

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.

❖ Trading desk comments 交易平台市场观点

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/WYNNMAC 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

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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

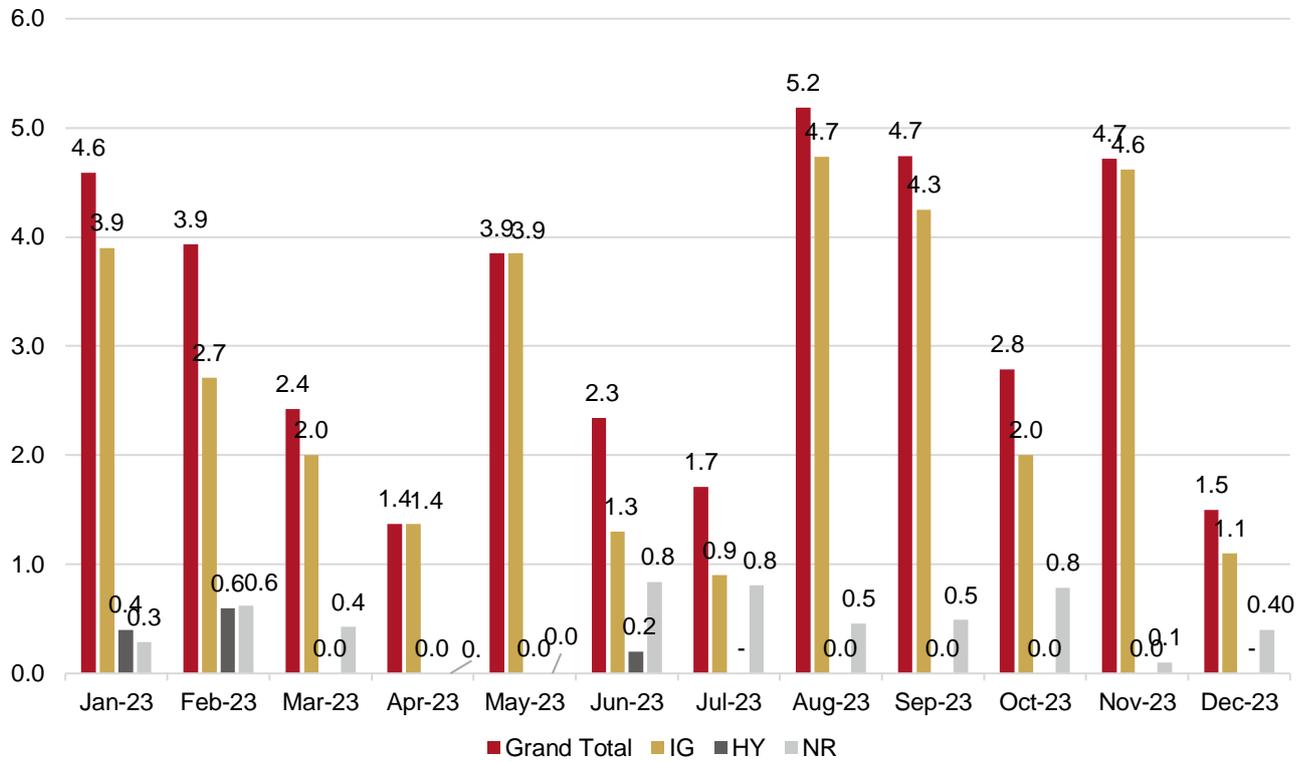
In Dec'23, the gross issuance of Asia ex-JP USD bonds increased 42.5% yoy to USD1.5bn from USD1.1bn in Dec'22. All bonds were issued by Chinese issuers including USD0.95bn by LGFVs. IGs accounted for 73% of the gross issuance in Dec'23. The monthly issuance continued to record yoy growth since Aug'23. 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.

