

CMBI Credit Commentary

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

- *Markets were weak this morning. Asian IG overall widened 5-15bps, TMT names LENOVO, BABA, TENCNT widened more than Financials. New issue BNKEA 6.75'27 widened 10bps. AT1 were almost unchanged.*
- **China Economy** – *Inflation declines as aggregate demand remains weak. CMBI expects China's inflation may further decline in next 2-3 months before picking up from 2H23. We maintain our forecast for CPI growth at 2.2% and PPI growth at -0.5% in 2023. See below for comments from our economic research.*
- **AGILE:** *As per the latest CCASS record change, the Chen family transferred c36% stakes with market value of cHKD3.6bn (cRMB3.2bn) to HSBC Wealth. Recalled that Agile will have an onshore bonds of RMB1.45bn puttable on 9 Apr'23. The principal and accrual interest will be RMB1.5bn in aggregate.*

❖ Trading desk comments 交易台市场观点

Yesterday, Asia IG space was relatively firm. On the primary side, new USD500mn BNKEA 27s that priced at (CT3+210)CT2+177 open 15bps tighter with very strong PB buying, and was traded active two-way between T+163-165 before lunch. It retraced a bit post London came in to close at T+168. Benchmark IGs opened 1-3bps tighter amid street pushing but gave back the gain in the PM session amid weak macro sentiment. Flows turned better selling on recent issues, such as HSBC 6.161 29NC28. China financials were firm with support from Chinese AMs/Props. There were two way flows on Bank T2s such as CCB/BCHINA/ICBCAS which closed unchanged. In China SOEs/TMTs, sentiment stabilized as the market was waiting for the February US labor market report this Friday and CPI data next week. We saw bank accounts buying on SOEs. SINOPE curve closed unchanged to 3bps tighter. HAOHUA curve tightened 1-3bps with its 30s closed at T+201. TMT sector were stronger. TENCNT 29s/30s tightened 2-4bps to T+135 and T+157, respectively. BABA curve got balanced two-way interests. In IG properties, LNGFORs/VNKRLEs widened 10-20bps on light flows. Chinese HY property space were weak post the multiple downgrades. COGARDs notably moved 2-3pts lower. FTLNHD 25s/26s were down 1.5pts. GRNLGRs dropped 1.5-2.5pts while AGILE 25s/26s were traded unchanged to 0.5pt lower at mid-50s. However, low cash price staled papers ZENENT 23s/24s were 1-4.5pts higher. Industrial names underperformed. FOSUNIs were down around 0.5pt. CARINC recovered Wednesday's losses and closed 1.75pts higher at 96.75. Macau gaming space was unchanged. Indian and Indonesian space were muted.

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

Cyrena Ng, CPA 吳蓓瑩
(852) 3900 0801
cyrenang@cmbi.com.hk

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

In the Asia AT1/ Perp/ LGFV spaces, activities remained on the slower side. Overnight rates retraced around 5-10bps despite stronger than expected ADP data. Market was cautious with all focus on Friday NFP. Bank AT1 space had some short covering interests given the recent weakness. AT1s broadly closed unchanged to 0.125-0.25pt higher, with some better buying flows on the big 5 banks AT1s. BCHINA 3.6 Perp/ BOCOM 3.8 Perp was traded relatively firm at 96.15 and 94.95, respectively. New HSBC 8 Perp was 0.375pt lower. New CTIH perp were unchanged at 100.15/100.25. Elsewhere, HYSAN curve was marked 0.5-1.25pt higher. LGFV space remained quiet but with more demand on quality names from Chinese AMs. Shandong names were still actively traded and performed stable. QDJZWDs/QDHTCOs drifted 0.125pt lower with small selling on front end but were well digested.

