

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

- *Markets were quiet this morning. Asian IG space overall tightened 1-2bps. HRINTH rebounded 5-8pts since last Friday's downgrade. Other China AMCs were mostly unchanged. DALWANs down 1.5-4pts as there is a news that it is in talks of trust extension.*
- *LGFV: Fitch Ratings took negative rating actions on 11 LGFVs in past 2 months. The agency said it has concluded most negative rating actions in the portfolio for now. See below.*
- *CHINSC: China SEC remitted funds to repay USD500mn CHINSC 7.25 04/19/23. CHINSCs down 0.5 to 1pt this morning.*

❖ Trading desk comments 交易台市场观点

Last Friday, the tone on Asia IG remained constructive. IG spreads closed unchanged to 1-3bps tighter in general. In financials space, there were more sellers on bank senior notes but T2 space was under better buying for yield pick-up. China T2s such as BCHINA/ICBCAS tightened 3-5bps. In AMCs, Moody's downgraded HRINTH one notch to Baa3, with outlook stable. HRINTH curve was traded 20-40bps wider (1-2pts lower) post headline, and we also saw FMs selling on the AMCs peers. Elsewhere, Thai names such as BBLTBs/KBANKs tightened 5-10bps. In Korea/HK spaces, long-end low-beta papers were better bid. KDB/EIBKOR/HKAA grinded 1-3bps tighter. Chinese properties were largely subdued. COGARDs were marked 0.5-1.75pts higher. CHINSCs closed 0.5-1.25pts higher. China SCE announced that it has remitted funds and made full repayment of its due-Apr 2023 note. CIFIHGs/AGILEs were down 0.5-1pt. KWGPROs were traded 1-1.5pts lower. In industrials, FOSUNIs dropped another 0.5-3pts. AACTEC'31 was marked 1.5pts lower. Macau gaming names such as MPELs/SANLTDs/STCITYs were traded 0.5-2pts higher. In India space, VEDLNs gained another 0.5-2.25pts. Renewables such as GRNKENS/RPVINs were unchanged to 0.5pt higher. Indonesia names MEDCIJs/LMRTSPs indicated 0.25-0.5pt higher.

In the Perp/LGFV/Asia AT1 spaces, flows remained heavily skewed to better buying primarily on the back of inflow deployment from Chinese AMs. As broader IG absolute yield levels reaching quite low again given the YTD UST rally, clients continued to show their interests in SOE Perps and more so in LGFVs. We saw LGFVs/SOE Perps yielding 5%-handle were pretty much drained in 24s-26s. Investors then turned their eyes to higher-beta names (yielding from high-6% to 7%+), which were also subject to a very thin offer liquidity with only occasional small clips coming out of NBRM. The offers/loose bonds coming out were Shangrao/Changde and 23s LGFVs maturing in a few months. Most c23 Chinese AT1 were also flat at choice market. Elsewhere, HSBC/STANLN AT1s were marked 0.5pt higher. In short, we reckon that the market has come back to full 'asset shortage' mode now

Glenn Ko, CFA 高志和
(852) 3657 6235
glennko@cmbi.com.hk

Cyrena Ng, CPA 吴倩莹
(852) 3900 0801
cyrenang@cmbi.com.hk

Jerry Wang 王世超
(852) 3761 8919
jerrywang@cmbi.com.hk

which were effectively trading at choice. Most c23 Chinese AT1 were also flat at choice market. Elsewhere, HSBC/STANLN AT1s were marked 0.5pt higher. In short, we reckon the market has come back to full 'asset shortage' mode now.

❖ Last Trading Day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
VEDLN 6 1/8 08/09/24	67.8	2.2	ZHONAN 3 1/2 03/08/26	80.6	-2.9
COGARD 6 1/2 04/08/24	80.6	1.8	FOSUNI 5.05 01/27/27	64.8	-2.9
STCITY 5 01/15/29	79.5	1.8	SHPORT 2 3/8 07/13/30	85.0	-2.0
VEDLN 9 1/4 04/23/26	65.6	1.7	HRINTH 3 7/8 11/13/29	70.6	-2.0
MPEL 5 3/8 12/04/29	85.2	1.6	FOSUNI 5 05/18/26	65.7	-1.7

❖ Marco News Recap 宏观新闻回顾

Macro – U.S. stock markets were weak on last Friday that S&P (-0.21%), Dow (-0.42%) and Nasdaq (-0.35%) all down. U.S. March retail sales retreated 1% mom, more than expected -0.4% mom. China's new home prices in 70 major cities rose 0.3%/0.5%0.3% for Tier1/2/3 cities in Mar'23, respectively. The U.S. treasury yields edged up last Friday, the 2/5/10/30 yields reached 4.08%/3.60%/3.52%/3.74%, respectively.

❖ Desk analyst comments 分析员市场观点

➤ LGFV: Fitch Ratings took negative rating actions on 11 LGFVs in past 2 months

Fitch Ratings took negative rating actions on 11 LGFVs since mid-Feb. The rating agency mentioned that it had concluded most negative rating actions on the LGFV portfolio last Friday, yet it might take further action following the market development. Negative rating actions were taken on 9 LGFVs of Tianjing, Qingdao, Putian, Jimo and Jiaozhou, these followed the agency's assessment on a deterioration in the creditworthiness of their respective local governments. Remaining 2 negative rating actions on Kunming and Yinchuan LGFVs reflected Fitch's expectation on the LGFV's reduced likelihood of receiving extraordinary support from their sponsoring governments.

In end-Feb, Fitch revealed 10 provincial-level regions LGFVs more susceptible to refinancing pressures, including Tianjing, Yunnan, Gansu, Ningxia, Jilin, Guangxi, Liaoning, Qinghai, Heilongjiang and Guizhou. It only rates those LGFVs in first 6 regions among the 10 in the list. See below table for the list of negative actions and rationale summarized on the 11 LGFVs.

