

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

- *Markets remained quiet this morning. China property sector turned to weak after previous rebound on profit taking. Macau gaming names performed well as Mainland China further relaxed the Covid control policies. Besides, Macau's senior government official signals gradual reopening and relaxation of COVID restrictions.*
- **China Policy:** *A shift from COVID control to boosting growth. See below for comments from our economic research.*
- **FUTLAN & FTLNHD:** *Media reported that Seazen plans for up to RMB2bn second tranche of CBICL-guaranteed notes with guidance of 3-4.3% for three years. FUTLANs & FTLNHDs were range-bounded, changed -2 to +0.5pts this morning.*

❖ Trading desk comments 交易台市场观点

Yesterday, market was overall quiet. UST yields curve was bull flattened and long-term yields overall down 6-10bps. China IG space was firm, in TMT sector, benchmark names XIAOMI, BABA, JD tightened 2-5bps. Financials space was divergent with AMCs widened 2-10bps, i.e. price decline of 0.5 to 0.1pt. AT1/T2s performed well as ICBCAS 3.2 PERP, BCHINA 3.6 PERP up 0.25-0.5pt and T2 names CCB 2.85'32, CCB 4'29 rose 0.5-1pt. IG properties were overall weak on profit taking after previous days' rally. LNGFORs down 1 to 1.5pts, VNKRLs, YUEXIUs, SINOCs fluctuated between -0.5 to 0.5pt. China HYs also turned to sluggish after previous rebound. In HY properties, though COGARD announced its third share placement since Jul'22 and raised HKD4.8bn to manage debts, COGARDs declined 1.5 to 3pts. CHFOTNs, ROADKGs and FUTLANs also performed weakly. CENCHI was an exception and up 0.5 to 1.5pts as the company announced that it had remitted funds to cure the missed coupon payment for CENCHI 7.9%'23 before the end of grace on 7 Dec'22. CSCHCNs, another better performer in the sector, continued the uptrend and was traded at 50ish, up from 20ish 4-5 weeks ago. In industrial space, EHICAR and CARINC were boosted by China's new relaxed Covid control policies and raised 1 to 5pts. Elsewhere, LEEMAN 5.5 Perp rose another 3pts on Wednesday after Tuesday's 9pts jump post up to USD130mn tender offer launched. Outside China, Indian corp space was relatively stable. VEDLNs were unchanged to +1pt. GRNKENS moved between -0.25 to 0.25pt.

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

The SOE/LGFV space continued to perform well despite the trading volume was gradually decreased. In SOE space, CHALUMs and shorter-dated HAOHUA, SINOPE were traded up 0.25pt. CNOOC 4.25'43 were up 2.9pts and traded at 86, recovered to the level in early Oct'22. In LGFVs, the sector was also less active than several days before. Strong region names remained in demand and traded higher, BJSTAT, NJYZSO, GUAMET edged 0.25 to 0.5pt higher. Shandong names outperformed again with QDJZWD, SHGUOH and QDHTCO were unchanged to 0.25pt higher. Weak region names GSHIAVs and KMRLGPs slightly down 0.25pt while Ningxia LGFV TLINVT up around 1pt to 93 level under increasing demands.

❖ Last Trading Day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
CARINC 9 3/4 03/31/24	84.7	4.8	CPDEV 5 3/4 PERP	74.8	-4.1
FWDGRP 8.492 PERP	81.8	4.7	ROADKG 5.2 01/12/26	70.1	-3.1
LEEMAN 5 1/2 PERP	84.6	3.1	COGARD 2.7 07/12/26	52.2	-3.1
AGILE 5 3/4 01/02/25	43.7	3.1	COGARD 3 1/8 10/22/25	55.6	-3.0
CNOOC 4 1/4 05/09/43	84.1	2.9	LNGFOR 3 3/8 04/13/27	82.4	-2.4

❖ Macro News Recap 宏观新闻回顾

Macro – U.S. stock markets kept weak trends on Wednesday, the S&P (-0.19%), Dow (+0.00%) and Nasdaq (-0.51%) 's weak performance shows markets worry about recession. Canada Central Bank raised 50bps interest rate to 4.25%. Crude oil price dropped in three consecutive days and WTI/Brent crude reached 72.5/77.5, respectively. The U.S. treasury yields overall fell yesterday and 2/5/10/30 yields were bullish to 4.26%/3.62%/3.42%/3.42%, respectively.

