

## CMBI Credit Commentary

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

- *Asian IG space was overall unchanged as markets wait for tonight's CPI. New issue BAYFIM'26 tightened 4bps and EXIMCH'26 stayed at reoffer level. Besides, we saw buying interests on KR names.*
- **KWGPRO:** *suspends RMB1.2bn CBICL-guaranteed bond issuance plan. KWGPROs dropped 0.25 to 0.75pt this morning. See below.*
- **China Economy – Exports continued to beat expectations with uncertainty ahead.** *CMBI revises up the forecast for the exports growth in 2023 from -3.5% to -1% and cut the forecast for the imports growth in 2023 from 0.5% to -2.5%. See below for comments from our economic research.*

#### ❖ Trading desk comments 交易平台市场观点

Yesterday, UST curve rose 7-9bps overnight and CT2 yield led the move to reach 4% again. Asia ex JP IG spaces closed unchanged to 2bps tighter ahead of US CPI data on Wed night. On the primary side, Export-Import Bank of China priced 3Y bonds of USD1.5bn at T+35. On the secondary front, the front-end of financials remained better offered. Bank T2s/leasing papers such as BCHINA/BOCAVI 24-26s were under better selling. In AMCs, CCAMCL curve widened 1-4bps while HRINTHs stayed relatively stable. In China SOEs/TMTs, HAOHUA/HUADIA curves widened 3-5bps. BABA/BIDU edged 1-3bps wider. On the other hand, HK names such as CKHH/HKAA were under better buying from bank clients and closed 1-3bps tighter. In Korean space, the recent new SKONKR 26s/KOBCOP 28s were under better buying. GSCCOR/WOORIB 24s/26s were under small selling. Chinese properties continued to perform weakly, dragged by DALWAN. DALWAN 25s/26s plunged 7.5-8.5pts to close at high-40s, and its 23s were marked down 3.5pts on the reports of discussions of loan maturity extension for the parent company. We are surprised by the market reaction as loan maturity extension has been pursued by all developers and the negotiations with financial institutions on extension have been encouraged by PBOC and CBIRC as stipulated in 16-Points (under Point 4) announced in Nov'22. COGARDs/CSCHCNs were weighed down 1.75-3.25pts. SINOCE/ROADKG/CHINSC 25s/26s lowered 2-2.75pts. AGILEs/CIFIHG were traded down 0.5-2pts. In industrials, FOSUNI 23s/HILOHO 24s were indicated 0.5-0.75pt higher. Macau gaming names were largely stable. SANLTDs/STCITYs closed unchanged to 0.5pt lower. In Indian space, VEDLNs were bid up another 0.25pt. In Indonesian space, LMRTSPs were traded 0.25-0.75pt higher. Elsewhere, GLPCHIs were marked down 0.5-1pt.

In the LGFV/Perp/Asia AT1 spaces, deployment flows from onshore mandates continued to be robust, thanks to the recent inflows. In LGFVs, we saw asset managers chased after names yielding mid-6% or above and 3-7y papers that could provide exposure to duration, as the market generally

**Glenn Ko, CFA** 高志和  
(852) 3657 6235  
glennko@cmbi.com.hk

**Cyrena Ng, CPA** 吳蔭瑩  
(852) 3900 0801  
cyrenang@cmbi.com.hk

**Jerry Wang** 王世超  
(852) 3761 8919  
jerrywang@cmbi.com.hk

braced for next phase of the anticipated rates cycle ahead of CPI print on Wed night. Meanwhile, inventory and offer side liquidity remained very thin, in spite of occasional profit taking. Hence, the high-beta/weaker LGFVs that were used to yield 9%-14% benefited the most from the technicals of offer-side scarcity as they gapped up quickly towards 7%-9%. Meanwhile, some A/BBB LGFVs were printed in the range of T+120-170bps, close to the tight levels in May/June 2022. That said, investors were left with few options but to crowd into available bonds amid the lack of primary supply YTD. In Shandong/Chongqing names, HKIQCL 25s/SHGUOH 25s/CQNANA 26s were indicated 0.5-0.75pt higher. Similar technicals were seen in Chinese AT1s and SOE Perps albeit in a smaller magnitude. HK corp perps performed softly. NWDEVL/LIFUNG/PEAKRN Perps were traded down 0.5-2pts.

