

CMBI Credit Commentary

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

- *Strong markets with active buying flow this morning. In Asian IG space, benchmark names like Xiaomi, Lenovo tightened 5-10bps while we saw selling near noon. In LGFV/SOE perp/AT1 space, buyers continued to load risks.*
- *Active Asian ex-JP USD bonds issuance and emergence of FTZ issues in Jan'23. See below.*
- *China Property Sector – Property+ Weekly: Weak construction resumption rate dragged by property. See below for comments from our research team.*

❖ Trading desk comments 交易台市场观点

Yesterday, Asia IG space remained firm ahead of FOMC rate decision. In financials, leasing names continued to outperform on the front end as BOCAVI 23-24s tightened ~5bps on strong demand and were lifted to T+97/T+105 area, respectively. Post lunch, we saw clients chasing bank T2 papers, BCHINA 24s/CCB 29s grinded 5bps tighter into T+70 level. ICBCAS 29s also tightened into T+100 level. In AMCs, HRINTH/CCAMCL curves were sought-after on the front-end. In TMTs/SOEs, 10y benchmark papers showed better buying on TENCNT 30s/BABA 31s. HAOHUA 30s tightened 10bps to be quoted at T+175/T+173 level. There were some profit taking on beta SOE names such as CHALUM/CHITRA 27s. HKAA 30s/33s tightened 3-5bps into T+85/T+82 level on one-way bidding. In Ex-China IG space, HYUELE initially traded 2-5bps wider amid news of wider operating losses. We saw RM selling on HYUELE 24s/28s/33s but were absorbed and price levels were back to unchanged into lunch. HYUELE curve was closed unchanged to 3bps wider, with the 28s tightest printed at T+235. WOORIB curve was under active better buying as 28s senior tightened by 4bps. In IG properties, LNGFORs/VNKRLEs were under buying interests from RM. Chinese HYs had an upbeat session across sectors, with property bonds broadly up 1pt. SINOCEs/CHJMAOs were up 0.5-1pt. COGARDs were traded 1.5-2.5pts higher. AGILEs/CENCHIs were 2.5-4pts higher. Elsewhere, GWFOOD '30 was traded up 4pts. Among HK corp names, ROADKG perps were marked up 4.5-6.5pts. CKINF/HYSAN perps were traded 1-3pts higher. Industrial names HONGQI 26s/ANTOIL 25s popped up 2.5-3pts. Macau gaming names SANLTDs/WYNMACs were up 0.5-1pt. In Indian HYs, Adani Enterprises abandoned the USD2.4bn follow-on share sale, despite it was fully subscribed. ADSEZs/ADANEMs opened up 2-4pts, but lowered another 1.5-3.5pts by EOD post news of canceling FPO came out into afternoon. ADTINs/ADGREG stayed range-bound from high70s to mid-80s. VEDLNs were traded down another 1-1.5pts and Indian renewables were mixed on the back of Adani twist. Indonesian HY LMRTSPs/INDYIJs lowered 0.5-1pt.

In the LGFV/Perp/Asia AT1 space, we had a super hectic day. Technical

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backdrop of the market remained extremely firm thanks to the robust deployment demand. LGFV papers climbed another 2pts in light of RM buying, staled prices, and short squeezes. As quality papers had reached levels (6% or below) that offered little value relative to funding costs, these quality names right now provided little upside beyond short squeezes, and indeed little offer side liquidity. Hence we saw an increasing amount of investors turned their eyes to elsewhere higher yielding papers - many of which high beta papers that for a long time nobody bothered to have any interest. As such, holders of these high beta names (especially less active ones beyond the usual CQNANA) were also happy to offload the risks into the rally, and so the most active names were those from western regions like Gansu, Guangxi, Chongqing, and Yinchuan. We reckon that at current levels most papers no longer offer much value from a risk-reward perspective, and not cheap from the perspective of rising funding costs. Though one interesting exception would be CQNANA 26s that is historically known for its bad technicals, but the paper seemed to still offer decent yield pickup with a relatively low cash price. Flows were indeed mixed two-way despite the upward price action, whilst the CQNANA 24s showed better selling as they reached close to 7%. Overall cash liquidity remained robust. Elsewhere SOE Perps and Chinese AT1s remained largely resilient if not edged slightly higher amid mixed two-way flows, supported mainly by short covering in the long end and cash parking demand in the front end. In AT1s, BCHINA 3.6 Perp/BOCOM 3.8 Perp were notably traded up 0.5pt to 97.85/97.75 in cash prices, respectively.

