

CMBI Credit Commentary

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

- *New issue CHILOV'33 was 0.05pt higher RO despite final price tightened 45bps from IPT. Low-beta names like BOCAVI/HKAA were better buying. HKLSPs were unchanged to 1-2bps wider post the property sale news which was later denied. COGARDs were unchanged to 1.75pts higher by mid-day.*
- **DALWAN:** *Media reported on the police detention of senior management. We see contained impact on DALWAN as the detention is triggered by Dalian Wanda Group's internal anti-corruption efforts. DALWANs were 2.5pts lower post the news yesterday and were unchanged to down 0.15pt this morning. See below.*
- **China Economy – Deepening trade slump in blow to growth. CMBI expects China's exports and imports of goods to respectively drop 2.3% and 3.2% in 2023 after rising 6.3% and 1% in 2022. See below for comments from our economic research.**

❖ Trading desk comments 交易台市场观点

Asia ex-JP IGs performed mixed with light flows yesterday. The recent new issues such as HKLSP 33s/CCAMCL 27s were better offered. In Chinese SOEs, HAOHUA 30s were unchanged to 2bps tighter. TMT benchmarks BABA 31s/TENCNT 30s were under better selling. The high-beta TMTs such as XIAOMI/WB 30s tightened 2-4bps. In financials, Chinese bank T2 space was subdued. BCHINA/CCB/BOCOHK 24s/25s were skewed to better selling. AMC space performed softly on the back of property weakness. HRINTH curve was traded 0.25-1pt lower, with active selling flows on its 25s-27s. Non-China space was also under better selling. SG/KR bank T2s edged 2-4bps wider. Chinese properties remained battered. Media reported COGARD missed USD coupon payments due on 7 Aug. The overdue coupon payments on COGARD 4.2 '26/COGARD 4.8 '30 totaled USD22.5mn and COGARD will have a grace period of 30 days to cure the missed coupons. COGARD 24s plunged 6-12pts to low-10s, while the rest of the curve were marked down 2.5-6pts. FTLNHDs/FUTLANs fell 5-8pts given the fragile market sentiment on the sector. GRNCHs/DALWANs were 2.25-3.25pts lower across the curve. In industrials, FOSUNI '24/WESCHI '26 were marked 0.75-1.25pts lower. Macau gaming papers such as SANLTD 28-30s was 0.5pt higher. In Indian space, VEDLNs were marked 0.5-1.5pts lower. FIHUCN '28 was indicated 2.5pts higher. Indonesian names LPKRIJ/LMRTSP 26s were quoted down 0.5pt.

The LGFV/Perp spaces had a quiet session. There were balanced two-way flows in the 23s/24s LGFVs and c23s/24s SOE perps. The short-dated LGFV/Perp papers that were offloaded by onshore RMs, were well absorbed

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by offshore prop desks' short-term carry demand. CRHZCH 3.75 Perp/HUANEN 2.85 Perp were well bid. Among LGFVs, several quality Shandong names such as YZCOAL/SHDOIS/HKIQCL/JNHITE were active. Meanwhile, clients continued to be better buyers of high-yielding LGFV names. GSHIAV/CQLGST 23s/24s were traded 0.125-0.25pt higher. Whilst Henan names such as HENANG/ZHZHCC were better offered.

❖ Last Trading Day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
FIHUCN 5 02/26/28	82.4	2.5	COGARD 8 01/27/24	12.7	-11.8
CCAMCL 5 02/08/48	76.4	2.0	FTLNHD 4.8 12/15/24	43.3	-8.1
GRNLGR 6 1/8 04/22/25	14.3	1.5	GEMDAL 4.95 08/12/24	54.0	-7.1
ZENENT 12 1/2 04/23/24	46.7	1.4	FTLNHD 4 1/2 05/02/26	28.9	-6.8
SHDCOM 3 1/2 11/16/24	98.2	1.1	COGARD 6 1/2 04/08/24	11.5	-5.9

❖ Marco News Recap 宏观新闻回顾

Macro – S&P (-0.42%), Dow (-0.45%) and Nasdaq (-0.79%) were dragged by financial sector as Moody's downgraded several US regional banks' rating. China Jul'23 CPI/PPI was -0.3%/-4.4% yoy, the market expectation of CPI/PPI was -0.4%/-4.1% yoy. The US treasury yields overall down on Tuesday, 2/5/10/30 yield reached at 4.74%/4.10%/4.02%/4.20%, respectively.

❖ Desk analyst comments 分析员市场观点

➤ DALWAN: Police detention of senior management should have contained impact

Dailian Wanda Group's Senior Vice President, Liu Haibo, and several senior staffs of the group were detained by police yesterday. Liu was responsible for the investment businesses of Dalian Wanda Group. The media reported that the corruption allegation involved a project in Eastern China region. While the reason for detention is not officially announced, the detention of senior executive at the group level was due to the group's internal anti-corruption efforts instead of investigation initiated by regulators. Hence, we believe that the impact to Dalian Wanda Group and Dalian Wanda Commercial Management should be contained. DALWANs retreated 2.5pts post the news yesterday and were unchanged to down 0.15pt this morning

➤ China Economy – Deepening trade slump in blow to growth

China's exports of goods fell short of expectations as global demand for goods was weak, export price further declined and the US continued to diversify its supply chain beyond China. The imports of goods also plunged as import price expanded its declines while import volume indicated moderate improvement of domestic demand. Trade weakness occurred in almost all manufacturing powerhouses as global factory activity continued to shrink. Global consumers shifted from goods consumption to service consumption with deflation and de-stocking cycle in the manufacturing sector. It seemed the recent relief of commodity inflation and pick-up of consumer confidence mainly benefited the non-tradable sector. China's exports and imports of goods may remain weak in 3Q23 as demand for goods is sluggish and deflation is severe. However, foreign trade activity may gradually improve in 4Q23 thanks to base effect as well as a gradual alleviation of deflation and de-stocking in the manufacturing sector. We expect China's exports and imports of goods to respectively drop 2.3% and 3.2% in 2023 after rising 6.3% and 1% in 2022. Trade weakness implies downside pressure on China's economic growth as the Chinese policymakers may gradually increase the magnitude of policy easing in next several months.