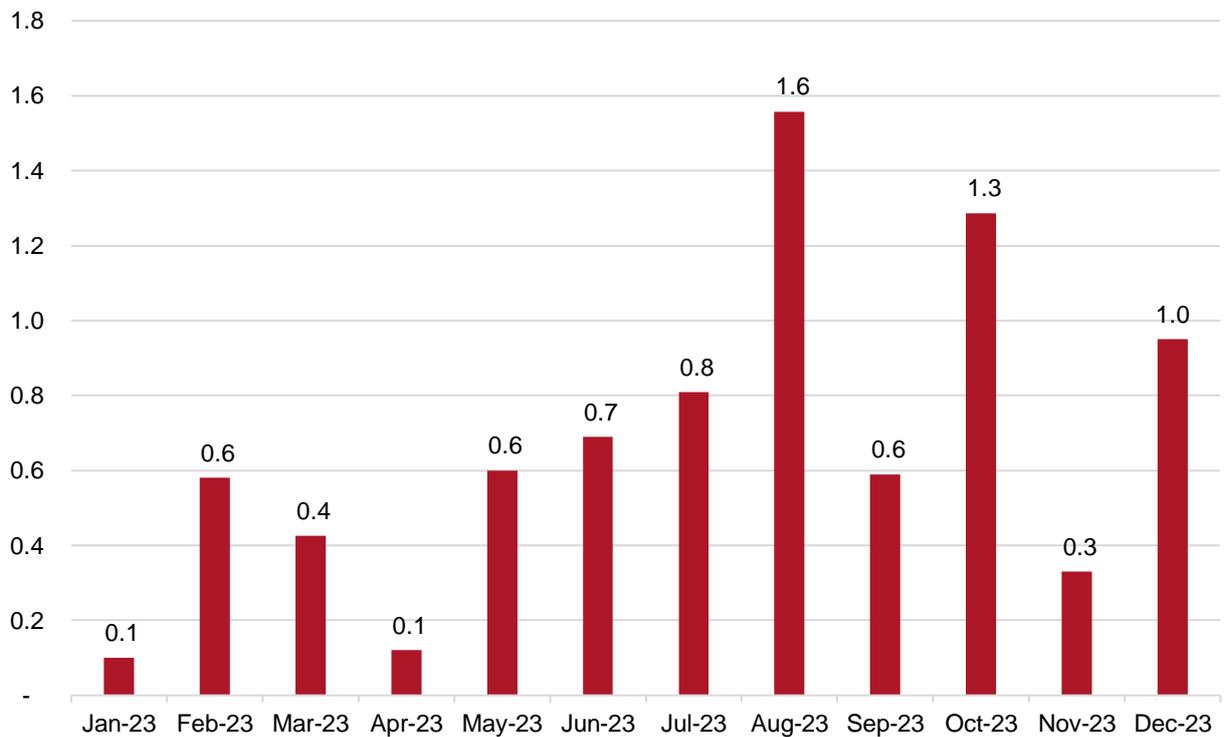
We believe China government will launch more proactive monetary and fiscal measures such as RRR/LPR cut and continue the cRMB1tn-1.5tn special refinancing bonds in 2024 to mitigate the local hidden debt risks. We prefer LGFVs which offer unique or critical services in higher tier cities, especially cities 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)



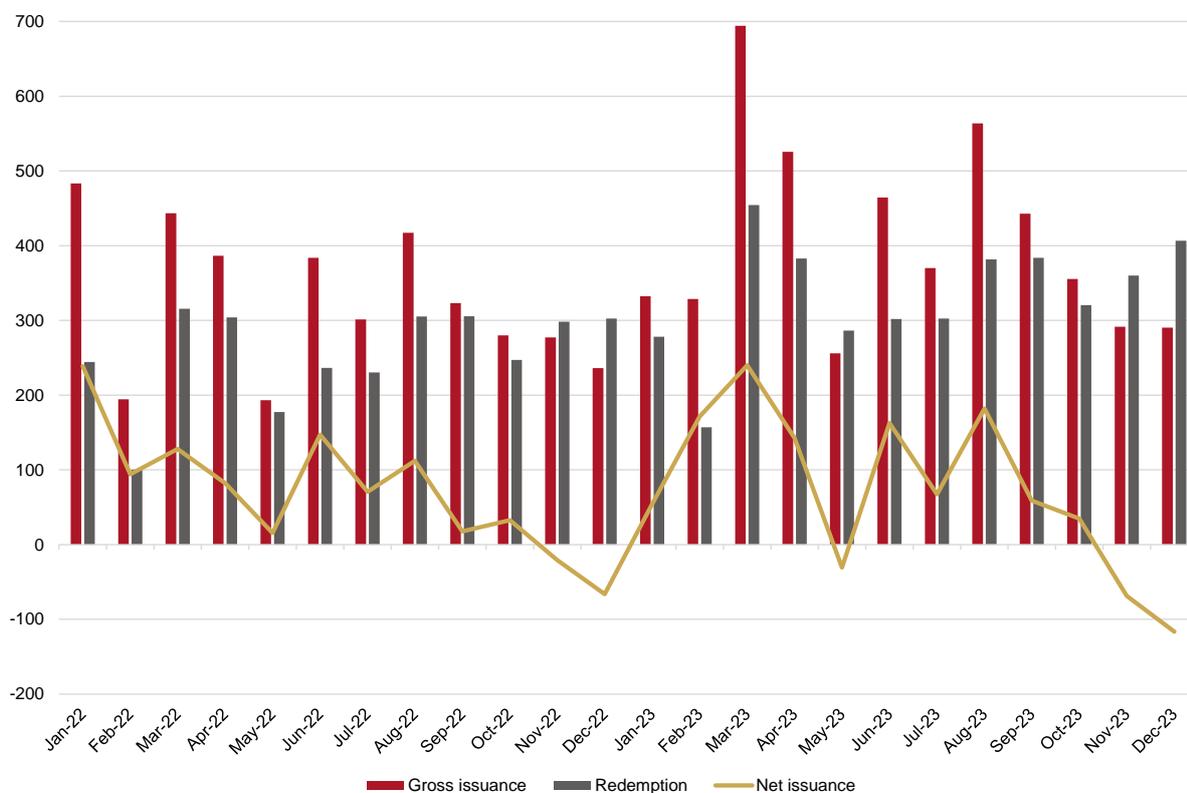
Source: Dealogic.

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

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