

CMBI Credit Commentary**Fixed Income Daily Market Update 固定收益部市场日报**

- *Strong market today. China property sector was boosted by the news of NAFMII financial support. We saw short coverings on AT1/SOE PERP/LGFV sector, CINDA AT1 and LGFV names like CNSHAN/HKIQCL were overall up, while RM continued to seize the liquidity window to offload this morning.*
- *China's NAFMII to expand bond financing support tools for private enterprises including developers, it is expected to support cRMB250bn (cUSD34.45bn). VNKRL 24-26s/LNGFOR 27-29s/YUEXIU'26 up 4-8.5pts.*
- **China Economy:** *Foreign trade drops as demand worsens. We expect the exports to grow 8% in 2022 before dropping by 4% in 2023 and imports to grow 2% in 2022 and to decrease by 1.5% in 2023. See below for comments from our economic research.*

❖ Trading desk comments 交易平台市场观点

Yesterday, China IG space continued the recovery since the U-turn of Heungkuk Life's decision to exercise the 9th Nov call option. Financials space was a bit mixed with AT1/Perp outperforming, whilst T2/Leasing spreads widened 3-10bps. AT1s were squeezed on street lifting, as all the price drops had been recovered to roughly the same page against Oct month end closing. High-beta bank names were broadly up 2-3 pts on short covering. NANYAN 6.5 Perp/CINDBK 4.8 Perp popped up 3-5pts and were traded back to high-80s, the pre-HUKLFI level. BNKEA 5.875 Perp notably rebounded 12pts. NC23s such as CINDBK 7.1 Perp/BOCHKL 5.9 Perp also resumed 0.75-1pt to close at 98/99 level. Korea Perps TYANLI/HLINSU were up 3/8pts respectively, and we saw the mean-reversion pricing actions in Asian Perps coming to an end post the rollercoaster event of Korea lifer. AMCs were largely unchanged to 0.25-0.5pt higher across those non-perps, while GRWALL/CCAMCL Perps rebounded 3pts following the momentum in perps segment. TMT names like BABA/TENCNT 10y benchmarks narrowed 5-11bps, as we saw more short coverings when fast money/dealers joined buying, despite the tightening levels slightly retreated 2-5bps following HSI in the PM session. IG properties continued to have better buying flows under both short covering/RM buying, with front end papers up 0.25-0.5pt while long end gapping for 3-5pts. VNKRLs were up 1-3.5pts across the curve, and VNKRL 23s were traded back to mid-90s amid positive news shored up market confidence that Wanda Commercial got top-end subscriptions for RMB2bn public domestic MTNs. CHJMAO 24-26s were 1.5-2pts higher. YUEXIU 26 was up 3.5pts. Elsewhere, Corp Perps remained under pressure, NWDEVL 4.8/GLPSP 4.6 Perp dropped 4-4.5pts. China HY was firm, with bonds up 0.5-2pts across properties. COGARDs got lifted by 1.5-3pts higher to end at mid-10s, despite it terminated S&P rating services after being downgraded to B+ from BB. GRNCH 25s were chased 7-9pts higher by PBs,

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post the announcement of 15% yoy increase in contract sales in Oct'22. YLLGSP '23 was bid up 5pts under HF/Retail interests. Industrial space was mixed, FOSUNI front end was up 1-2pts amid the conglomerate circulated plans on non-core asset disposals to meet its near-term maturities on Tuesday's investor call. Whilst AACTEC 26/EHOUSE '23 were down 3-3.5pts despite thin liquidity. Macau gaming names were firm with SANLTDs up 1-1.5pts. Non-China HY remained quiet. Indian renewables were traded 0.25-0.5pt higher with ADANIG outperforming, up 1.5 pts. VEDLNs/RPVINs were higher by 0.5-1pt. Indian steel name JSTLIN '32 was up 3pts. Indonesian HY APLNIJ '24 was up 3pts. Elsewhere, MONMINs were consequently up 5pts after Mongolian mining's tender offer.