❖ Last Trading Day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
LVGEM 12 03/10/23	86.3	10.1	ADGREG 6 1/4 12/10/24	88.2	-4.2
ROADKG 7 3/4 PERP	68.0	6.6	ADSEZ 3.1 02/02/31	68.4	-3.5
ROADKG 7.95 PERP	66.3	4.6	ADSEZ 4 3/8 07/03/29	76.2	-3.3
GWFOOD 3.258 10/29/30	81.3	4.2	ADSEZ 5 08/02/41	67.8	-3.2
CENCHI 7 1/4 04/24/23	49.3	3.6	ADSEZ 3.828 02/02/32	68.8	-3.1

❖ Macro News Recap 宏观新闻回顾

Macro – U.S. stock markets continued rebounding yesterday, S&P (+1.05%), Dow (+0.02%) and Nasdaq (+2.00%) rose as Fed's 25bps rate hike meet market's expectation and Fed chairman's tone skewed to dovish. Markets estimate that there might be last rate hike of this round interest rate increase in March or May. China launched registration-based IPO reform to main board. The U.S. treasury yields overall down yesterday, yield curves were bull flattening and 2/5/10/30 yields reached 4.09%/3.48%/3.39%/3.55%, respectively

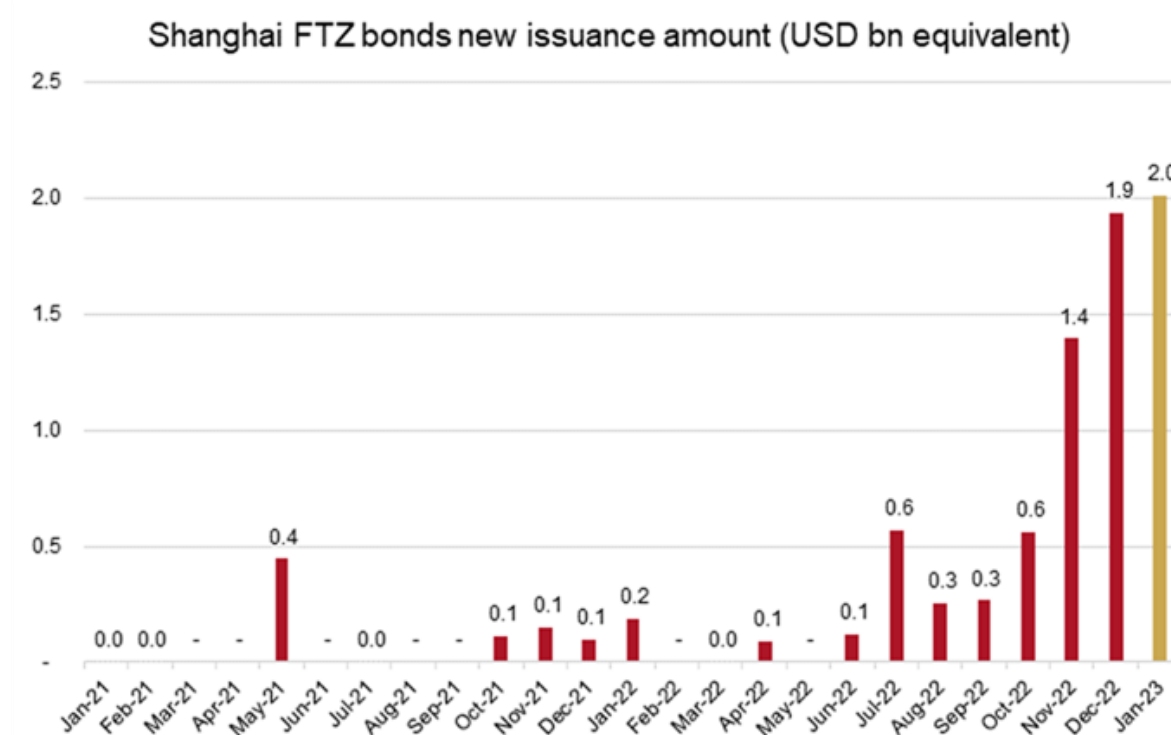
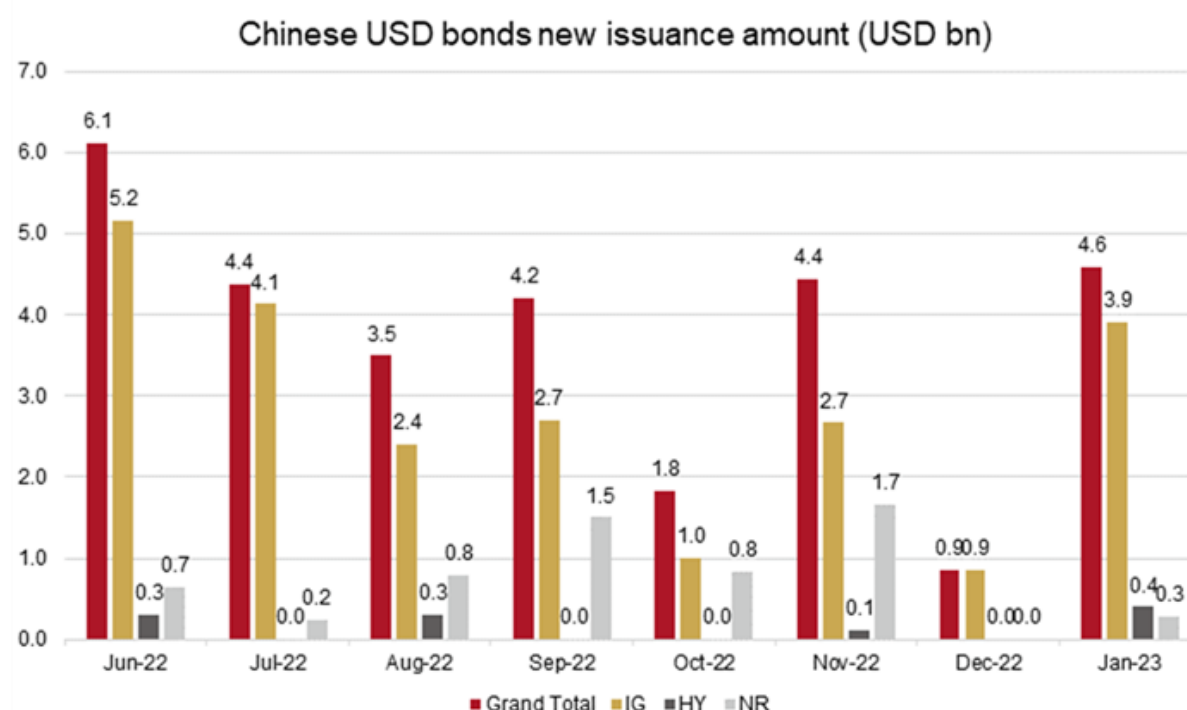
❖ Desk analyst comments 分析员市场观点

