

CMBI Credit Commentary

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

- *Markets focused on new issuances with strong sentiment this morning. Long term INDON, HKINTL and EIBKOR were better buying with 10-20 bps tightened while 3-year notes were stable. LGFV, SOE and AT1 were also boosted with demand from onshore.*
- **China properties:** *The government is planning for new measures to ease the liquidity of some of the "too-big-to-fail" developer. See below.*
- **Indonesian mining:** *Government proposes to implement zero royalty tariff to downstream coal products. See below.*

❖ Trading desk comments 交易台市场观点

Yesterday, China IG space had a very firm session amid a wave of primary deals kicked off the year. Financials spreads broadly tightened 5-10bps, with AMCs outperformed again. CCAMCL 23s tightened 20-25bps while HRINTH/ORIEAS curves were 5-15bps tighter. Bank capital and leasing bonds were stable. T2 benchmarks CCBs were traded 2-5bps tighter. TMTs were significantly boosted by the BBG news that Chinese authorities approved Ant Group's plan to raise USD10.5bn for its consumer unit, signaling the tech firm's substantial progress in meeting regulatory requirements. BABA/BIDU/TENCNT closed 5-10bps tighter. JD/MEITUA/LENOVO firmed up 15-25bps. In IG properties, LNGFORs were traded 2-4pts higher buoyed by the China's additional support measures on "quality developers". Media reported the Financial Stability and Development Committee (FSDC) has directed the banking and securities regulators late last week to help shore up the balance sheets of some "systemically important" developers, where the listed builders shall need to have robust financials and clean debt repayment records. In China HY space, property bonds all had an upbeat session amid talks that regulators planned to ease the "three red line" requirements. SINOCE 24-25s notably surged 7-8.5pts to reach low-70s, and SINOCE 26-30s gained 4-6pts to close at mid-60s. CHJMAO perps were 4-9pts higher and FUTLANs/FTLNHDs gained 4-5.5pts. Beaten name CSCHCNs jumped 6-7.5pts on the news that a holder of its due-2024s confirmed to receive CSC's 2% amortization payment on the bonds. CIFIHG/CENCHI/CHINSCs were up 1-3pts to stay range-bound between low-30s to mid-40s. Elsewhere, GRNLHK Perp were 3pts lower. SFHOLD/BTSDf dropped 1-1.5pts on the front end. In industrial space, FOSUNs/EHICARs were traded up 2.5-5.5pts. In Macau gaming space, SANLTDs/STCITYs were bid 1-3pts higher. Ex-China HYs were relatively peaceful with attention distracted to China credit. In Indian HYs, AZUPOEs were up 1.5pts whilst VEDLNs were unchanged to 0.5pt higher. In Indonesian HYs, low-cash names LPKRIJs/LMIRTs continued to be bid up another 1-2pts each. Elsewhere, GLPSPs were up 1-2 pts, while bonds from its subsidiary GLPCHIs gained 2.5-5 pts. On the primary side, HK and Indonesia each issued USD3bn offering in 4 and 3 tranches, respectively. KEXIM priced

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USD1bn 3Y at T+85, USD1.5bn 5Y at T+120, and USD1bn 10Y at T+145 respectively.

The LGFV/SOE Perp/AT1 market started off the day slightly quieter than expected perhaps as attention turned to primary pricing and the property space, but market wasted little time to turn into full-on buying mode again in the afternoon as duration and yield were sought after by Chinese clients (on and offshore) with structured flows involved as well. In the LGFV space, the demand was expressed in beaten/ high yielding (8%+) 24s/25s papers like HKIQCL and GZINFU and in quality long dated issues. Amid a thin offer liquidity, marks were all over the place again with some issues squeezing 1-3pts higher, to a certain extent reflecting the lack of actual selling depth in 4Q22 when sentiment was extremely fragile that nobody dared to buy anything and bids/marks were simply on a free fall. We also saw active two way flows on weaker names like GSHIAV/ZHHFGR/YUNINV 25s on the day. Elsewhere, SOE Perps/ AT1s were generally chased after across the curve as well, as valuations continued to grind towards mid-5% for high grade names. We saw Chinese accounts basically one-way buying in quality SOEs. HAOHUA/SINOPE/CNOOC papers were squeezed to 3-6bps tighter. Overall sentiment was quite upbeat with a pinch of FOMO, whilst supply was limited to front-end papers from regional accounts who tried to offload risks into this recovery from 2H22's weakness.

❖ Last Trading Day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
CHJMAO 4 7/8 PERP	80.8	9.2	GRNLHK 10.21 PERP	55.5	-2.8
SINOCE 2.7 01/13/25	68.7	8.5	GERGHK 4 5/8 05/21/23	95.9	-2.6
CSCHCN 9 10/09/24	72.1	7.4	FRESHK 4 1/4 10/26/26	79.8	-1.3
SINOCE 6 07/30/24	72.3	7.0	SFHOLD 2 7/8 02/20/30	83.7	-1.2
CSCHCN 9 06/26/24	76.1	6.9	BTSDf 5 5/8 10/24/24	87.8	-0.9

❖ Macro News Recap 宏观新闻回顾

Macro – U.S. stock markets rebounded yesterday, S&P (+0.75%), Dow (+0.40%) and Nasdaq (+0.69%) kept stable after Dec FOMC minutes was released. The minutes show that all Fed officials at the meeting agreed to slow the aggressive interest rate hike pace while the high level rates may last for a period. The long term U.S. treasury yields continued to down yesterday and 2/5/10/30 yields curves bull flattened to 4.36%/3.85%/3.69%/3.81%, respectively.

