2	-3.5
CHINSC 7 3/8 04/09/24	38.8	3.3	DALWAN 7 1/4 01/29/24	60.2	-3.1
SINOCE 4 3/4 08/05/29	22.4	2.6	EHOUSE 7.6 06/10/23	10.7	-2.2
SINOCE 5.95 02/04/27	22.9	2.4	RILIN 4 7/8 02/10/45	89.1	-1.7

❖ Marco News Recap 宏观新闻回顾

Macro – S&P (-0.38%), Dow (+0.27%) and Nasdaq (-1.29%) were mixed on Wednesday and mainly dragged by tech sector. Markets expect Fed will keep interest rate unchanged in Jun and rise 25bps in July. China stated-owned banks decreased deposit rate of 2/3/5yr term by 10/15/15bps, leaving room for potential LPR cut in next few months. The US treasury rallied higher yesterday, the 2/5/10/30 yield reached 4.56%/3.93%/3.79%/3.95%, respectively.

❖ Desk analyst comments 分析员市场观点

➤ COGARD: Rollover over of 80% of cUSD1bn-equivalent due Jul'23 loan

Media reported that Country Garden expects 80% of USD1bn- equivalent due Jul'23 to roll into new facilities. The loan comprises of a USD626mn tranche and a HKD4.3bn tranche and was closed in 2019. The outstanding amount of the loan is cUSD800mn currently, the company expects to roll over all outstanding loan in to a new facility with 30 months maturity. As of Dec'22, Country Garden had offshore loans maturities/amortization of USD1.3bn (cUSD100mn in 1H23 and USD1.2bn in 2H23) in FY23, this rollover will alleviate COGARD's repayment pressure. We saw some recent progresses of refinancing and access to funding including CBICL-backed MTNs totaled RMB1.7bn issued in May'23. However, we remain concerned of the heavy repayment pressure. For the rest of FY23, COGARD will have onshore bond maturity and redemption of up to RMB18.2bn. This, coupled with HKD3bn CBs due Dec'23, will translate into bond repayment and redemption obligations of cUSD3bn. COGARD appears to be more aggressive in land acquisitions, as reflected by recent land acquisitions in Hangzhou and Foshan with land premium totaled cRMB5.6bn. While these acquisitions could speed up asset churn and part of the land premium will only be settled in 6-12 months, we are concerned on the weak property sales. In 5M23, Country Garden's contracted sales decreased 25% yoy to RMB112.76bn from RMB150.58bn in 5M22. COGARDs rose 0.75 to 2.5pts yesterday and changed -0.25 to +1.5pts this morning.

➤ China Economy – Weak exports cast a shadow on growth

China's exports of goods slumped in May after the pent-up demand had released. We expect China's exports may continue to decline in next few months before a possible stabilization of growth from 4Q23 thanks to base

effect. The improvement of consumer sentiment in US and Europe in 1Q23 mainly supported their non-tradable service sectors. In addition, the banking turmoil injected some uncertainty to overseas demand by tightening credit condition. We expect China's exports to drop 1% in 2023 after rising 7% in 2022. China's imports may mildly improve due to slowly recovery of domestic demand as well as base effect. The imports are expected to drop 2.5% in 2023 after rising 1% in 2022. The weak foreign trade activity casted a shadow on China's economic recovery prospect as it should increase the possibility of further credit easing. We expect the PBOC may mildly cut LPR around July and more cities may see moderate loosening of property policies ahead.

Exports weakened across trading partners and missed expectation in May. China's exports declined 7.5% YoY (all in YoY term unless specified) in May after a moderate 8.5% YoY growth in April. Exports to US further declined 18.2% YoY in May after dropping 6.5% in April and 17% in 1Q23. Exports to EU, Japan, South Korea & ASEAN all deteriorated by sharply dropping 7%, 13.3%, 20.3% and 15.9% in May, compared to the corresponding increases of 3.9%, 11.5%, 0.9% and 4.5% in April. Exports to Africa and Russia respectively grew 12.9% and 114.3% in May, down from 49.9% and 153.1% in April.