Many of the LGFVs rely on the revenue from land sales due to their nature as financing vehicles of the local governments. Impacted by the weak sentiment of the property market, LGFV will need to raise more debts to refinance the existing dues and this will further increase their leverage, which in turns, increase the burden of respective local governments. This will also impact the ability of these government to support its LGFVs. Besides, Jilin, Gansu and Tianjing are among the provinces with highest local government debts by % of total local GDP. We will not be surprised to see more rating downgrades on the LGFVs in these provinces in 2H23.

	Company	Ticker	Local government	Rating	Rating action taken	Rationale	Action date
1	Tianjin Rail Transit Group Co., Ltd.	TJRTGC	Tianjin Municipal	BBB+	Outlook on negative	Revision of assessment of the creditworthiness of Tianjin	02/20/23
2	Jimo District Urban Tourism Development and Investment Co. Ltd.	JIMOTM	Jimo District	BBB-	On rating watch negative	Change in perception of Jimo District's ability to provide support	02/21/23
3	Jimo District Urban Development Investment Co.,Ltd.	JMUDIV	Jimo District	BBB-	On rating watch negative	Change in perception of Jimo District's ability to provide support	02/22/23
4	Qingdao China Prosperity State-owned Capital Investment Operation Group Co., Ltd	QDHTCO	Qingdao Municipal	BBB	Outlook on negative	Revision follows a change in outlook of the Qingdao	02/24/23
5	Qingdao Conson Development (Group) Co., Ltd.	CONSON	Qingdao Municipal	BBB+	Outlook on negative	Revision follows a change in outlook of the Qingdao	03/06/23
6	Qingdao City Construction Investment (Group) Limited	HKIQCL	Qingdao Municipal	BBB+	Outlook on negative	Revision follows a change in outlook of the Qingdao	03/07/23
7	Qingdao Haifa State-owned Capital Investment And Operation Group Co., Ltd	QDWCDG	Qingdao Municipal	BBB-	Outlook on negative	Revision follows a change in outlook of the Qingdao	03/07/23
8	Putian State-Owned Assets Investment Co., Ltd.	PUTSTA	Putian Municipal	BB+	Outlook on negative	Revision follows a change in outlook of the Putian	03/07/23
9	Qingdao Jiaozhou Bay Development Group Co., Ltd.	QDJZWD	Jiaozhou Municipal	BB+	Downgraded from BBB-	Change in perception of Jiaozhou Municipal's ability to provide support	04/03/23
10	Yinchuan Tonglian Capital Investment Operation Group Co., Ltd.	TLINVT	Yinchuan Municipal	BB-	Downgraded from BB, rating watch negative	Decreasing flexibility in refinancing debt	04/05/23
11	Kunming Industrial Development & Investment Co. Ltd.	KNMIDI	Kunming Municipal	BB-	Downgraded from BB, rating watch negative	Decreasing flexibility in refinancing debt	04/13/23

Source: Fitch Ratings.

➤ Offshore Asia New Issues (Priced)

Issuer/Guarantor	Size (USD mn)	Tenor	Coupon	Yield	Issue Rating (M/S/F)
Jinan Energy Group	210	364d	6.0%	6.0%	-/-/-

➤ Offshore Asia New Issues (Pipeline)

Issuer/Guarantor	Currency	Size (USD mn)	Tenor	Pricing	Issue Rating (M/S/F)
CK Hutchison	USD	-	5/10yr	-	-/-/-
Kookmin Bank	USD	-	5yr	T+135	Aa3/A+/-
Sumitomo Mitsui Finance&Leasing	USD	-	5yr	-	-/A/-

➤ News and market color

- Regarding onshore primary issuances, there were 0 credit bonds issued yesterday with an amount of RMB0bn. As for Month-to-date, 770 credit bonds were issued with a total amount of RMB849bn raised, representing a 38.3% yoy increase
- [CHINSC]** China SCE Group remitted funds for repayment of USD500mn CHINSC 7.25 04/19/23
- [CHJMAO]** China Jinmao issued RMB2.5bn three-year MTNs with 3.6% coupon rate
- [CPDEV]** Beijing Capital Group proposes to offer up to RMB1bn three-year bonds to repay debts
- [FOSUNI]** Moody's withdrawn Fosun International's B2 ratings due to insufficient information
- [FUTLAN]** Seazen Holdings schedules RMB610.4mn payment for 21XinchengkongguMTN001 notes on 21 Apr
- [HRINTH]** Moody's downgraded Huarong AMC to Baa3 and placed stable outlook
- [HYDOO]** Guangdong-Hong Kong Greater Bay Area Holdings proposed exchange offer for its two due 2023 USD bonds totaled USD340.8mn
- [REDSUN]** Redsun Properties does not expect to pay USD455mn REDSUN 9.7 04/16/23 on maturity date
- [RISSUN]** RiseSun delayed deadline for reply to Shenzhen bourse inquiries regarding up to RMB3bn private placement
- [RPVIN]** Moody's affirmed ReNew Power's Ba2 rating
- [SHIMAO]** Shanghai Shimao unit seeking deferred payment of RMB700mn ABS
- [SHNSUN]** Shinsun Holdings (Group) appointed CEO as new Board Chairman after passing away of former Chairman Chen
- [ZHLGHD]** Zhongliang Holdings does not expect to pay totaled USD424.4mn ZHLGHD 8.75 04/15/23 and ZHLGHD 12 04/17/23 on maturity date
- [ZYAMCL]** Zhongyuan Asset Management issues RMB500mn three-year MTNs to repay debts

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.