Exports of goods weakened across major trading partners as global manufacturing sector was close to a recession. China's exports further declined 14.5% YoY (all on YoY basis unless specified) in July after a 12.4% drop in June. Exports to US declined 23.1% YoY in July after dropping 23.7% in June and 17.9% in 1H23. Exports to EU, Japan, South Korea & ASEAN all further deteriorated by dropping 20.6%, 18.4%, 18% and 21.4% in July, compared to the decline of 12.9%, 15.6%, 19.8%, and 16.9% in June. Russia remained the only destination to report positive growth, edging down from 91% increase in June to 51.8% in July. Global manufacturing sector was close to a recession as the PMI and trade activity continued to shrink for several months. After the pandemic, global households continued to shift from goods consumption to service consumption. Meanwhile, consumption of most services was less sensitive to high interest rates than consumption of durable goods. In addition, global trade of goods faced pressure from the Sino-US conflict and "de-risk" strategy of related countries.

Exports by product deteriorated across major products while auto, ship and cellphone were the light spots. Exports of textile product, garment, furniture and steel products fell 17.9%, 18.7%, 15.2% and 40.9% in July after dropping 14.3%, 14.5%, 15.1% and 42.8% in June. Meanwhile, exports of general equipment and automatic data processing equipment further declined 12% and 28.9% after dropping 2.4% and 24.7%. Exports of auto parts and home appliances dropped 4.5% and 3.6% in July after rising 5.1% and 3.9% in June. Exports of ship and cellphone elevated to 82.4% and 2.2% growth in July from the decline of 24% and 23.3% in June, while motor vehicle exports remained strong with growth of 83.3%, down from 109.9% in June.

Imports of goods deteriorated as import price plunged. China's imports of goods declined 12.4% in July after dropping 6.8% in June. The deterioration of imports was mainly due to more significant decline of import price as the import volume of most commodities improved. In July, import volume of grain, soybean, crude oil and natural gas rose 10.3%, 23.5%, 17% and 18.5%, up from the increases of 4.5%, 13.6%, 11.7% and 5.8% in 1H23. Meanwhile, the import volume of iron ore and copper ore maintained positive growth at 2.5% and 3.9%, yet down from the increase of 7.7% and 7.9%. Coal import volume growth remained strong at 66.9% in July, down from 93% in the first half year. Import volume of steel products, copper products, plastics in primary form, integrated circuits and autos narrowed their declines, indicating a possible improvement in domestic demand. Import volume of airplane and medicine rose 23.1% and 23.7% after growing 140% and 36.2% in 1H23 as air traffic flow and healthcare demand continued to recover. However, import volume of beauty cosmetics further dropped 24% in July after decreasing 10.7% in 1H23.

Exports and imports of goods are expected to drop 2.3% and 3.2% in 2023. China's exports and imports may remain weak in next two months before probable improvement in 4Q23. We expect China's exports of goods to drop 2.3% in 2023 after rising 6.3% in 2022. The imports of goods are expected to decline 3.2% in 2023 after growing 1% in 2022.

China may further loosen economic policies to boost growth momentum. The July politburo meeting indicates a more pro-growth policy stance in the second half year. The policymakers changed the optimistic view on the economic outlook and signaled more active policy easing ahead. The liquidity condition further eased as the PBOC guided banks to increase credit supply to real sector and to roll over the debts of property developers and local government financing vehicles. More cities loosened property policies with less restrictions on home purchase and lower down-payment ratios & mortgage rates for first-home and second-home buyers. Looking forward, the central bank may further cut RRR, deposit rates and LPRs to boost economic growth momentum. Meanwhile, the policymakers may continue to loosen property policies to stabilize the housing market. The YoY growth of total social financing balance is expected to rebound from 3Q23

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Issuer/Guarantor	Size (USD mn)	Tenor	Coupon	Priced	Issue Rating (M/S/F)
China Life Insurance Overseas	2000	10NC5	5.35%	5.35%	-/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 118 credit bonds issued yesterday with an amount of RMB89bn. As for Month-to-date, 444 credit bonds were issued with a total amount of RMB323bn raised, representing a 24.4% yoy decrease
- Media reported that Indonesia government plans to relax rules for foreigners to buy residential properties
- **[ADEIN]** Media reported that Adani Enterprises is mulling to sell its 44% stake in food and beverage JV Adani Wilmar, the JV is valued at USD6.2bn
- **[APLNIJ]** Fitch upgraded Agung Podomoro Land's Long-Term IDR to CCC-
- **[CHALUM]** S&P withdrawn Chalieco BB- rating at company's request
- **[GEELY]** Geely Automobile proposed to offer RMB1.5bn three-year MTNs
- **[LMRTSP]** LMIRT 2Q23 revenue down 1.9% yoy to SGD50.7mn and net profit turned to positive as SGD1.75mn
- **[SMCPM]** San Miguel's 1H23 net sales down 4% yoy to PHP685.2bn and EBITDA increased 10% yoy to PHP100.1bn

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