

CMBI Credit Commentary

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

- *Market was firm this morning post UST rates moved lower despite rebound CPI. Flows were skewed to better buying, High-beta IG and high yielding LGFVs were chased by onshore buyers. We saw few short dated bonds were switched out at rich yield levels.*
- **Asia ex-JP USD bonds issuance:** 2023 gross issuance down 17.5% yoy to USD132.4bn. See below.
- **EHICAR:** CDB Leasing signed finance lease agreement with eHi Car to purchase up to RMB1.5bn vehicles from eHi Car as leased assets. EHICAR'24/26 rose 2 and 2.5pts this morning.

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

Cyrena Ng, CPA 吳倩瑩
(852) 3900 0801
cyrenang@cmbi.com.hk

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

❖ Trading desk comments 交易台市场观点

Yesterday, SUMILF priced the USD1.04bn PerpNC10 subordinated note at par to yield 5.875%, and it closed around 100.2 under profit taking from primary investors. CICCHK priced a USD500mn 3-yr fixed-rate note at CT2+65/CT3+90, and a USD700mn 5-yr-floating-rate note at SOFR+95. The two new CICCHKs closed 1-3bps wider from the ROs. The new BOCAVI '29 tightened another 2bps from Wed close, whilst the new SAMTOT '29 closed 1bp wider from its RO (CT5+153). China benchmark SOEs HAOHUAs were unchanged to 2bps tighter. TMTs BABA/TENCNT 29-31s tightened 3bps. In financials, Chinese bank T2s were sought after. ICBCAS/CINBDK 26-29s were around 2bps tighter. AMCs were traded in light two-way flows. HRINTH/GRWALL 30s were 5-10bps wider. Chinese AT1s ICBCAS/CINDBK Perps were up 0.1-0.2pt. In KR space, HYUELEs tightened 3-4bps. HK Corp SHUION 24-26s and SWIPRO '28 were up 0.7-1.2pts. Chinese properties moved higher. CSCHCN 24s and AGILE 25-26s were 0.8-3.1pts higher. ROADKG 24-26s were another 1.2-3.2pts higher. ROADKG Peps were up 0.4-1.1pts. DALWAN 24-26s were 1.1-2.3pts higher. VNKRL 24-25s/LNGFOR 27-28s were up 0.3-0.7pt. In industrials, AACTECs/HILOHO '24/EHICAR '26 were up 0.2-0.3pt. Macau gaming names were mixed. SANLTD/WYNMAC 26-31s were up 0.3-0.6pt whilst MPEL 27-28s were down 0.3-0.7pt. In Indian space, ADSEZ/ADANEM 27-31s were 0.9-1.1pts higher. Indonesian name LMRTSP 24/26 were up 0.4-0.5pt. APLNIJ '24/KIJAIJ '27 were 1.1-1.6pts higher.

The Perp/LGFV spaces was relatively firm ahead of Thu night's CPI print. The flows were two-way skewed to better buying in Perp. We saw supply mostly came out from PB flows sporadically, which were largely absorbed. SOE perps HUADIA 3.375 Perp/CHPWCN 3.45 Perp were up 0.1pt. Elsewhere, the flows were active two-way in property-related LGFV names CPDEV and ZHHFGR, with profit taking flows from PBs well digested by RM buyers. CPDEV 25/26/Perp were up 0.2-0.4pt and ZHHFGR Perp was up

0.2pt. GSHIAV 24-25s were 0.2-0.3pt higher. However, KMRLGP '24 was 1.5pts lower. Meanwhile quality LGFVs remained well bid even at rich yields at below 6%. GZINFU '24/YWSOAO '25 were up 0.1pt. ZHONAN 25/26 were 0.5-0.6pt higher.

❖ Last Trading Day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
ROADKG 5.9 03/05/25	68.3	3.2	KMRLGP 3.9 12/12/24	91.6	-1.5
CSCHCN 9 04/12/24	33.6	3.1	AIA 3.2 09/16/40	74.3	-1.0
AGILE 5 1/2 05/17/26	14.7	3.0	GZHRCB 5.9 PERP	97.2	-0.9
ROADKG 5.2 01/12/26	34.1	2.7	RDHGCL 7.8 03/20/24	83.4	-0.8
AGILE 6.05 10/13/25	15.5	2.7	MPEL 5 3/8 12/04/29	89.4	-0.7

❖ Marco News Recap 宏观新闻回顾

Macro – S&P (-0.07%), Dow (+0.04%) and Nasdaq (+0.00%) were stable on Thursday post higher than expected CPI. US Dec'23 CPI was +3.4% yoy, rose from +3.1% yoy in Nov'23 and was higher than the expectation of +3.2% yoy. The latest US initial jobless claim was +202k, lower than the expectation of +210k. China Dec'23 CPI/PPI was -0.3%/-2.7%, compared with expectation of -0.4%/-2.6%. UST yields retreated yesterday, 2/5/10/30 yield reached 4.26%/3.90%/3.98%/4.18%, respectively.