Exports by product deteriorated across the spectrum while vehicle export remained strong. Exports of textile product, garment, furniture and steel products dropped 14.3%, 12.5%, 14.8% and 28% in May after rising 3.9%, 14%, 0% and 22.2% in April. Meanwhile, exports of integrated circuits and cellphone further declined 25.8% and 25% after dropping 7.3% and 12.8%. Exports of general equipment and home appliance also slowed as their growth rates decreased from 20.5% and 2.2% in April to 7.5% and 0.7% in May. Exports of ship, motor vehicles, and auto parts & accessories were relatively strong as they respectively grew 23.5%, 123.5% and 13.4% in May after rising 79.2%, 195.7% and 30% in April.

Imports improved as slump of commodity prices and emphasis of supply security stimulated imports of commodities. China's imports of goods declined 4.5% YoY in May from dropping 7.9% YoY in April. Import volume of grain and soybean rose 9% and 24.3% in May after dropping 10.8% and 10.2% in April. Meanwhile, import volume of iron ore, copper ore, coal, crude oil and natural gas jumped 4%, 16.8%, 92.6%, 12.3% and 17.3%, respectively, compared to the growth of 5.1%, 11.7%, 72.7%, -1.4% and 11% in the previous month. With recovery of passenger flow and cash flow in air transportation, import volume of airplane jumped 250% in May after rising 285.7% in April. Import volume of medicine was also strong as it grew 64.5% in May. However, discretionary consumption and business capex remained weak as import volume of beauty cosmetics and machine tool respectively dropped 21% and 35.9% in May. Import of integrated circuits, steel products and auto continued to decline as electronic equipment and housing market remained weak and import substitution with domestic supply accelerated.

Exports and imports are expected to drop 1% and 2.5% in 2023. China's export growth may further deteriorate in next few months before a gradual stabilization from 4Q23 due to base effect. We expect China's exports of goods to drop 1% in 2023 after rising 7% in 2022. For imports, China's slowly recovery in domestic demand should facilitate a gradual improvement of import volume. However, the slump of commodity prices may have some negative impact on the import growth. We expect the imports of goods to decrease 2.5% in 2023 after rising 1% in 2022.

The deterioration of foreign trade activity may increase the possibility of further credit easing. The deterioration of exports further casted a shadow on China's economic recovery prospect, which had been already weak due to sluggish housing market and consumption performance. The continuous declines of imports also indicated domestic demand was weak. We expect the Chinese policymakers may further ease credit policy by moderately cut LPRs around July. Meanwhile, more cities may see moderate loosening of property policies like what happened in Qingdao.

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➤ Offshore Asia New Issues (Priced)

Issuer/Guarantor	Size (USD mn)	Tenor	Coupon	Yield	Issue Rating (M/S/F)
ASB Bank Ltd	650	3yr	5.346%	T+115	A1/AA-/-
National Australia Bank Ltd	850/1000	2/5yr	5.2%/4.9%	T+70/110	Aa3/AA-/-
National Australia Bank Ltd	650	2yr	5.83%	SOFR+76	Aa3/AA-/-

➤ Offshore Asia New Issues (Pipeline)

Issuer/Guarantor	Currency	Size (USD mn)	Tenor	Pricing	Issue Rating (M/S/F)
National Australia Bank Ltd	USD	-	2-5yr	T+90-95/ 130-135	Aa3/AA-/-

➤ News and market color

- Regarding onshore primary issuances, there were 100 credit bonds issued yesterday with an amount of RMB87bn. As for Month-to-date, 370 credit bonds were issued with a total amount of RMB396bn raised, representing a 94.3% yoy increase
- [COGARD]** Media reported that Country Garden expects 80% of USD1bn-equivalent due-23 July loan to roll into new facilities
- [CQLGST]** Fitch affirmed Chongqing International Logistics BBB- rating and placed stable outlook
- [CQNANA]** Fitch affirmed Chongqing Nan'an Urban Construction & Development BBB rating and placed stable outlook
- [EHICAR]** Fitch upgraded eHi Car Services one notch to B and placed outlook stable
- [FOSUNI]** Media reported that Fosun may get more than RMB5bn proceeds from founders' sale of controlling stake in Tosperity Securities
- [HAIDIL]** Haidilao plans to pay FY22 dividend of HKD0.49 per share
- [HONGQI]** S&P affirmed China Hongqiao's BB- rating and revised outlook to stable from positive
- [MONMIN]** Moody's placed Mongolian Mining Corporation's B3 rating on review for downgrade
- [PCORPM]** San Miguel unit Petron got approval from Philippines SEC to offer up to cUSD397mn preferred shares
- [SINOCL]** Sino-Ocean Capital plans to resell RMB455mn put of RMB800mn notes

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