In the LGFV/SOE Perp spaces, sentiment largely recovered with some more short covering in SOEs but LGFVs still softened. Nonetheless, flows turned to be more balanced two-way in some of the lower yielding and long dated to call issues, as sellers tried to seize the window and offload into liquidity. SOE Perps also had some bottom fishing from Chinese accounts yet targeted yield remained elevated. In contrast, LGFVs continued to be under pressure as global and offshore Chinese accounts continued to offload risk, whilst onshore accounts turned more cautious in spending cash. LGFVs were in general unchanged to 0.5pt lower, as hurdle rates had reached mid-7% for most 23s-25s (22s >low-6% as well) papers whilst 26s and 27s bonds were basically trading solely on cash price now with short covering the only source of demand. Among high quality papers, Shandong names like short-dated HKIQCL 4.25 '22/CONSON 2.8 '23 were 0.25-0.5pt lower. Whilst for weaker names, LZINVE '22 managed to edge higher as confidence that it will repay next week grew among PB/Prop desks following the latest DW report on refinancing. On the back of this, we also saw short covering in GSHIAV being sped up in particular in the 23s.

❖ Last Trading Day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
BNKEA 5 7/8 PERP	77.0	12.0	NWDEVL 4.8 PERP	42.9	-4.2
GRNCH 5.65 07/13/25	50.8	9.0	FWDGRP 0 PERP	82.3	-4.2
HLINSU 4.7 PERP	88.7	8.7	CSCHCN 9 06/26/24	23.9	-4.0
GRNCH 4.7 04/29/25	50.7	7.2	KHLIN 7 1/2 PERP	75.0	-3.3
CHOHIN 5.7 PERP	86.9	7.1	EHOUSE 7.6 06/10/23	15.6	-3.2

❖ Macro News Recap 宏观新闻回顾

Macro – U.S. stock markets overall rose yesterday, the S&P (+0.56%), Dow (+1.02%) and Nasdaq (+0.49%) pushed by the expectation that Republican will take over the House and restrict government expenditure in the future. October U.S. consumer sentiment index, published by University of Michigan, was 59.9 and closed to the lowest level in more than 11 years. October Chinese CPI was +2.1% yoy and PPI was -1.3% yoy. The U.S. treasury yields slightly down yesterday, the 2/5/10/30 yields reached 4.67%/4.31%/4.14%/4.28%, respectively.

❖ Desk analyst comments 分析员市场观点

➤ China Economy – Foreign trade drops as demand worsens

China's exports started to see a YoY decline in October as overseas demand worsened. The exports are expected to grow 8% in 2022 before dropping by 4% in 2023 due to overseas recession and disinflation next year. China's imports further deteriorated as domestic demand and commodity inflation weakened. We expect the imports to grow 2% in 2022 and to decrease by 1.5% in 2023. Domestic demand may slowly resume, yet commodity prices are likely to further decline next year. The weakness of foreign trade points to additional pressure on China economy, which is struggling with property market slump and zero-Covid policy. The country faces increasing pressure to adjust its epidemic control measures and focus more on the economic growth.

Exports started to drop as overseas demand worsened. China's exports of goods dropped 0.3% YoY in October after rising 5.7% YoY in September. As the YoY growth of export price index should have been above 10% YoY, export volume may have declined by over 10% YoY in October. The decline of China's exports of goods indicates an increase of overseas recession risk amid the high inflation and abrupt monetary tightening in advanced economies. By destinations, China's exports to the US further declined 9.6% YoY in October after dropping 1.5% YoY in September. Meanwhile, the exports to EU and Japan respectively rose 2.5% YoY and 5.6% YoY, down sharply from the growth of 13.2% YoY and 10.8% YoY in September. However, the growth of exports to ASEAN remained strong at 22.9% YoY in October after rising 28.4% YoY in September. By products, the exports of furniture, lamps & similar products, and automatic data processing equipment saw YoY declines, as overseas housing market and home economy sharply cooled down. However, the exports of garments & shoes maintained strong growth as social activities rebounded after the reopening in overseas. Meanwhile, the exports in steel products and motor vehicles also experienced high growth as China strengthened its competitiveness in energy & supply chain security.