❖ Desk analyst comments 分析员市场观点

➤ China Policy – A shift from Covid control to boosting growth

The politburo held a meeting yesterday, mapping out the policy stance for 2023. The meeting indicates a policy shift from Covid control to boosting growth next year. China's new leaders have made a stronger commitment to growth with an ambitious growth target probably at 5%. China's reopening may be faster than market expectations amid the pro-growth shift. The country is bracing for the peak of the epidemic in Jan-Feb 2023. Both fiscal policy and monetary policy should be more accommodative next year with higher broad deficit and additional RRR & LPR cuts. 2023 is somewhat similar to 2009 as China will become the main source of stimulus when global economy sees a recession. China's new leaders will be more pragmatic with more friendly policy stance towards private businesses including those internet giants, as they will try their best to boost entrepreneurship, innovation and employment.

A stronger commitment to economic growth with the target probably at 5%. China's new leaders have made a stronger commitment to growth at the politburo meeting as they vowed to push for an overall improvement of the economy. We believe the new leaders may set an ambitious target at 5% for 2023 GDP growth. Moreover, GDP growth will once again become the most important KPI for local governments in 2023. It is highly possible for China to achieve around 5% growth as we maintain our forecast at 4.9% for 2023.

China's reopening probably much faster than market expectations amid the pro-growth shift. The policymakers have already shifted their focus from Covid control to economic growth. Local governments are required to accelerate vaccination for the elderly with the third dose coverage ratio target for population aged 60-79 at 95% and the first dose coverage ratio target for population over 80 years old at 90% by the end of January 2023. The first dose coverage ratio for population over 80 years old was only at 76.6% in end-November. There will be mass population movement and gathering around Chinese New Year holiday in late January. China is bracing for the outbreak of the epidemic as some officials may hope it can peak soon. That means people can get rid of fear faster and economic activities can restart earlier.

More accommodative policies with a shift from supply-side reforms to demand boost. The politburo has pledged to expand demand for 2023. It may be an important change of policy framework as the top leaders placed more emphasis on supply-side reforms in the past five years. We believe both fiscal policy and monetary policy will be more easing in 2023 than in 2022. If overseas recession is more severe than expected, China may launch more stimulus next year. We expect broad deficit may rise from 5.8% of GDP in 2022 to over 6% in 2023. Liquidity and credit policy should remain easing as the central bank may cut RRR and LPRs for twice. The new leaders have also promised to boost consumers' willingness to expand, indicating that some consumption-stimulus policies may be launched next year.

Significant change of policy stance towards capital. The politburo has called for great efforts to significantly boost market confidence, indicating a significant change of attitude towards capital. Meanwhile, the policymakers also vowed to take more efforts to attract foreign capital. China will speed up the rectification of internet platform giants as well as the introduction of a normal regulatory framework to lower policy uncertainty. China's new leaders will be more pragmatic with a more friendly policy stance towards private businesses, as they will try their best to boost entrepreneurship, innovation and employment.

Click [here](#) for full report

➤ Offshore Asia New Issues (Priced)

Issuer/Guarantor	Size (USD mn)	Tenor	Coupon	Yield	Issue Rating (M/S/F)
ICBC Macau Branch	USD250	2yr	SOFR+80	SOFR+80	-/-/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

➤ News and market color

- Regarding onshore primary issuances, there were 80 credit bonds issued yesterday with an amount of RMB68bn. As for Month-to-date, 314 credit bonds were issued with a total amount of RMB313bn raised, representing a 40.4% yoy decrease

- Macau's senior government official, secretary for Social Affairs and Culture signals gradual reopening, relaxation of COVID restrictions
- **[COGARD]** Guangdong Join-Share Financing Guarantee Investment to provide irrevocable joint liability guarantee in relation to repayment obligations of Country Garden under up to RMB200m corporate bonds
- **[EHICAR]** S&P withdrawn eHicar B- ratings at company's request
- **[FOSUNI]** Fosun International's unit Shanghai Fosun Pharmaceutical schedules put option exercise for RMB1.6bn 21Fuyao01 bonds on 12-16 Dec
- **[FUTLAN]** Media reported that Seazen plans for up to RMB2bn second tranche of CBICL-guaranteed notes with guidance of 3-4.3% for three years; The company issued first RMB1bn three-year CBICL-backed notes on 13 Sep and the yield is 3.28%
- **[GRNLGR]** S&P raised Greenland Holding to CCC- despite high nonpayment risk and placed negative outlook; Ratings withdrawn at issuer's request; Greenland HK B- rating withdrawn at company's request
- **[MONMIN]** Mongolian Mining announces purchase of USD42.6mn of its USD440mn bonds due-2024 at 63 cents via tender offer; USD 376mn left outstanding after cancelation of treasury notes
- **[MUYUAN]** Muyuan Foods raises RMB6bn via private placement of new shares
- **[SHIMAO]** Shanghai Shimao records contracted sales of RMB8.6bn in 11M22, down 69% yoy
- **[SMCPM]** San Miguel declares cash dividend of PHP0.35 (cUSD0.00626) per share

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.