#### ❖ Last Trading Day's Top Movers

| Top Performers        | Price | Change | Top Underperformers   | Price | Change |
|-----------------------|-------|--------|-----------------------|-------|--------|
| EAGRUY 7 1/2 05/01/25 | 69.4  | 1.0    | DALWAN 11 02/13/26    | 47.7  | -8.4   |
| VEYONG 3 3/8 05/12/26 | 90.9  | 0.9    | DALWAN 7 1/4 01/29/24 | 61.5  | -8.2   |
| CQNANA 4.56 06/10/26  | 89.4  | 0.8    | DALWAN 6 7/8 07/23/23 | 89.3  | -3.6   |
| SHGUOH 5.3 08/01/25   | 98.5  | 0.8    | COGARD 6.15 09/17/25  | 44.1  | -3.2   |
| HILHO 9 3/4 11/18/24  | 56.9  | 0.7    | CSCHCN 9 12/11/24     | 73.9  | -2.9   |

#### ❖ Marco News Recap 宏观新闻回顾

**Macro** – S&P (-0.46%), Dow (-0.17%) and Nasdaq (-0.63%) down before tonight's CPI. About U.S. debt ceiling, the U.S. President and the House Speaker does not get consensus through talks on Tuesday and the talks will continue. Markets expect they may reach the deal at the last moment before June. The U.S. treasury edged up yesterday, the 2/5/10/30 yields reached 4.01%/3.51%/3.53%/3.85%, respectively.

#### ❖ Desk analyst comments 分析员市场观点

##### ➤ KWGPRO: suspends RMB1.2bn CBICL-guaranteed bond issuance plan

Media reported that KWG has suspended the RMB1.2bn CBICL-guaranteed bond issuance plan which was initiated back in Jan'23. We are not surprised with the failure to issue after the unexpected default on the bank and other borrowings of RMB212mn in late Apr'23.

KWG completed an exchange offer in Sep'22 for 3 offshore bonds to extend the maturities for 11-16 months, it is now facing USD119mn installment of due-24 notes on 14 May. On top of the amortization on the exchanged bonds, the company still has 9 offshore bonds will be matured in Sep'23-Jan'27, not to mention the upcoming coupon due. Recalled that [we have commented on the RMB212mn bank and other borrowing default](#) in our daily last week, we believe that a holistic debt restructuring is inevitable for KWG concerning its lumpy debt maturities and the increasingly challenging funding environment after the default. KWGPRO 23-27s dropped 0.25 to 0.75pt this morning post news.

| Exchanged bonds       | USDmn<br>o/s<br>amt | New bond<br>maturity | New bond<br>coupon | Principal repayment schedule |        |        |        |        |        |        |                   |
|-----------------------|---------------------|----------------------|--------------------|------------------------------|--------|--------|--------|--------|--------|--------|-------------------|
|                       |                     |                      |                    | May'23                       | Jul'23 | Aug'23 | Sep'23 | Jan'24 | Mar'24 | Aug'24 | Aug'24<br>onwards |
| KWGPRO 6 09/15/22     | 755.1               | Jan'24               | 6%                 | 119.2                        | -      | 159.0  | -      | 476.9  | -      | -      |                   |
| KWGPRO 5.2 09/21/22   |                     |                      |                    |                              |        |        |        |        |        |        |                   |
| KWGPRO 7 7/8 09/01/23 | 636.5               | Aug'24               | 7.875%             | -                            | 31.8   | -      | 95.5   | -      | 318.3  | 191.0  |                   |

**9 offshore bonds**

|                       |              |  |              |             |              |              |                |              |              |              |
|-----------------------|--------------|--|--------------|-------------|--------------|--------------|----------------|--------------|--------------|--------------|
| KWGPRO 7 7/8 09/01/23 | 700          |  |              |             | 700          |              |                |              |              |              |
| KWGPRO 6 01/14/24     | 794.9        |  |              |             |              | 794.9        |                |              |              |              |
| KWGPRO 7.4 03/05/24   | 458          |  |              |             |              |              | 458            |              |              |              |
| KWGPRO 7 7/8 08/30/24 | 636.5        |  |              |             |              |              |                | 636.5        |              |              |
| KWGPRO 5 7/8 11/10/24 | 625          |  |              |             |              |              |                |              | 625          |              |
| KWGPRO 5.95 08/10/25  | 300          |  |              |             |              |              |                |              | 300          |              |
| KWGPRO 6.3 02/13/26   | 400          |  |              |             |              |              |                |              | 400          |              |
| KWGPRO 6 08/14/26     | 378          |  |              |             |              |              |                |              | 378          |              |
| KWGPRO 7.4 01/13/27   | 300          |  |              |             |              |              |                |              | 300          |              |
| <b>Total</b>          | <b>5,984</b> |  | <b>119.2</b> | <b>31.8</b> | <b>159.0</b> | <b>795.5</b> | <b>1,271.8</b> | <b>776.3</b> | <b>827.5</b> | <b>2,003</b> |

Source: Bloomberg, Company's filling.

