

CMBI Credit Commentary

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

- *Markets were a bit cool down this morning compared to previous days. New issue ICBC widened several bps with cash price slightly down. SOE/LGFV sectors were overall two-way balanced.*
- **China Policy** – *Credit growth slowed in December yet may rebound in 2023. CMBI expects the GDP growth to rise from 2.7% in 2022 to 5.1% in 2023. See below for comments from our economic research.*
- **DALWAN:** *Wanda properties new issue 2yr USD bonds IPT at 12.625%. As discussed in our Asia Credit Outlook 2023, we consider DALWAN a survivor of the sector and consider the IPT roughly fair, benchmarking its outstanding issues. DALWANs were up 0.25-1.25pts this morning.*

❖ Trading desk comments 交易平台市场观点

China IG space had a quiet day yesterday. IG spreads were largely unchanged as market stayed cautious ahead of Thursday CPI for the crucial December inflation print. Street focus was still on recent new issues such as HKINTL/HKAA which were 3-5bps tighter on the day. Financials space were traded on a slightly constructive tone. AMCs outperformed, CCAMCL/HRINTH curves were 5bps tighter on the front end. Bank capital bonds were stable with light volume. T2 benchmark CCBs were to be 2-5bps tighter. In TMTs, BABA were indicated another 3-4bps tighter. BIDU/XIAOMI tightened 6-13bps. In IG properties, LNGFORs/YUEXIUs were unchanged to 0.5pt higher. China HY was also active with positive news in property sector. Media reported Chinese regulators determined preliminary list of developers eligible for 'Balance Sheet Improvement Plan' and the list included Longfor, Gemdale, Sino-Ocean, Country Garden, Seazen. SINOCEs were up 1.5-3.5pts. COGARDs bounced back 2-3pts, offsetting yesterday's losses. FUTLANs/FTLNHDs/ GEMDALs were unchanged to 1pt higher. CIFIHG were flat at low 30s. Elsewhere, CENCHIs/CHINSCs were marked down 2.5-4.5pts. In industrial space, FOSUNs were largely unchanged amid the news of the signings of ICBC-led domestic syndicate loans of RMB12bn this week. Away from China, India HY, VEDLNs were another 2-6pts higher. In Indonesian HYs, LMRTSPs climbed another 3-5pts higher to close between mid-70s to low-80s on the day, the bonds were 10pts higher WoW. Last night, LPKRIJs launched its tender offers for its outstanding USD405mn due-2025 and USD 417mn due-2026 at the prices of up to 87/77 level on the dollar, respectively. LPKRIJs also lined up a roughly IDR5tn loan from two local banks on the same day. On new issue front, new HYUELE curve lost steam as 28s/33s widened by 3-5bps and only 26s traded 8bps inside RO. EXIMBK 33s also traded poor. It came at T+190 and were traded wider at around T+193 level under active two-ways. Whilst EIBKORs still had good demand from clients on 28s/33s and closed 3-5bps tighter.

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In the LGFV/ SOE Perp/ AT1 space, market was roughly stable. Better buying in LGFV space thanks to NBRM deploying cash in several higher beta names SHGUOH/CQNANA where AM and HF were happy to offload/ sell into the bounce. Meanwhile demand in quality 24s-26s as well as carry bonds 23s remained fairly solid despite valuation grinding further richer towards mid-to-high-5%. Having said that, we were also seeing attempts to seize the window and offload unwanted weaker names such as DFINVH. Elsewhere, AT1s remained overall resilient as well albeit two-way flows skewed to slightly better selling from profit takers into AM deployment buying, as low-5% for Big-5 bank names was hardly cheap also considering funding/ hurdle costs. Beta names BCOHK/BOCOM/CMHI showed some active two-way flows. Meanwhile SOE Perps continued to see better selling flows from Chinese accounts yet bids remained fairly firm again despite generally rich yield levels.

❖ Last Trading Day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
VEDLN 6 1/8 08/09/24	71.5	6.2	CENCHI 7 3/4 05/24/24	41.3	-4.8
VEDLN 8.95 03/11/25	76.7	4.8	CENCHI 7.65 08/27/23	45.8	-3.7
LMRTSP 7 1/2 02/09/26	73.6	4.6	CENCHI 7.9 11/07/23	43.4	-2.8
LVGEM 12 03/10/23	77.4	4.4	AGILE 6.05 10/13/25	58.4	-2.3
LPKRIJ 6 3/4 10/31/26	80.9	4.2	CPDEV 4.65 01/19/26	82.1	-2.2

❖ Macro News Recap 宏观新闻回顾

Macro – U.S. stock markets recorded another rebound yesterday, S&P (+1.28%), Dow (+0.80%) and Nasdaq (+1.76%) rose amid optimistic sentiment that markets expects the Dec CPI will decrease to +6.5% you from +7.1% yoy in Nov. China Dec CPI increases to +1.8% yoy from +1.6% yoy in Nov'22 and Dec PPI down -0.7% yoy. The U.S. treasury yields overall down yesterday. The 2/5/10/30 yields curves were reached 4.20%/3.66%/3.54%/3.67%, respectively.