❖ Desk analyst comments 分析员市场观点

➤ China properties: Government is planning for new measures to ease the liquidity of some of the “too-big-to-fail” developer

Subsequent to the announcement of “16-measure” by PBOC and CBIRC and “5-measure” by CSRC supporting the property markets, property developers are able to obtain credit lines and conduct share placements to fund construction and to repay debts. For instance, VNKRL, GRNCH, COGARD, LNGFOR were granted with credit lines, while COGARD and AGILE completed share placements offshore.

It is reported that Financial Stability and Development Committee told the banking regulators to support the balance sheets of some of the developers with “systemic importance”. In order to be eligible for the support, the companies need to have unqualified audit opinion and no record of major violation including no default on public issued debt. The support measures could include equity financing and loans, REITs creation, and support industry consolidation.

We view developers including **CHJMAO, CSCHCN, DALWAN, GRNCH, HPDLF, LNGFOR, SEAZEN, VNKRL and YLLGSP** are in better position to survive under the backdrop of better funding channel onshore and offshore,

and relatively small offshore maturities in 2023. On 4 Jan'23, HPDLF redeemed its USD250mn 8% CB due'23 in full, while CHJMAO also completed full redemption of its USD500mn 4% perps, demonstrating their liquidity and repayment ability. Taking the market shares in terms of contracted sales into consideration, among our picks, we believe **CHJMAO**, **GRNCH**, **LNGFOR**, **SEAZEN** and **VNKRLE** could be included in the list of “systemic importance” and benefit from another wave of financial stimulus. They ranked 9th, 4th, 12th, 13th, 2nd respectively in terms of contracted sales for 11M22 among the developers under our radar.

➤ **Offshore Asia New Issues (Priced)**

Issuer/Guarantor	Size (USD mn)	Tenor	Coupon	Yield	Issue Rating (M/S/F)
Export-Import Bank Korea	1,000	3yr	4.875%	T+85	Aa2/AA/AA-
Export-Import Bank Korea	1,500	5yr	5.0%	T+120	Aa2/AA/AA-
Export-Import Bank Korea	1,000	10yr	5.125%	T+145	Aa2/AA/AA-
Hong Kong SAR Government	500	3yr	4.375%	T+35	-/AA+/AA-
Hong Kong SAR Government	1,000	5yr	4.5%	T+70	-/AA+/AA-
Hong Kong SAR Government	1,000	10yr	4.625%	T+95	-/AA+/AA-
Hong Kong SAR Government	500	30yr	5.25%	T+145	-/AA+/AA-
Republic of Indonesia	1,000	5yr	4.55%	4.8%	Baa2/BBB/BBB
Republic of Indonesia	1,250	10yr	4.85%	5.1%	Baa2/BBB/BBB
Republic of Indonesia	750	30yr	5.65%	5.75%	Baa2/BBB/BBB

➤ **Offshore Asia New Issues (Pipeline)**

Issuer/Guarantor	Currency	Size (USD mn)	Tenor	Pricing	Issue Rating (M/S/F)
National Australia Bank	USD	-	3/3/5yr	T+100/SOFR/130	Aa3/AA/-
National Australia Bank	USD	-	10yr	T+300	Baa1/BBB+/A-
Airport Authority (HKAA)	USD	-	3/5/7/10yr	T+105/135/ 160/185	-/AA+/-

➤ **News and market color**

- Regarding onshore primary issuances, there were 60 credit bonds issued yesterday with an amount of RMB47bn. As for Month-to-date, 109 credit bonds were issued with a total amount of RMB92bn raised, representing a 1.1% yoy increase.
- **[AZUPOE]** Media reported Azure's results-extension request (publish FY22 results by 31 Mar'23) yet to be unanimously approved by lenders
- **[CHJMAO]** China Jinmao completes full redemption of USD500mn 4% senior guaranteed perps
- **[DALWAN]** Dalian Wanda Commercial Management canceled RMB1.5bn 20Wanda04 bonds as the company failed to resale them
- **[GRNLGR]** Greenland Holding unit agrees to sell 52% stake in Shanghai Greenland Hotel Management to Minyoun Hospitality for RMB624mn
- **[HPDLF]** Hopson Development fully redeemed its USD250mn HPDLF 8 01/06/23 at maturity
- **[HUAYNP]** Huayuan withdrawn its B1 CFR by Moody's for business reasons

- **[INDON]** S&P and Fitch assigned BBB/BBB rating for Indonesia's proposed senior unsecured notes
- **[JIAYUA]** Jiayuan International winding-up petition hearing adjourned to 1 March
- **[SHIMAO]** Media reported that Shimao seeks 18-month maturity extension for twice-rescheduled originally RMB715mn ABS
- **[TPHL]** Moody's downgraded Times China Holdings ratings to Ca/C; outlook negative on high likelihood of default; The company announced non-payment of interests on its six USD bonds to facilitate a holistic management for the bonds

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