❖ Desk analyst comments 分析员市场观点

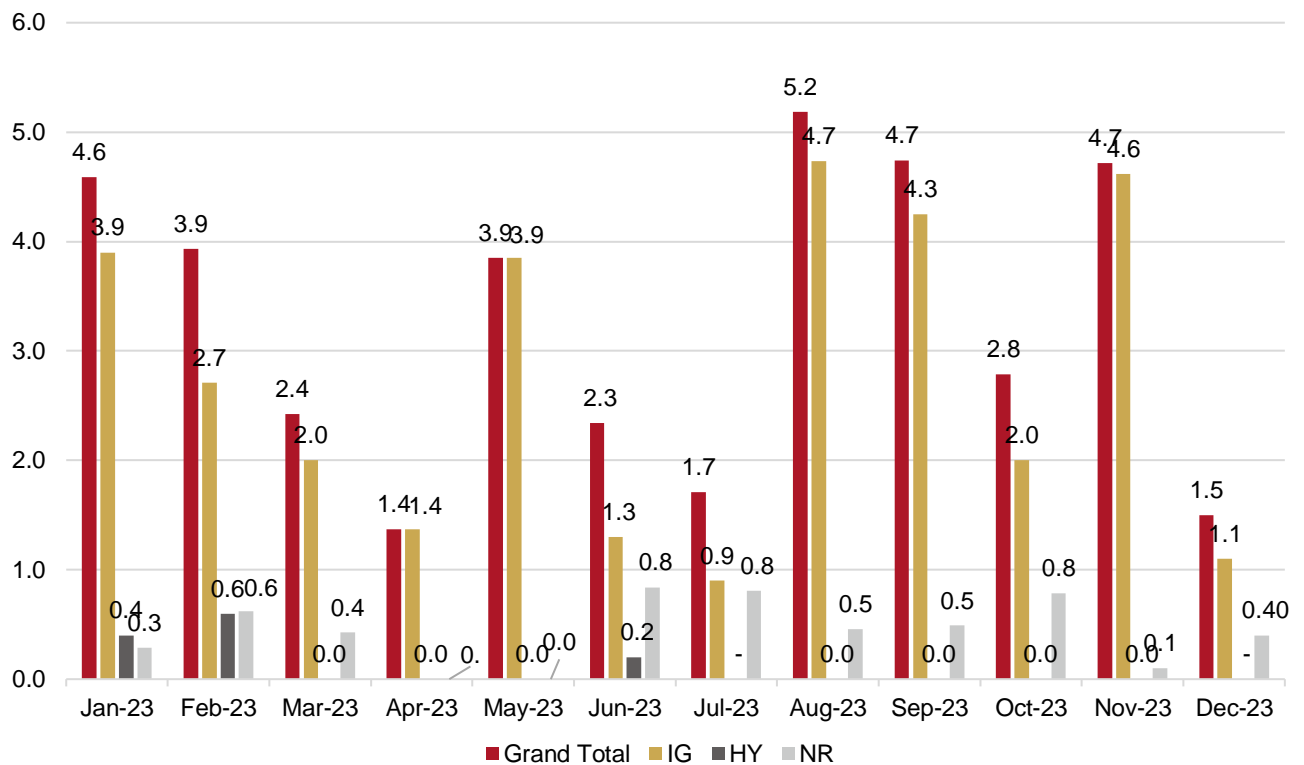
➤ Asia ex-JP USD bonds issuance: 2023 gross issuance down 17.5% yoy to USD132.4bn

In Dec'23, the gross issuance of Asia ex-JP USD bonds increased 42.5% yoy to USD1.5bn from USD1.1bn in Dec'22. All bonds were issued by Chinese issuers including USD0.95bn by LGFVs. IGs accounted for 73% of the gross issuance in Dec'23. The monthly issuance continued to record yoy growth since Aug'23. Cumulatively, the gross issuance of Asia ex-JP USD bond in 2023 was USD132.4bn (incl. sovereign bonds), the yoy gross issuance decline narrowed to 17.5% from 17.9% in 11M23.