❖ Desk analyst comments 分析员市场观点

➤ China Policy – Credit growth slowed in December yet may rebound in 2023

China's new credit continued to decline in December as population mobility and economic activity temporarily dropped after reopening. New mortgage, consumer credit and short-term business operation loans all declined as housing sales, household consumption and business condition remained weak. Looking forward, credit growth may gradually rebound in 2023, as the reopening, credit loosening and pro-business shift should support a resumption in economic activity as well as in credit demand. We expect new renminbi loans and total social financing to increase 11% and 10% in 2023 after rising 4.9% and 1.4% in 2022. The GDP growth is expected to rise from 2.7% in 2022 to 5.1% in 2023.

New credit continued to decline as economic activity followed a J-curve trend after reopening. Total social financing dropped 44.7% YoY in December after rising 23.5% YoY in November. The YoY growth of outstanding social financing decelerated from 10% in November to 9.6% in December. New renminbi loans to real sector picked up 38.7% in December after dropping 12.1% in November. However, off-balance-sheet credit continued to shrink amid the new WMP regulation and risk aversion towards property projects. Meanwhile, corporate bond financing sharply declined as business capex weakened. Local government bond financing also dropped as local governments used up most of their special bond quotas in the first three quarters.

New mortgage, consumer credit and short-term business loans continued to decline as housing sales, consumption and business condition remained weak. New medium to long-term loans to households dropped by 47.6% in December after decreasing 63.9% in November as housing sales remained weak. Meanwhile, new short-term loans to households were negative as individual consumption declined before

resumption shortly after the reopening. Short-term loans to enterprises also experienced MoM declines as business condition further deteriorated. However, new medium & long-term loans to enterprises jumped over 200% thanks to credit support to manufacturing and infrastructure investment.

China is likely to maintain easing liquidity and credit policy ahead. China's growth will remain below the potential growth this year as overseas economy slows down and the resumption of domestic demand should be in a gradual manner. The reflation pressure after reopening should be mild for China. Therefore, China is likely to maintain easing liquidity and credit policy ahead. We expect the PBOC to cut RRR and LPRs by moderate magnitudes this year. The central bank will further ease mortgage policy to first-home and second-home buyers. Credit condition for manufacturing and service sector should be very easing. The central bank will encourage banks to roll over the debt of qualified property developers and local government financing vehicles.

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➤ Offshore Asia New Issues (Priced)

Issuer/Guarantor	Size (USD mn)	Tenor	Coupon	Yield	Issue Rating (M/S/F)
Saudi Arabia	3,250/3,500	5/10.5yr	4.75%/4.875%	T+110/140	A1/-/A
Saudi Arabia	3,250	30yr	5.0%	5.5%	A1/-/A

➤ Offshore Asia New Issues (Pipeline)

Issuer/Guarantor	Currency	Size (USD mn)	Tenor	Pricing	Issue Rating (M/S/F)
Dalian Wanda	USD	-	2yr	12.625%	-/-/
Hongkong Xiangyu Investment	USD	-	3.5yr	7.1%	-/-/

➤ News and market color

- Regarding onshore primary issuances, there were 116 credit bonds issued yesterday with an amount of RMB111bn. As for Month-to-date, 510 credit bonds were issued with a total amount of RMB476bn raised, representing a 0.3% yoy decrease
- **[COGARD]** Country Garden further repurchased USD218.4mn of COGARD 4.75 01/17/23 from open market
- **[DALWAN]** Media reported that Dalian Wanda unit expects to close a USD200mn-USD300mn 364 days loan this week for refinance purpose
- **[GDSHDG]** GDS announces private placement of USD580mn 4.5% convertible senior notes due 2030
- **[GZRFPR]** Guangzhou R&F unit announces cash, PIK interest payable in relation to 2025, 2027, 2028 6.5% senior notes
- **[KWGPRO]** KWG plans to issue up to RMB1.2bn onshore bonds as early as 17 Jan'23
- **[LENOVO]** Lenovo FY22 PC shipments down 28.5% yoy to 65.3mn
- **[LPKRIJ]** Lippo Karawaci commences tender offer, consent solicitation for LPKRIJ 8.125'25 and LPKRIJ 6.75'26

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