❖ Last Trading Day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
ZENENT 12 1/2 09/13/23	55.3	4.4	COGARD 5 1/8 01/14/27	60.7	-3.0
CARINC 9 3/4 03/31/24	96.7	1.7	COGARD 4.2 02/06/26	61.0	-2.9
YNPOWE 4 1/2 PERP	97.0	1.4	COGARD 7 1/4 04/08/26	64.5	-2.8
ZENENT 12 1/2 04/23/24	52.3	1.1	COGARD 5 5/8 12/15/26	61.7	-2.8
HYSAN 3.55 06/16/35	83.0	1.3	COGARD 5.4 05/27/25	67.4	-2.8

❖ Marco News Recap 宏观新闻回顾

Macro – U.S. stock markets retreated a lot yesterday, S&P (-1.85%), Dow (-1.66%) and Nasdaq (-2.05%) dropped as markets are worried about NFP data, which may be higher than forecast of +225k as Feb'23 ADP was stronger than expected. The U.S. treasury yields overall down yesterday, yield curves bull steepened that the 2/5/10/30 yields reached 4.90%/4.22%/3.93%/3.88%, respectively.

❖ Desk analyst comments 分析员市场观点

➤ China Economy – Inflation declines as aggregate demand remains weak

China's CPI growth was far below expectations in February as consumer demand remained weak and the fluctuation of pork supply caused its price collapse. Durable prices continued to decline, while housing rent and service cost mildly improved. PPI further declined as global demand for goods remained weak while strong service inflation caused stronger Fed tightening. We expect China's inflation may further decline in next 2-3 months and then pick up in 2H23-2024 as the economy continues to recover. The reflation should be mild for China as domestic demand recovery is in a gradual manner and overseas economy may see a recession. The weak reflation indicates that China continues to have negative output gap this year. The country has to maintain easing credit policy to support the growth.

CPI growth dropped to the lowest since last February. CPI increased 1.0% YoY in February, down from 2.1% in January. Meanwhile, the YoY growth of core CPI declined from 1% to 0.6%, indicating consumer demand remained weak. By item, inflation in staples like milk, alcoholic drinks and medicines mildly climbed as demand increased. However, prices in durables like home appliances, vehicles and telecom equipment continued to decline from the YoY perspective as the demand remained weak. Inflation in education & home service remained low while housing rent continued to decline as labor market was not strong. From the MoM perspective, CPI declined 0.5% in February after rising 0.8% in January. Specifically, pork and tourism prices declined significantly, while the price in vehicle fuel, milk and alcohol drinks rose MoM.

PPI further declined as commodities prices retreated with expectations of stronger Fed tightening and higher recession risk. PPI dropped 1.4% YoY in February after decreasing 0.8% in January. From the MoM perspective, PPI held flat in February compared to a decline of 0.4% in January. Global commodities prices continued to decline as investors expected stronger Fed tightening and higher recession risk ahead. In February, non-metal mineral products, rubber & plastic products and general equipment dropped 0.7%, 0.3% and 0.2% MoM, respectively. As the reopening improved traffic mobility and demand for energy, PPI in crude oil & natural gas rose 1.7% MoM, while petroleum & coal processing price increased 0.6% MoM. However, coal prices dropped by 2.2% MoM in February as China expanded coal imports to lower energy costs.

We maintain forecast for CPI growth at 2.2% and that for PPI growth at -0.5% in 2023. The CPI growth may remain low in March and April and then gradually climb as the economy continues to resume. We expect the CPI growth to reach 2.2% in 2023 and 2.5% in 2024. The PPI may further decline in the next two months before gradually improving in 2H23. We expect the PPI to drop 0.5% in 2023 and rise 1.6% in 2024.

China has to maintain easing credit policy to boost growth. China's weak reflation indicates its growth remains far below potential this year. The country has to maintain easing credit policy to boost growth. The policymakers may face the pressure to ease policy again after a few months as the domestic recovery pace may slow and overseas economy braces for a recession.