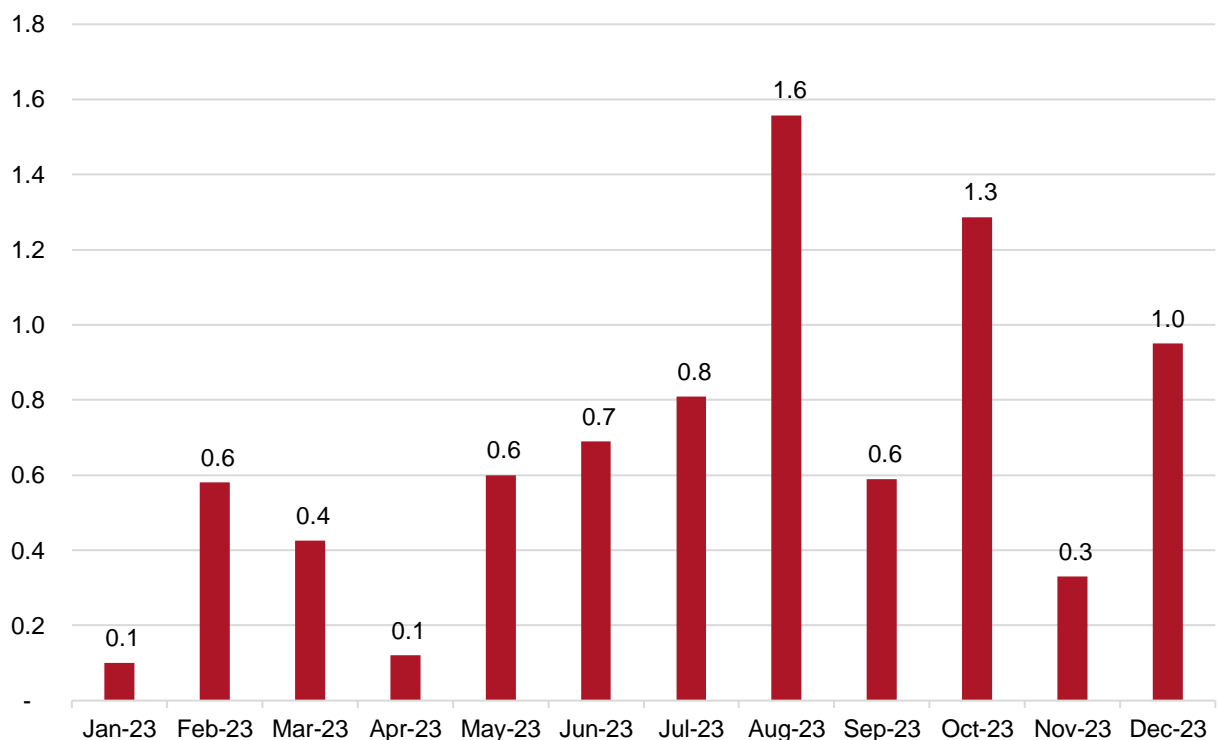
After the China government proposed to defuse local government debt risks in Jul'23, there are 28 provinces issued totaled RMB1,388.5bn special refinancing bonds in 4Q23 to swap higher cost local hidden debts. In 4Q23, the early redemption amount of LGFV onshore bonds increased 103.7% yoy to RMB121.4bn. The early redemption amount accounted for 11.1% of total redemption amount of LGFV onshore bonds in 4Q23, compared with 7.0%/5.6% in 4Q22/9M23.

On the other hand, the China government further tightened the offshore financing access of LGFVs. Media reported that Chinese regulator has restricted LGFV to issue 364-day offshore bonds. According to the regulations published by NDRC in Jan'23, approval is not required for offshore debt financing with maturities shorter than one year. In 2023, the 364-day USD bonds issued by LGFVs amounted to cUSD1.6bn, c16.5%/0.2% of aggregate amount of USD/onshore LGFV bonds issued in 2023.

We believe China government will launch more proactive monetary and fiscal measures such as RRR/LPR cut and continue the cRMB1tn-1.5tn special refinancing bonds in 2024 to mitigate the local hidden debt risks. We prefer LGFVs which offer unique or critical services in higher tier cities, especially cities with recent issuance of special refinancing bonds, have smooth access to funding channels, and their bonds offer a good risk-return profile. These include CCUDIH, CPDEV, GSHIAV, GXFING, GZINFU, KMRLGP and ZHHFGR.

