

CMBI Credit Commentary

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

- *Markets were overall stable this morning. We saw supports on due 23/24 LGFVs when the yields approached 6%. And there were active short coverings on SOE perps and long-end LGFVs.*
- **China Economy** – *China's focus on high-quality development in the next 5 years. See below for comments from our economic research.*
- **FOSUNI:** *Fosun international halted trading from 17 Oct'22; Media reported that Fosun agreed to sell 60% stakes of Nanjing Iron & Steel to Jiangsu Shagang for RMB15bn. FOSUNIs up 3-6.5pts this morning.*

❖ Trading desk comments 交易台市场观点

Last Friday, China IG space was relatively resilient post higher-than-expected US CPI, while most clients sidelined waiting for China NPC to set the tone. Financials spreads were unchanged to 5bps wider, and the flows were two-ways skewed to better selling. Bank T2s opened 2-5bps wider, though the tone recovered a bit in afternoon. The high-beta T2 names like BOCCHK/CCB had two-ways. AT1s continued the firm tone to close unchanged to 0.125pt higher (AT1 spreads generally tightened 10bps), with RM buying despite the higher UST yield. Big bank AT1s like BCHINA/BOCHKL continued to see some supports, though ICBCAS Perp had better selling on the day. In AMCs, HRINTH 30/CCAMCL 37 cash prices were down 1.5-3pts. TMTs were mostly unchanged but still showed small selling on the belly while long-end relatively stable. China IG properties LNGFORs/YUEXIUs remained under selling pressure to close 1-2pts lower. DALWAN'23 extended the recent weakness to quote at low-70s from low-80s during the week. China HY space continued to trend lower despite we saw better bid for good quality property names. CIFIHGs were unchanged to 1pt lower. CBIC-back peers COGARDs/GEMDALs were 1-2pts lower. GRNLGRs notably dropped 3.5-6pts. FTLNHDs/ FUTLANs were down 1-3pts. Elsewhere, the logistic-real-estate GLP Pte and its subsidiary's bonds calmed down from the fierce sell-off by HFs with no negative headlines, and ended merely 1-2pts lower. There emerged some bottom fishing on this ticker on the back of GLP's drawdown of RMB16bn syndicated loan. In industrial space, front-end FOSUNIs were bid up 1pt by retail accounts. The stock of Fosun was in trading halt starting this morning. Media reported that Fosun agreed deal to sell its 60% interests in Nanjing Iron & Steel for RMB15bn (c(USD2.1bn). FOSUNIs were 3-6.5pts higher this morning. Oil services name ANTOIL'25 dropped another 5.5pts after slumping 9pts on Thursday, on concerns about notably decline in new orders and uncertainties on the repayment of USD bonds (o/s USD177.587mn) due Dec'22.

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Whereas ANTOIL'22 bounced back as much as 4.5pts as the company started buying back and previous sellers decided to hold off for now. Macau gaming space was mixed, ending -0.5 to +0.5pt. Away from China, Indian bank was rather muted as investors would rather wait for one more day for the macro jittery to settle. Indian bank ICICI was up 0.5pt. Indonesia HYs were broadly down 0.5-1pt on high-beta names, whilst the state electricity firm's bonds PLNIs was up 0.5-2pts.

The LGFV/SOE Per/AT1 space still had better selling momentum sporadically. UST surged around 20bps post-CPI (macro pricing in a 75bp hike in Nov FOMC now), but we did have a glimpse of a promising sign in the spaces as more Chinese banks and NBRM stepped in to pick up bonds. The Chinese participants sought after SOE perps at mid-6% and LGFVs at high-5% or above, and if anything high-beta stuff at 8%+, whilst AT1s were still very much supported by short covering technicals. Having said that, selling pressure from global RM across all spaces kept to be fairly heavy. Despite the buy:sell flows turning to around 3:7 and prices trying to stabilize here, we think it would be cautiously optimistic to expect the downbeat repricing actions to be over soon. Because despite the marginal buying at these levels, there had been little sign of overselling when put into a RV perspective now that short-end treasuries are at mid-4% and low-beta SOEs at 5%-handle. Overall, spaces were a touch lower post front-end yield surged 15bps. In LGFVs, LZINVE 22s encountered FM selling vs RM buying at around 96/96.5 level. SOE Perps widened 3-5bps especially on low-beta names.