Click [here](#) for full report

➤ **AGILE: The latest CCASS record change**

The Chen family transferred c36% of the family's stakes in Agile on 8 Mar'23 to HSBC Wealth. The family has 62.6% stakes in Agile. As per the CCASS record, stakes under HSBC Wealth increased to 50.5% from 14.5% started from 8 Mar'23. The market value of additional stakes with HSBC Wealth is worth cHKD3.6bn based on the last close. Assuming a LTV of 50%, the c36% stakes could be used to secure financing of cHKD1.8bn or RMB1.6bn. Recalled that Agile will have an onshore bonds of RMB1.45bn puttable on 9 Apr'23. The principal and accrual interest will be RMB1.5bn in aggregate.

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

Issuer/Guarantor	Size (USD mn)	Tenor	Coupon	Yield	Issue Rating (M/S/F)
No Offshore Asia New Issues Priced Today					

➤ **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 132 credit bonds issued yesterday with an amount of RMB130bn. As for Month-to-date, 724 credit bonds were issued with a total amount of RMB622bn raised, representing a 18% yoy increase

- **[ADEIN]** Media reported that Adani has repaid all loans backed by group companies' shares
- **[CIFIHG]** Media reported that CIFI Holdings plans to sell several commercial property assets in Shanghai, including headquarters
- **[FTHDGR]** Fantasia Holdings notes USD4bn offshore debt restructuring agreement became effective 9 March
- **[GCLNE]** GCL New Energy expects FY22 net loss widened to at least RMB1.3bn (cUSD186.7mn) due to impairment loss
- **[JD]** JD.com 4Q22 revenue rose 7% yoy to USD42.4bn and EBITDA up 113.3% yoy to USD1.3bn
- **[KAISAG]** Kaisa Prosperity share trading to resume on 10 Mar'23 following fulfillment of HKEx share trading resumption guidance; it expects FY22 revenue to drop up to 35% yoy, profit increase 60% yoy to RMB90mn
- **[LOGPH]** Media reported that Logan advisors circulate draft proposing seven-year term for restructured USD3.62bn offshore bonds, six years for most other offshore debt
- **[LVGEM]** LVGEM reached an agreement to exchange 50% of LVGEM 12 03/10/23 for two-year private placement notes
- **[SMCPM]** San Miguel Corp receives board approval for private placement of 270mn series 2 preferred shares
- **[SUNAC]** Sunac aims to sign restructuring agreement with ad-hoc bondholder group in this week
- **[VNKRL]** China Vanke CFO said the company has prepared for USD bonds payment due April, May

CMB International Global Markets Limited

Fixed Income Department

Tel: 852 3761 8867/ 852 3657 6291

fis@cmbi.com.hk

CMB International Global Markets Limited ("CMBIGM") is a wholly owned subsidiary of CMB International Capital Corporation Limited (a wholly owned subsidiary of China Merchants Bank)

Author Certification

The author who is primary responsible for the content of this research report, in whole or in part, certifies that with respect to the securities or issuer that the author covered in this report: (1) all of the views expressed accurately reflect his or her personal views about the subject securities or issuer; and (2) no part of his or her compensation was, is, or will be, directly or indirectly, related to the specific views expressed by that author in this report.

Besides, the author confirms that neither the author nor his/her associates (as defined in the code of conduct issued by The Hong Kong Securities and Futures Commission) (1) have dealt in or traded in the stock(s) covered in this research report within 30 calendar days prior to the date of issue of this report; (2) will deal in or trade in the stock(s) covered in this research report 3 business days after the date of issue of this report; (3) serve as an officer of any of the Hong Kong listed companies covered in this report; and (4) have any financial interests in the Hong Kong listed companies covered in this report.

Important Disclosures

There are risks involved in transacting in any securities. The information contained in this report may not be suitable for the purposes of all investors. CMBIGM does not provide individually tailored investment advice. This report has been prepared without regard to the individual investment objectives, financial position or special requirements. Past performance has no indication of future performance, and actual events may differ materially from that which is contained in the report. The value of, and returns from, any investments are uncertain and are not guaranteed and may fluctuate as a result of their dependence on the performance of underlying assets or other variable market factors. CMBIGM recommends that investors should independently evaluate particular investments and strategies, and encourages investors to consult with a professional financial advisor in order to make their own investment decisions.