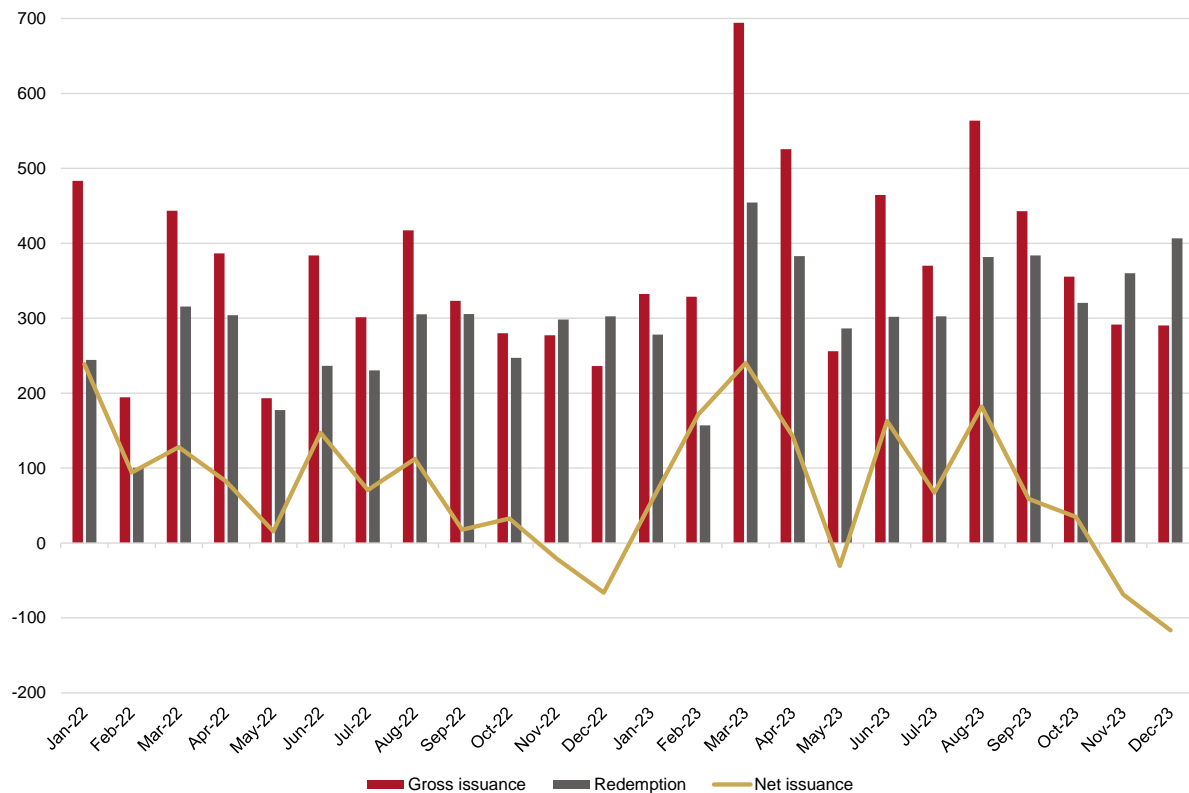
Chart 1: Chinese USD bonds new issuance amount (USD bn)

Source: Dealogic.

Chart 2: China LGFV USD bonds new issuance amount (USD bn)

Source: Dealogic.

Chart 3: Chinese LGFV onshore issuance amount (RMB bn)



Source: Wind.

➤ Offshore Asia New Issues (Priced)

Issuer/Guarantor	Size (USD mn)	Tenor	Coupon	Priced	Issue Rating (M/S/F)
Huaxin Pharmaceutical (HK) Co., Limited	60	3yr	5.55%	5.55%	-/-/-

➤ Offshore Asia New Issues (Pipeline)

Issuer/Guarantor	Currency	Size (USD mn)	Tenor	Pricing	Issue Rating (M/S/F)
SK Battery America	USD	-	3yr	-	Aa3/-/-

➤ News and market color

- Regarding onshore primary issuances, there were 94 credit bonds issued yesterday with an amount of RMB86bn. As for Month-to-date, 576 credit bonds were issued with a total amount of RMB496bn raised, representing a 7.4% yoy increase

- **[CAPG]** China Aoyuan's USD 6bn debt restructuring plan approved by HK, Cayman Islands and British Virgin Islands court
- **[EHICAR]** CDB Leasing signed finance lease agreement with eHi Car to purchase up to RMB1.5bn vehicles from eHi Car as leased assets
- **[GZRFPR]** Guangzhou R&F Properties elects to pay all interest payable on 11 Jan'24 in respect of 2025, 2027, 2028 Notes as PIK Interest
- **[HACOMM]** Fitch affirmed Huai'an Traffic's BB rating then withdrawn for commercial reasons
- **[SHDOIS]** Shandong Iron and Steel Group's onshore unit Shandong Iron and Steel Co Ltd expects to get RMB370-450mn loss in FY23
- **[SINOCE]** Media reported that Sino-Ocean domestic unit is planning restructuring of RMB13.27bn seven domestic public bond tranches to extend at least 30 months

Fixed Income Department

Tel: 852 3657 6235/ 852 3900 0801

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:

CMBIGM or its affiliate(s) have investment banking relationship with the issuers covered in this report in preceding 12 months

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.