

CMBI Credit Commentary

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

- *Markets remained stable this morning. Asian IG space was two-way balanced with 1-2bps fluctuation and new issue BOCAVI'28 was unchanged. LGFV sector continued to be sought after by bank clients. NWDEVL Perp rebounded c0.5-3.5pts after previous drop.*
- **China Economy** – *Growth slows sharply as confidence remains weak. CMBI expects GDP growth to respectively reach 8%, 4.9% and 5.5% in the remaining three quarters with the full-year growth at 5.7%. See below for comments from our economic research.*
- **LNGFOR:** *Media reported that Longfor prepaid 10% principal and interest of HKD15.3bn due-Jan 2024 bullet loan and plans to downsize the refinancing to cHKD2.5-4.5bn from cHKD5bn. LNGFORs down 0.25-4pts this morning.*

❖ Trading desk comments 交易台市场观点

Yesterday, overnight UST yields rose 3-7bps and Asia ex JP IG space was traded mixed amid a cautious tone. New BOCAVI 28s, priced at T+120, tightened 8bps to close at T+114/112. Chinese SOEs such as SINOPE 30s/CHGRID 31s were better bid. TMT benchmarks TENCNT/BABA curves grinded 2-3bps tighter. However, financials were skewed to better selling. In AMCs, HRINTHs were traded 1-2pts lower (5-20bps wider) while other AMCs were also better-offered. Chinese properties remained weak. LNGFORs dropped 3.5-4.5pts on the news of downsized refinancing. CHINSC 24s slumped 3.75-5.25pts. DALWAN/FTUTLAN/FTLNHD 24s/25s declined 1.5-2.5pts and COGARDS were down 1-2pts. AGILE 8.375 Perp/ROADKG 7 Perp were also traded 2-3pts lower. Industrials performed mixed. EHICAR '26 gained 1.5pts, whilst WESCHI '26 was quoted down 4.5pts to close at 68.75. Macau gaming papers such as MPEL/STCITY/WYNMAC 27-29s closed 1-2pts lower, but flows turned to better buying before the close. In Indian space, VEDLNs lowered 1.25-2.25pts. Media reported Vedanta's USD1bn loan offer from Farallon was effectively off the table. Renewables GRNKEN/RPVIN 26-28s were traded around 1pt lower. Indonesian names MEDCIJs/LPKRIJs were traded down 1.125-1.625pts. Elsewhere, GLPCHI 24s/26s and GLPSP perps fell 1.5-4.5pts.

The LGFV/Perp/Asia AT1 spaces were a touch softer. Shandong/Chongqing LGFVs remained active. New USD300mn SDEXPR 5.1 '26 edged up 0.15-0.2pt from RO, driven by demand from banks. Otherwise the LGFV space was not immune to the broadly weak sentiment. CQNANA 26s were indicated 0.5pt lower, but there was no material selling nor specific news on this name, apart from a few clients checking for color. We also saw small selling flows from non-Chinese accounts in high-yielding/high-beta LGFV names whilst onshore clients continued to deploy cash in quality names. Elsewhere, Chinese AT1s had a bit of selling from AM amid broader weakness. Whilst

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SOE Perps stayed largely stable in muted activities despite offers coming off a bit from dealers. HK Perps fell another 1-2pts, despite some PB began to punt on NWDEVL 6.15 Perp (shortest among its senior step-up perps) as well as on LIFUNG FFL. NWDEVL perps were another 0.5-2pts lower to close around 6-8pts lower WTD.

