

## CMBI Credit Commentary

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

- *Markets were weak this morning. In Asian IG space, Bank T2 widened 5-10bps, KR names overall widened 3-5bps. AMC sector stabilized after yesterday's drop. China LGFV/SOE Perps were weak and flows skewed to better selling.*
- **China Macro Monitor – A nonlinear recovery.** CMBI revises up the forecast for 2023 GDP growth of China from 5.1% to 5.4% and maintains the forecast for 2024 GDP growth at 4.9%. See below for comments from our economic research.
- **CSCHCN:** China South City expects to obtain unspecified syndicated loan to replace high-interest debts. The new loan can decrease interest expense for RMB300-400mn each year. CSCHCNs rose 0.25 to 1.25pts this morning.

#### ❖ Trading desk comments 交易台市场观点

Yesterday, Asia IG space had a very quiet day with US market out for holiday. There was a wave of heavy selling on the AMCs space. HRINTH curve moved down 1-2pts on Chinese Prop/PB selling. Chinese big bank T2s broadly widened 5-10bps in the afternoon session, following the weekend news that the regulators announced new bank capital supervision rules to raise onshore banks' risk weight of T2s from 100% to 150%. BCHINA/BOCOHK/CCB T2s notably grinded ~10bps wider. Elsewhere in financials, leasing names were largely stable. In TMTs, high beta names like LENOVO/MEITUA/ XIAOMI were traded 5-10bps wider with active two-way active flows from RMs. Benchmark 10y papers like BABA were largely unchanged to 2bps wider into close. China SOEs were relatively quiet on thin liquidity. HAOHUA 29s/30s were under better buying from short covering. In IG properties, YUEXIU 31s were marked 1.5pt higher. VNKRLEs tightened 5bps under better buying as well. Chinese HY property space was lackluster. COGARDs lowered 0.5-2pts. CHINSCs dropped another 2.5-4pts to be marked down 3-5.5pts across the curve post Moody's downgrade last Friday. ROADKG 25-26s dropped 3-5pts on street pushing, with its 26s being marked to 74/76 from 78/80 level. AGILEs/CENCHIs/ PWRLNGs were down 0.5-1.5pts. KWGPROs also closed 1-2.5pts lower. Elsewhere, CARINC 9 ¾ 03/31/24 were indicated unchanged at 92.75/94.25 post the tender offer. S&P affirmed B- ratings on CARINC while outlook remained negative on tight liquidity despite strong operational recovery. Industrial names and Macau gaming names were unchanged. In India space, Adani complex bonds were unchanged, whilst renewables drifted 0.5pt lower. VEDLN 24-26s were quoted 1-3.5pts lower on the back of the Indian government expressed opposition of its Hindustan Zinc deal. In Indonesia space, PERTIJs/PLNIJs were under better buying.

The LGFV/Perp/Asia AT1 spaces were stable to a touch weaker, amid light flows with no cash UST on US holiday. Most of the RM flows concentrated

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on the front end. AT1s slid by another 0.25-0.5pt as UST futures continued to drop, with flows led by HF and street selling. ICBCAS 3.2 Perp/BOCOM 3.8 Perp drifted another 0.125-0.25pt lower under the risk-off selling from clients. BNKEA AT1s notably underperformed, closed 0.5-1pt lower on street/ PBs selling. SOE Perps, on the other hand, were under better buying, as Chinese RMs continued to pick up cheap offers in the front end yet selling remained heavy. Non-SOE Perps were generally another 1pt lower. HK perps with no coupon reset underperformed, CKINF/CKPH/NWDEVL FFL perps lowered 1-2pts. Overall market remained very cautious on the back of the rates outlook despite bond valuations having come off quite a bit from Jan highs. LGFVs had overall two-way flows skewed to small better selling, with 23s and high-beta names under the spotlight mainly. GSHIAV 23-24s were marked 0.5pt higher, post weekend news that Gansu bureau director ensured repayment of local LGFV bonds.

#### ❖ Last Trading Day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
YUEXIU 3.8 01/20/31	78.0	2.2	ROADKG 5.2 01/12/26	76.0	-4.8
CSSSHI 3 02/13/30	81.9	1.8	ROADKG 5 1/8 07/26/26	73.5	-4.7
NJYZSO 4 1/2 12/05/27	93.6	1.7	CHINSC 7 1/4 04/19/23	80.4	-3.6
ZHONAN 3 1/2 03/08/26	89.7	1.5	VEDLN 6 1/8 08/09/24	69.5	-3.6
LEEMAN 5 1/2 PERP	95.4	1.4	CHINSC 7 3/8 04/09/24	50.1	-3.5

#### ❖ Marco News Recap 宏观新闻回顾

**Macro** – U.S. stock markets closed yesterday due to public holiday. China Feb'23 1yr and 5yr LPR were published at 3.65% and 4.3% without change for six consecutive months. China launched pilot scheme to boost private investment in real estate sector, the threshold of participation is RMB10mn. The U.S. treasury yields were unchanged yesterday, 2/5/10/30 yields reached 4.60%/4.03%/3.82%/3.88%, respectively.

#### ❖ Desk analyst comments 分析员市场观点

##### ➤ China Macro Monitor – A nonlinear recovery

China economy has been in the resumption cycle thanks to economic reopening, credit policy loosening and pro-business policy shift. Local governments and SOEs have all strived for a good start this year as the top leader has attached more importance to the economic growth. Inner-city mobility has recovered, supporting a rapid recovery in some service consumption. Housing sales, durable consumption and business capex should gradually rebound with some fluctuations in their recovery pace in future. The reflation pressure should be moderate as China's inflation may retreat in 1H23 before rebounding in 2H23. The liquidity and credit policy should remain accommodative. We mildly revise up our forecast for 2023 GDP growth from 5.1% to 5.4% and maintain the forecast for 2024 GDP growth at 4.9%.