### ➤ China Economy – Exports continued to beat expectations with uncertainty ahead

China's exports of goods continued to beat expectations in April thanks to supply chain resumption, overseas consumer confidence rebounding and release of pent-up orders. However, the exports may face uncertainty ahead as overseas demand and inflation is expected to slow down in future. China's imports of goods further declined in April as domestic demand remained weak and domestic producers gained higher market shares than overseas producers in most sectors. The imports of goods may gradually improve from 2H23 as domestic demand continues to recover and commodity prices see the trough. We revise up our forecast for the exports growth in 2023 from -3.5% to -1% and cut our forecast for the imports growth in 2023 from 0.5% to -2.5%.

**Exports continued to beat expectations in April.** China's exports rose 8.5% YoY in April after rising 14.8% YoY in March. Exports to US and EU improved as they declined 14.3% and 4.3% YoY in 4M23 after dropping 17% and 7.1% in 1Q23. The growth of exports to Japan turned positive from -2.4% YoY in 1Q23 to 0.8% YoY in 4M23. Exports to ASEAN and Africa maintained strong growth at 15% and 26.9% YoY in 4M23 after rising 18.6% and 19.3% YoY in 1Q23. Meanwhile, exports to Latin America rose 3% YoY in 4M23 after rising 0.5% YoY in 1Q23.

**Exports of vehicle, equipment & metal remained strong due to supply chain competitiveness.** Exports of automobile, ship, mobile, electrical equipment, medical equipment and steel product respectively rose 103.6%, 20.5%, 25.2%, 28.9%, 30.3% and 32.8% YoY in 4M23, compared to the increase of 81.6%, 4.9%, 27%, 36.6%, 36.3% and 36.7% YoY in 1Q23. Exports of travel bag & similar articles and garments picked up 31.7% and 2.7% YoY in 4M23 after rising 29.1% and dropping 1.3% YoY in 1Q23. However, exports of automatic data processing equipment and integrated circuits respectively dropped 26.9% and 15.2% YoY in 4M23 after decreasing 29.9% and 17.6% YoY in 1Q23, as overseas demand for computer and electronic equipment remained weak.

**Imports further slipped in April as domestic recovery momentum slowed and commodity prices retreated.** China's imports of goods declined 7.9% YoY in April from dropping 1.4% YoY in March. Imports volume of steel products, auto and integrated circuits respectively declined 40.1%, 28.9% and 21.1% YoY in 4M23. Import volume of coal, airplane and medicine rose 88.8%, 112.5%, and 36.1% YoY in April. Domestic demand for beauty cosmetics declined again as its imports value declined 10.7% YoY in 4M23.

**We expect exports of goods to drop 1% and imports of goods to decline 2.5% in 2023.** China's exports of goods have been stronger than our forecast as overseas economy has been better than expectations and domestic demand & price has been weaker than expected. Chinese enterprises have taken more efforts to expand their customers in global market. The imports of goods have been weaker than our expectations as domestic demand has recovered slowly and domestic producers have gained higher market shares than overseas producers.

**China will maintain easing credit policy to boost domestic demand.** China will not tighten its credit policy as overseas economy faces high uncertainty while domestic demand recovery is gradual and slowly. The reflation risk is low as the GDP growth is far below the potential growth. China will maintain easing credit policy to boost business confidence and growth momentum.

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

| Issuer/Guarantor                   | Size (USD mn) | Tenor | Coupon | Yield | Issue Rating (M/S/F) |
|------------------------------------|---------------|-------|--------|-------|----------------------|
| Bayfront Infrastructure Management | 500           | 3yr   | 4.257% | T+55  | -/AAA/-              |
| Export-Import Bank of China        | 1500          | 3yr   | 3.875% | T+35  | -/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**

- Regarding onshore primary issuances, there were 31 credit bonds issued yesterday with an amount of RMB31bn. As for Month-to-date, 155 credit bonds were issued with a total amount of RMB123bn raised, representing a 13.1% yoy decrease
- **[GCLNE]** GCL New Energy in talks over potential disposals of certain subsidiaries operating solar power plants in China
- **[GLPSP]** GLPSP said it can cover all of its debt due in FY23 (cUSD3.78bn) and plans asset sales; Fitch placed GLP Pte Ltd's BBB- rating on Rating Watch Negative
- **[JINKE]** Jinke Property failed to make scheduled payments totaled cUSD15mn for 20JinkedichanMTN001, 20Jinkedichan MTN002 notes
- **[LMRTSP]** Media reported that LMIRT noteholders approached by Hogan Lovells, BlackOak, A&M coalition to organize to negotiate deal for REIT's looming maturities
- **[WYNMAC]** Wynn Macau 1Q23 revenue increased 101% yoy to USD600.1mn. Adjusted EBITDAR for Macau operations turned to USD155.8mn in 1Q23 from -USD5.6mn in 1Q22

CMB International Global Markets Limited

Fixed Income Department

Tel: 852 3657 6235/ 852 3900 0801

[fis@cmbi.com.hk](mailto:fis@cmbi.com.hk)

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