Imports further deteriorated as domestic demand and commodity inflation weakened. China's imports dropped 0.7% YoY in October after rising 0.3% in September. For one thing, domestic demand further weakened in October. Local governments tightened the zero-Covid policy as economic activities declined in China. The import volume is estimated to have dropped by over 7% in October. For another thing, commodity inflation declined as the growth of import price index should have slowed from 15.6% in July to about 7% in October. In 10M22, China's import volume in airplane dropped by 40.7% YoY, that in steel products decreased by 23% YoY and the import volume in integrated circuits declined by 13.2% YoY. Meanwhile, the import volume in grain, beauty cosmetics and machine tools dropped by over 10% as domestic consumption and capital expenditure remained weak.

Exports and imports are expected to grow 8% and 2% in 2022 and drop by 4% and 1.5% in 2023. We expect China's exports of goods to drop by 4% in 2023 due to overseas recession and disinflation in future. The overheating housing market and home economy in the past two years has exhausted some future demand. The high inflation and high interest rates will significantly hurt the economy in 2023. We see a recession with disinflation next year. China's imports of goods are expected to decline by 1.5% in 2023. Domestic demand should resume very slowly while commodity prices may further decline next year.

The weakness in foreign trade indicates additional pressure on China's economy. China's economy is already struggling with property market slump and weakening consumption amid zero-Covid policy. It becomes increasingly difficult for China to control the epidemic as local governments have no money and people become displeased with the epidemic control measures. The risk of large-scale spread of the epidemic may increase sharply during the Chinese New Year holiday. China will face increasing pressure to maintain its zero-Covid policy in future.

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➤ Offshore Asia New Issues (Priced)

Issuer/Guarantor	Size (USD mn)	Tenor	Coupon	Yield	Issue Rating (M/S/F)
Jinan Hi-tech International (Cayman) Investment Development	USD200	3yr	6.95%	6.95%	-/-/BBB
Zhenjiang Cultural Tourism Industry Group Co., Ltd.	USD172.5	3yr	7.1%	7.1%	-/-/-

➤ 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 75 credit bonds issued yesterday with an amount of RMB141bn. As for Month-to-date, 356 credit bonds were issued with a total amount of RMB428bn raised, representing a 13.3% yoy decrease
- China's NAFMII to expand bond financing support tools for private enterprises including developers, it is expected to support cRMB250bn (cUSD34.45bn)
- [CHFOTN]** CFLD offshore bondholders are not satisfied with the restructuring plan and prepare winding up petition filings against the company
- [COGARD]** S&P downgraded Country Garden's rating to B+ from BB then withdrawn the rating on request from the company
- [FOSUNI]** Media reported that Fosun international aims to repay short-term debt with proceeds from non-core asset disposal. The company can raise USD6.9-11bn from the sale
- [GRNLGR]** Greenland claimed all offshore investors each holding more than USD50mn of its bonds have expressed support for the developer's consent solicitation to extend the maturity of its nine tranches
- [HRINTH]** China Huarong International completed full redemption of USD700mn HRINTH 4.95 11/07/47
- [JIAZHO]** Zhongnan Construction missed USD interest payment of JIAZHO 11.5 04/07/24
- [KIJAIJ]** Jababeka launches exchange offer and consent solicitation for outstanding USD300mn KIJAIJ 6.5 10/05/2023 to extend the maturity to 2027; The company was downgraded to CC by S&P and placed negative outlook

- **[LNGFOR]** Longfor Group controlling shareholder purchased USD3mn of senior notes and company purchased USD2mn of senior note from open market on 8 Nov
- **[LZINVE]** Lanzhou Construction postpones today's planned USD100mn bond offering and says still has enough funds for 15 Nov bond redemption

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