➤ Last trading day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
ANTOIL 7 1/2 12/02/22	93.5	4.3	GRNLGR 7 1/4 01/22/25	30.1	-6.0
CHJMAO 3.2 04/09/26	79.0	3.8	ANTOIL 8 3/4 01/26/25	57.0	-5.8
BNKEA 4 7/8 04/22/32	88.3	2.1	GRNLGR 5 7/8 07/03/24	30.8	-4.9
PLNIJ 7 7/8 06/29/37	104.5	1.8	GRNLGR 6 3/4 09/26/23	34.5	-4.0
CPDEV 4.65 01/19/26	76.3	1.2	DALWAN 6 7/8 07/23/23	73.5	-3.8

➤ Macro News Recap 宏观新闻回顾

Macro – U.S. stock markets down last Friday. The S&P (-2.37%), Dow (-1.34%) and Nasdaq (-3.08%) turned to downward after a rebound and wiped off previous increase. U.S. September retail and food services sales were flat and lower than expectation of +0.3% yoy, the data was not adjusted for inflation so the actual spending retreated for the month. The U.S. treasury yields continued ascending last Friday, the yield curves shifted up that the 2/5/10/30 yields reached 4.48%/4.25%/4.00%/3.99%, respectively.

❖ Desk analyst comments 分析员市场观点

➤ China Economy – China's focus on high-quality development in next 5 years

According to President Xi's report at the opening session of the 20th CPC congress yesterday, Chinese policymakers may maintain the policy philosophy and logic in next five years despite the political reshuffle. China will continue to focus on high-quality development and lower the importance of GDP growth in government officials' KPI evaluation. Manufacturing and hard technology industries are the key for the economic development. The policymakers will continue to guide credit flow into those sectors and maintain negative attitude towards financial liberalization and property market speculation. China will enhance the policy support to information technology, artificial intelligence, biotechnology, new energy, new materials, high-end equipment and green & environmental protection industries in future. China will push forward energy structural transition in a smooth manner to facilitate the carbon peaking and neutralization in the long term. China still targets common prosperity in the long term by increasing income level for the poor and expand the middle-income group, which should be

positive for consumer staples. To facilitate fair competition, China will enhance anti-monopoly regulation and guide the healthy development of capital.

High-quality development is the priority and there is no specific GDP growth target in the report for next 5 years. Development remains No. 1 task for China, but President Xi emphasized quality and security for the development. In his report, high-quality development is the priority for China and there is no specific GDP growth target for next 5 years. The high-quality development has several characteristics: i) real economy dominated and technology driven; ii) low-carbon green development mode; iii) balanced development for common prosperity; iv) good resilience & security of supply chains especially in grain, energy and industry; v) and high-level opening up.

Manufacturing and hard technology as the key for economic development. President Xi emphasized economic development should focus on real economy. It indicates policymakers maintain negative attitude towards financial liberalization and property market speculation as China will continue to guide more credit flow to manufacturing and hard technology sectors. Xi maintained the stance that “housing is for living and not for speculation” in his report, although he did not mention it at the opening session yesterday. China’s manufacturing sector will upgrade towards the high-end, intelligent and green. China will focus on the development of information technology, artificial intelligence, biotechnology, new energy, new materials, high-end equipment and green & environmental protection industries in future.

Green development. President Xi pledged to continue to accelerate the green development. China will restructure its industry, energy consumption and transportation service to improve the energy utilization efficiency. Meanwhile, China will optimize its fiscal and credit policy to support the development of new energy and green industries. China will steadily promote carbon peaking and neutralization in the medium and long term. It indicates China will seek a balance between the energy structural transition and the energy supply security.