➤ Active Asian ex-JP USD bonds issuance and emergence of FTZ issues in Jan'23

The gross issuance of Asia ex-JP USD bond issuance in Jan'23 was USD32.1bn, compared with USD32.8bn in 3Q22 and USD11.5bn in 4Q22. IG level issuance accounted for 76.3% of the gross issuance. Jan'23 is the most active month by issuance size since Jan'22 and 2nd most active since Sep'21. The active new issuance is attributable to the strong rebound in Jan'23 and more favourable fund flow to EMs ([please see our Asia Credit outlook for more discussions](#)). ACIG and ACHY returned 2.5% and 7.1%, on 4.3% and 19.4% in Nov'22, 0.9% and 7.1% in Dec'22, respectively. Indeed, this January is the best performing January for Asian IG corps since 1998 and Asian HY corps since 2009.

New issuance from China was USD4.6bn, the most active month since Jun'22, albeit far below the peak of single-month issuance of USD32bn in Jan'21. IG level issuance was majority with 85.0% of total issuance. There was no issuance from China LGFV sector, the outperformer in last year, in Jan'23.

FTZ bonds issuance is on the rise. In Jan'23, the issuance amount was RMB13.5bn (cUSD2bn). Specifically, 8 out of 15 new FTZ deals were issued by LGFV with a total issuance of RMB7.3bn (cUSD1.1bn). For Chinese issuers, the weighted average coupon rate of FTZ bonds in Jan'23 was 4.51%, lower than 5.16% of ordinary USD bonds. The FTZ is a noteworthy development and the cannibalization effect on USD bond issuance should be closely monitor.