**China's consumption recovery has two different sides.** We see both bright spots and underlying uncertainty in China's consumption recovery. As the Chinese people start to go out for work or pleasure, transportation, catering, travel, accommodation, recreation, clothing & footwear, cosmetics and personal care rapidly recover. We see crowd people in stations, busy traffic in cities and more customers in shopping malls, indicating household consumption is well on its way to recover. However, China's consumption recovery may also have some weaknesses. As a sign of weak confidence, Chinese households continued to repay their mortgage debt in advance and increase savings in January. China's core CPI picked up very mildly as consumption for key items improved very slowly. The residential CPI continued to decline as the employment and income condition was still weak. We believe the severe damage to consumer confidence last year and

Chinese households' preference for precautionary savings indicates a gradual resumption of consumption in future.

**Housing market may see a nonlinear recovery.** China's housing market may see the first round of recovery in next few months as depressed demands during lockdowns gradually release and housing prices start to stabilize in tier one cities. The recovery pace may slow again in future after the postponed demand is exhausted and the policy prospect marginally changes. Chinese policymakers are very idealistic as they are used to seeking a balance between multiple targets. As the recovery pace slows again, the policy may also be adjusted. To sum up, China's housing market will gradually resume with some fluctuations in the recovery pace. We expect gross floor area for commodity buildings and property development investment respectively to drop 7.5% and 5% in 2023 after decreasing 24.3% and 10% in 2022.

**Liquidity & credit policy may remain accommodative.** The possibility of additional credit loosening may decline in near term as new loans were much stronger than expected in January-February and the second-hand housing market in tier-one cities noticeably recovered. However, the liquidity and credit policy should remain accommodative this year. The GDP growth remains below potential growth and the reflation risk is quite low. The recovery is nonlinear and unbalanced in different sectors. Housing market, durable consumption and private capex should resume in a gradual manner.

**China may continue with the pro-business shift in next two years.** The pandemic, housing market slump, tech regulatory crackdown and Sino-US tensions make it more difficult for China to achieve its 14th 5Y plan targets and 2035 vision goals. After being clearly aware of the challenges, China has rapidly adjusted various policies with a pro-business shift almost overnight. The country dismantled zero-Covid policy, launched rescue policy for property developers, changed policy stance towards internet giants and took efforts to improve ties with other countries. For local government officials, boosting GDP growth and attracting capital became their important KPIs again. However, private entrepreneurs may need some time to restore their confidence as the economy recovery should be in a gradual manner. Therefore, China may continue with the pro-business shift in 2023-2024.

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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 Pipeline Today					

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

Issuer/Guarantor	Currency	Size (USD mn)	Tenor	Pricing	Issue Rating (M/S/F)
Aozora Bank	USD	-	3yr	T+185	-/BBB+/-
BOCOM HK Branch	USD	-	3yr	T+100	A2/-/-
Guangzhou Urban Investment	USD	-	3yr	7.9%	-/-/BBB-
HDFC Bank	USD	-	3yr	-	Baa3/BBB-/-
Mizuho Financial Group	USD	-	6.25NC5.25	T+165	A1/A/-/-
Mizuho Financial Group	USD	-	8.25NC7.25	T+180	A1/A/-/-

Mizuho Financial Group	USD	-	11.25NC10.25	T+195	A1/A-/-
Shanghai Commercial Bank	USD	-	10NC5	T+275	A3/-/BBB

### ➤ News and market color

- Regarding onshore primary issuances, there were 76 credit bonds issued yesterday with an amount of RMB60bn. As for month-to-date, 748 credit bonds were issued with a total amount of RMB733bn raised, representing a 33.6% yoy increase
- Media reported that PBOC told banks to slow down the lending pace in Feb'23 to contain risks
- **[ADSEZ]** Adani ports to prepay USD121mn in short-term debt
- **[CHJMAO]** China Jinmao issues RMB1.7bn five-year corporate bonds with 3.8% coupon for repayment of matured debts
- **[CSCHCN]** China South City expects to obtain unspecified syndicated loan to replace high-interest debts; The new loan can decrease interest expense for RMB300-400mn each year
- **[DAFAPG]** DaFa Properties auditor EY resigns due to audit fee and FY22 audit timetable; No replacement announced
- **[GRNLGR]** Greenland remitting funds to cure two missed 22 January USD coupons within grace period
- **[GRNKEN]** Greenko Mauritius redeems USD435mn 6.25% senior notes due 2023 at maturity
- **[JD]** JD.com plans to spend RMB10bn (cUSD1.5bn) in subsidies to expand in China's budget e-commerce market
- **[LMRTSP]** Fitch downgraded Lippo Malls Indonesia Retail Trust rating to CCC+
- **[RPVIN]** Media reported that ReNew Energy Global plans to sell stake in the company's commercial and industrial projects for USD300mn
- **[SHNSUN]** Shinsun Holdings announces proposed offshore debt restructuring in respect of 5 senior notes due 2022, 2023
- **[VEDLN]** Vedanta's sale of international zinc assets to Hindustan Zinc for USD2.98bn was opposed by Indian government, latter urged to explore other cashless methods

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