❖ Last Trading Day's Top Movers

| Top Performers | Price | Change | Top Underperformers | Price | Change |
|----------------------|-------|--------|-----------------------|-------|--------|
| EHICAR 7 09/21/26 | 63.0 | 1.5 | CHINSC 7 3/8 04/09/24 | 41.4 | -5.2 |
| JINKE 6.85 05/28/24 | 14.6 | 0.7 | WESCHI 4.95 07/08/26 | 68.7 | -4.5 |
| CSCHCN 9 10/09/24 | 70.9 | 0.7 | GLPCHI 2.95 03/29/26 | 51.5 | -4.4 |
| SHUION 6.15 08/24/24 | 86.7 | 0.7 | LNGFOR 3.95 09/16/29 | 72.2 | -4.2 |
| ZHHFGR 4 1/4 PERP | 95.9 | 0.6 | LNGFOR 3.85 01/13/32 | 65.1 | -4.0 |

❖ Marco News Recap 宏观新闻回顾

Macro – S&P (+1.19%), Dow (+1.24%) and Nasdaq (+1.28%) rebounded amid optimistic sentiment on U.S. debt ceiling talks as both sides expressed their determination to reach a deal soon to avoid credit default. U.S. Dollar Index rose to more than 102 and USD/CNY exchange rate broke through 7. The US treasury edged up yesterday, the 2/5/10/30 yields reached 4.12%/3.58%/3.57%/3.88%, respectively.

❖ Desk analyst comments 分析员市场观点

➤ China Economy – Growth slows sharply as confidence remains weak

China's economic growth weakened in April as consumer spending, property sales and industrial activity all cooled down. Consumers were cautious to increase spending as employment condition remained tough with further increase of unemployment rate for the youth. Private businesses, which account for over 80% in the urban employment, still had low confidence. Looking forward, employment condition may gradually improve from 2H23 as service businesses continue to improve. Household confidence may also recover from the second half year. The policymakers will maintain accommodative credit policy with possible mild cut in LPR or RRR in June or July to boost the growth. We expect GDP growth to respectively reach 8%, 4.9% and 5.5% in the remaining three quarters with the full-year growth at 5.7%. The 2Y CAGRs of GDP in the three quarters are expected to be at 4.2%, 4.3% and 4.3%, down from 4.6% in 1Q23. As the GDP growth remains below potential growth, the reflation pressure is low. We see a mild pick-up of CPI and PPI in next several quarters.

Consumption of goods weakened after the pent-up demand released. China's retail sales rose 18.4% YoY in April after increasing 10.6% YoY in March thanks to the base effect. However, the 2Y CAGR of retail sales slowed from 3.3% in March to 2.6% in April. In terms of 2Y CAGR, most items softened except catering. The catering revenue rose 43.8% YoY in April after growing 26.3% in March and its 2Y CAGR accelerated to 5.4% from 2.8%. All staples and durables weakened. The 2Y CAGR of retail sales in food, beverage, alcohol & tobacco product, medicine, clothing, cosmetics, cultural & office goods, communication equipment and auto decelerated from 8.4%, 3.4%, 8.1%, 1.4%, 1.3%, 3.8%, 2.5% and 1.6% in March to 5.4%, 1.2%, 3.4%, 1.1%, -1.7%, -4.9%, -5.3% and -2.8% in April. Meanwhile, home appliance and furniture respectively dropped 1.9% and 5.7% in April after dropping 2.9% and 2.8% in March in terms of 2Y CAGR. Looking forward, retail sales may gradually improve in 2H23 in terms of 2Y CAGR as service business and employment condition continues to improve. We expect retail sales to grow 7.5% in 2023.

Service output continued to recover, but the growth mildly slowed. The service output index picked up 13.5% in April after rising 6.7% in 1Q23. Its 2Y CAGR mildly slowed from 4.6% in 1Q23 to 3.2% in April. By sector, railway transport, air transport, accommodation, telecom service, and cultural & recreational service maintained strong business sentiment.

Property market deteriorated as confidence remained weak and housing starts continued to shrink. The gross floor area (GFA) sold and the GFA started for commodity building respectively dropped 0.4% and 21.2% YoY in 4M23 after decreasing 1.8% and 19.2% YoY in 1Q23. In terms of 2Y CAGR, the GFA sold and GFA started declined 11.2% and 23.8% after edging down 8% and 18.4%. Property development investment further declined 6.2% in 4M23 after dropping 5.8% in the first quarter. The continuous shrinkage of housing starts indicates property development investment may continue to decrease in 2Q23. Looking forward, housing sales may gradually improve in 2H23 especially in tier-one and tier-two cities as household confidence continues to recover and mortgage policy remains accommodative. We expect property development investment to drop 2% YoY in 2023.