This report or any information contained herein, have been prepared by the CMBIGM, solely for the purpose of supplying information to the clients of CMBIGM and/or its affiliate(s) to whom it is distributed. This report is not and should not be construed as an offer or solicitation to buy or sell any security or any interest in securities or enter into any transaction. Neither CMBIGM nor any of its affiliates, shareholders, agents, consultants, directors, officers or employees shall be liable for any loss, damage or expense whatsoever, whether direct or consequential, incurred in relying on the information contained in this report. Anyone making use of the information contained in this report does so entirely at their own risk.

The information and contents contained in this report are based on the analyses and interpretations of information believed to be publicly available and reliable. CMBIGM has exerted every effort in its capacity to ensure, but not to guarantee, their accuracy, completeness, timeliness or correctness. CMBIGM provides the information, advices and forecasts on an "AS IS" basis. The information and contents are subject to change without notice. CMBIGM may issue other publications having information and/ or conclusions different from this report. These publications reflect different assumption, point-of-view and analytical methods when compiling. CMBIGM may make investment decisions or take proprietary positions that are inconsistent with the recommendations or views in this report.

CMBIGM may have a position, make markets or act as principal or engage in transactions in securities of companies referred to in this report for itself and/or on behalf of its clients from time to time. Investors should assume that CMBIGM does or seeks to have investment banking or other business relationships with the companies in this report. As a result, recipients should be aware that CMBIGM may have a conflict of interest that could affect the objectivity of this report and CMBIGM will not assume any responsibility in respect thereof. This report is for the use of intended recipients only and this publication, may not be reproduced, reprinted, sold, redistributed or published in whole or in part for any purpose without prior written consent of CMBIGM.

Additional information on recommended securities is available upon request.

Disclaimer:

For recipients of this document in the United Kingdom

This report has been provided only to persons (I) falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended from time to time) ("The Order") or (II) are persons falling within Article 49(2) (a) to (d) ("High Net Worth Companies, Unincorporated Associations, etc.") of the Order, and may not be provided to any other person without the prior written consent of CMBIGM.

For recipients of this document in the United States

CMBIGM is not a registered broker-dealer in the United States. As a result, CMBIGM is not subject to U.S. rules regarding the preparation of research reports and the independence of research analysts. The research analyst who is primary responsible for the content of this research report is not registered or qualified as a research analyst with the Financial Industry Regulatory Authority ("FINRA"). The analyst is not subject to applicable restrictions under FINRA Rules intended to ensure that the analyst is not affected by potential conflicts of interest that could bear upon the reliability of the research report. This report is intended for distribution in the United States solely to "major US institutional investors", as defined in Rule 15a-6 under the US, Securities Exchange Act of 1934, as amended, and may not be furnished to any other person in the United States. Each major US institutional investor that receives a copy of this report by its acceptance hereof represents and agrees that it shall not distribute or provide this report to any other person. Any U.S. recipient of this report wishing to effect any transaction to buy or sell securities based on the information provided in this report should do so only through a U.S.-registered broker-dealer.

For recipients of this document in Singapore

This report is distributed in Singapore by CMBI (Singapore) Pte. Limited (CMBISG) (Company Regn. No. 201731928D), an Exempt Financial Adviser as defined in the Financial Advisers Act (Cap. 110) of Singapore and regulated by the Monetary Authority of Singapore. CMBISG may distribute reports produced by its respective foreign entities, affiliates or other foreign research houses pursuant to an arrangement under Regulation 32C of the Financial Advisers Regulations. Where the report is distributed in Singapore to a person who is not an Accredited Investor, Expert Investor or an Institutional Investor, as defined in the Securities and Futures Act (Cap. 289) of Singapore, CMBISG accepts legal responsibility for the contents of the report to such persons only to the extent required by law. Singapore recipients should contact CMBISG at +65 6350 4400 for matters arising from, or in connection with the report.