➤ **China Property Sector – Property+ Weekly: Weak construction resumption rate dragged by property**

According to [100NJZ's channel check](#) among 12220 projects, the work resumption rate was only 11% on the 10th day of CNY vs. 17% in 2022. It is mainly dragged by property constructions (infra relatively better), in line with weak sales in Jan by major developers (-22% YoY). By regions, South China saw most drop in constructions, due to tight cash flow by developers and governments while Southwest is better off on active fund inflow. In terms of materials, completion-related materials like floating glasses and Aluminum continue to outperform partly due to direct funding support on home delivery. Looking forward, we could see a construction recovery in Feb given the holiday season is over and a possible short-term sales recovery. So in terms of property supply chain, we continue to favor completion>sales>new start in the order of direct funding support for completion, policy relaxation to boost sales and 3-6 month lagging from sales. Catalyst: Policy relaxation in Tier 1 cities.

Property sales remained sluggish in Jan: Major developer sales fell 22% YoY in Jan 2023, in line with forecast of our leading indicator GAIN and market expectation. The gap between SOEs and POEs further widened with Yuexiu, Binjiang and CR Land seeing sales up 5-75% YoY while Country Garden -42% YoY. In terms of city breakdown, Tier 1-2 cities continued to outperform lower tier cities as our daily data shows sales in Tier 3 cities only recovered to 38% of 2019 vs. 67% in Tier 1-2 cities. Looking into Feb, we expect a short-term recovery in Feb on policy relaxation like Changsha's down payment cut, lower base and pent-up demand after pandemic. We reiterate that policy relaxation in Tier 1 cities would be the key to determine March sales and beyond. The chance is relatively high in Guangzhou based on the [news](#).

Cement: price holds up during CNY. As of 29 Jan, national cement price had stayed at RMB448/mt for two weeks due to low trading volume around CNY holiday. Factories in Guangxi start lifting prices as the region had longer shutdown period before holiday, thus having lower inventory pressure. We expect cement price/profitability to outperform steel given the disciplined supply control via regional cooperation and off-peak production halt. On the company level, Anhui Conch announced 2022E NP to decline 50-58%, in line with expectation.

Steel rebar price went up 2.1% WoW to RMB 4,342 per mt as of 30 Jan. It is mainly driven by the Iron Ore price that continued to spike 6% WoW or 19% YTD due to improving macro in China and slower rate hike in US. Therefore, the profitability of steel companies continued to deteriorate.

Other Materials: Float glass price ramped up 2.1%/5% WoW/MoM on 30 Jan to RMB 1,666/mt backed by the expectation of post-holiday consumption recovery and funding support on the housing completion. This also benefited other materials like Waterproof materials, gypsum board, and plastic pipe. Whether the sentiment could last longer depends on property sales which we think will have a brief recovery in Feb, but we need to see if there is relaxation in Tier-1 cities to determine going forward.

Click [here](#) for full report

➤ 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 18 credit bonds issued yesterday with an amount of RMB15.0bn. There is no yoy comparison as there was no onshore bonds issuance in same period of 2022 due to Chinese New Year vacation.
- According to Macau's Gaming Inspection and Coordination Bureau, Macau gaming revenue surged 82.5% yoy to MOP11.6bn (cUSD1.4bn) in Jan'23 as China reopened borders
- [ADANIG]** Adani Group scrapped its fully subscribed USD2.45bn FPO. Separately, media reported that Credit Suisse stopped taking Adani Group bonds as security for margin loans while Citigroup would no longer accept Adani Group securities for margin loan
- [AGILE]** Agile says in process of remitting funds to cure missed 2 Jan'23 coupon. Meanwhile, it has chosen to defer the distribution of its AGILE 7.875 PERP
- [BTSDf]** Health and Happiness repurchased USD500k of its BTSDf 5.625 10/24/24 to reduce finance cost
- [DALWAN]** Dailan Wanda is in talks with ICBC for offshore loans to repay USD350mn DALWAN 8.875 03/21/23
- [GRNLGR]** Greenland has remitted funds to cure the missed 3 Jan'23 coupon within the 30-day grace period
- [GWFOOD]** Wens Foodstuff further repurchased USD19.8mn of its 2.349% notes due in 2025
- [HUAHK]** Huai'an Development Holdings proposes to offer up to RMB1bn (cUSD148.3mn) 2-year corporate bonds to repay debts
- [LIANYU]** Lianyungang Port raised RMB500mn (cUSD74mn) 270-day bills at coupon rate of 4.9%
- [RCBPM]** Rizal Commercial Banking said they have no immediate plans to issue foreign currency denominated senior notes
- [ROADKG]** Road King redeemed all the outstanding ROADKG 7.875 02/01/23 at maturity

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