FAI slowed as business confidence remained weak. FAI rose 3.9% YoY in April, down from 4.8% YoY in March. Specifically, the YoY growth of FAI in manufacturing and infrastructure respectively decelerated from 6.2% and 9.9% in March to 5.3% and 7.9% in April. For 4M23, the FAI growth reached 4.7%. By sector, FAI in mining, food manufacturing, textile, metal product, non-auto transport equipment manufacturing, general equipment manufacturing, special equipment manufacturing, education and cultural & recreational service slowed noticeably, while investment in electrical equipment, computer & electronic equipment, auto, chemical product and power generation & supply maintained strong growth. Looking forward, we expect the FAI growth to reach 5% in 2023.

VAIO growth was below expectations as retail sales and exports weakened. China's VAIO picked up 5.6% YoY in April after rising 3.9% YoY in March thanks to the base effect. The 2Y CAGR of VAIO slowed from 4.7% in March to 1.3% in April. The 2Y CAGR of VAIO in mining, manufacturing and public utility respectively declined from 6.9%, 4.5% and 4.7% in 1Q23 to 4.6%, 0.8% and 3.1% in April. By sector, medicine, construction materials, metal product, special equipment, auto, electrical equipment, industrial auto and metal cutting material saw sharp declines of their 2Y CAGRs in April as overseas medicine demand, property development investment and business capex remained weak. The delivery value for exports dropped 3.8% YoY in April after decreasing 5.3% YoY in 1Q23.

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➤ Offshore Asia New Issues (Priced)

| Issuer/Guarantor | Size (USD mn) | Tenor | Coupon | Yield | Issue Rating (M/S/F) |
|-----------------------------|---------------|-------|--------|--------|----------------------|
| Aldar Investment Properties | 500 | 10yr | 4.875% | T+150 | Baa1/-/- |
| Nogaholding | 750 | 10yr | 6.625% | 6.625% | -/-/B+ |

➤ Offshore Asia New Issues (Pipeline)

| Issuer/Guarantor | Currency | Size (USD mn) | Tenor | Pricing | Issue Rating |
|------------------|----------|---------------|-------|---------|--------------|
|------------------|----------|---------------|-------|---------|--------------|

| | | | | | (M/S/F) |
|-----------------------------|-----|---|-----|-------|----------|
| Korea Credit Guarantee Fund | USD | - | 3yr | T+155 | Aa2/AA/- |

➤ News and market color

- Regarding onshore primary issuances, there were 39 credit bonds issued yesterday with an amount of RMB79bn. As for Month-to-date, 347 credit bonds were issued with a total amount of RMB450bn raised, representing a 28.4% yoy increase
- **[ADROIJ]** Media reported that Adaro Energy got USD1.76bn syndicated loan to fund aluminum smelter and power plant
- **[AGILE]** Media reported that Agile is in refi talks for cUSD738mn due-May 2024 loan and offers property-management unit's shares as security
- **[BTSDf]** Health & Happiness International extended expiration deadline of tender offer for BTSDf 5.625 10/24/24 to 25 May
- **[GZRFPR]** Fitch withdrawn Guangzhou R&F ratings for commercial reasons
- **[KAISAG]** Kaisa Group Chairman Kwok Ying Shing boosts stake to 25.54%
- **[LNGFOR]** Media reported that Longfor prepaid 10% principal and interest of HKD15.3bn due-Jan 2024 bullet loan and plans to obtain cHKD2.5-4.5bn to refinance the loan.
- **[LOGPH]** Logan HK entities' winding-up petition to be heard on 22 May'23
- **[VEDLN]** Media reported that Vedanta's USD1bn loan offer from Farallon effectively off table; planned JPM, StanC deal may be upsized with credit fund joining

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