Balanced development & common prosperity. China will boost the development of rural area by improving infrastructure & public service supply, developing non-agricultural business and reforming rural land system to strengthen farmers’ land rights. China will accelerate the urbanization process and facilitate cities to absorb more rural migrant population. China seeks for common prosperity for all people in the long term by increasing income for poor people and expanding the middle-income group. China will keep employment stability as the priority in the government’s economic work. The country will also improve its social security system to benefit the-middle-and-low-income households. To facilitate fair market competition, China will enhance anti-monopoly regulation, remove local protectionism & administrative monopoly and guide the healthy development of capital in China per the law.

High-level opening up. President Xi said China should rely on its huge domestic market to attract global capital, technology and talents and to strengthen trade & investment cooperation with other economies. The top leader promised to moderately reduce the negative list for foreign investment access. Foreign capital inflow into China faces downward pressure amid global economic & geopolitical uncertainty. China may further open its market to foreign business in next several years to attract foreign capital. Xi also said to orderly push forward the process of renminbi internationalization.

Policy implications. President Xi's report indicates the policy philosophy and logic from the top will not change noticeably after the political reshuffle. We may continue to see strong policy support to manufacturing and hard technology industries with negative policy attitude towards financial liberalization and property market speculation. The current credit policy easing especially towards the property sector is pro-cyclical and it may change when the economy especially housing market gradually stabilizes in future. Amid the policy philosophy as well as demographic changes, China economy should continue to transit towards a consumption and technology driven model. The contribution of property and infrastructure investment may remain low in next several years. Meanwhile, China will continue to boost green development by facilitating energy structural transition. However, China also pays attention to energy security issue as the energy structural transition should be in a smooth manner. PV power, wind power, hydropower and nuclear power should make more and more contribution, while thermal power should remain as the backup energy when new energy supply is unstable.

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	IPG	Issue Rating (M/S/F)
No Offshore Asia New Issues Pipeline Today					

➤ **News and market color**

- Regarding onshore primary issuances, there were 67 credit bonds issued last Friday with an amount of RMB77bn. As for Month-to-date, 353 credit bonds were issued with a total amount of RMB407bn raised, representing a 19.3% yoy increase
- **[AGILE]** Media reported that Agile plans to fully redeem its RMB1.5bn 20Panya02 due 19 Oct'22 on time
- **[BUMIJ]** S&P placed Bumi Resources CCC ratings on CreditWatch with positive implications on planned rights issue
- **[CHFOTN]** China Fortune Land incur RMB4.2bn additional overdue debts in September; The company has recently been involved in new lawsuits with claims totaling RMB547mn
- **[COGARD]** Country Garden spent RMB325mn (cUSD45.2mn) to buy unit's onshore bonds to stabilize prices
- **[FTLNHD]** Fitch withdrawn Seazen Group and Seazen Holdings ratings
- **[FOSUNI]** Fosun international halted trading from 17 Oct'22; Media reported that Fosun signed the agreement to sell 60% stakes of Nanjing Steels to Jiangsu Shagang for RMB15bn
- **[GLPCHI]** Media reported that GLP drew almost fully RMB16bn loan that refinances HSBC-led USD2.4bn loan

- **[GRNKO]** Greenko plans to raise up to USD4.5bn through a mix of debt and equity to deploy new projects
- **[LPKRIJ]** Lippo Karawaci announces acquisition of Saputra Karya by Siloam Hospital unit for IDR305.5bn (cUSD19.7mn)
- **[MOLAND]** Modern Land further extend the longstop date of RSA to 4 Nov'22 from 14 Oct'22
- **[NAGACL]** NagaCorp repurchased USD3mn of NAGACL 7.95 07/06/2024 in open market and the notes will be cancelled
- **[ROADKG]** Road King Infrastructure further redeemed USD15.3mn of ROADKG 5.9 03/05/25, USD31mn of ROADKG 6.7 09/30/24, the redeemed notes will be cancelled
- **[ZHOSHK]** S&P upgraded Zhongsheng Group rating to BBB and placed stable outlook

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