CMB INTERNATIONAL 招銀国际

14 Apr 2023

CMBI Credit Commentary

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

- *Asian IG flows were quiet. MEITUA'30 tightened c5bps after Fitch revised its outlook to stable from negative. Onshore buyers continued buying short-term LGFV and SOE bonds; COGARD's CITIC loan was taken out by private credit. COGARDs up 0.25-1pt this morning. See below for more discussions on COGARD..*

- ***Chinese properties:** contract sales gradually improved and more divergence in operating performance among developers. See below.*

- ***China Economy** – Exports strongly rebounded with uncertainty ahead. CMBI expects China's exports of goods to drop 3.5% in 2023 after rising 7% in 2022 and the imports of goods to rise 0.5% in 2023 after growing 1% in 2022. See below for comments from our economic research.*

❖ Trading desk comments 交易台市场观点

Yesterday, Asia IG space was traded in a narrow range post CPI data. New MUFGs were closed 2bps tighter from the RO levels. IG spreads opened unchanged to 2bps wider before lunch and closed 2bps tighter at EOD. China SOEs were stable. In TMTs, TENCNT/BIDU were under better buying. BBB tech names XIAOMI/WB 30s were indicated 3-8bps tighter. China Bank T2s had active two-way flows skewed to better buying. CCB 32s/ICBCAS 29s were better bid. We saw block-sized two-way flows on CINDBK 29s. AMC front-end papers were under better buying, HRINTH/GRWALL/CCAMCL 24s/25s tightened 2-5bps while longer tenors were traded a bit heavy. AIA 33s tightened 1-2bps but was traded very sticky at around 140 area. China property space was relatively stable. SINOCEs were unchanged to 0.5pt lower. COGARDs/FUTLANs/ FTLNHDs were traded down 0.5-1.5pts. GRNLGRs were marked 1.5-3.5pts lower. SUNACs were indicated 0.25pt higher. Industrials FOSUNIs dropped 1-3pts on the back of the fraud allegations by the ex-CFO of Babytree (1761 HK). Macau gaming names MGMCHIs/SANLTDs/WYNMACs were marked 0.5-1pt higher. In India space, ADSEZs were traded up 1-1.5pts. VEDLNs moved another 1-2pts higher. Indonesian oil name MEDCIJs were up 0.75-1.75pts.

The LGFV/Perp/Asia AT1 spaces had another upbeat session, as deployment demand continued to be met with thin supply of bonds. Sentiment was boosted by the idea that we were very close to the end of this rate hike cycle and this was further consolidated among investors after Tue night's CPI print. LGFVs continued to grind higher. The front-end lower-beta names edged to mid-5% amid Chinese RM buying and more importantly thin offer liquidity. Elsewhere, the credit curves remained fairly steep for the LGFV papers that were not looked into by banks. ZHHFGR/HKIQCL/HNFARM/ LIANYU were sought-after in the 7%-9% range, whilst SHRIHG (including the new 26s)/JMUDIV remained soft. SOE Perps were largely firm with most

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papers grinding towards low-5%. Financial perps such as CTIH/HRINTH/CHINEV were also under better buying. Chinese AT1s remained supported despite valuations not looking cheap, perhaps again helped by the rates outlook. Rest of Asian AT1 names including HSBC/STANLN continued to gradually climb 0.25-0.75pt driven primarily by PB demand.

❖ Last Trading Day's Top Movers

Top Performers	Price	Change
VEDLN 6 1/8 08/09/24	**65.5**	**2.1**
MEDCIJ 6.95 11/12/28	**91.9**	**1.7**
ZHONAN 3 1/2 03/08/26	**83.5**	**1.6**
ADSEZ 4.2 08/04/27	**80.7**	**1.3**
VEDLN 8.95 03/11/25	**71.6**	**1.2**

Top Underperformers	Price	Change
GRNLGR 6 3/4 09/26/25	**31.6**	**-3.4**
FOSUNI 5.95 10/19/25	**76.4**	**-2.9**
FOSUNI 5.05 01/27/27	**67.6**	**-2.8**
FOSUNI 5 05/18/26	**69.7**	**-2.5**
COGARD 5 5/8 01/14/30	**55.1**	**-1.5**

❖ Marco News Recap 宏观新闻回顾

Macro – U.S. stock markets rebounded yesterday, S&P (+1.33%), Dow (+1.14%) and Nasdaq (+1.99%) were boosted by lower than expected March PPI data as -0.1% MoM, indicating the inflation is cooling down. The latest initial claim of jobless increased to +239k from +228k in last week and was higher than the market expectation of +235k. The U.S. treasury yield edged up yesterday, the 2/5/10/30 yields reached 3.96%/3.51%/3.45%/3.69%, respectively.

❖ Desk analyst comments 分析员市场观点

➢ COGARD: CITIC loan was taken out by private credit

As per media report, COGARD obtained HKD900mn loan from a private lender Flow Capital to refinance its HKD700mn bank debt. The new loan will have a tenor of 2 years, back by company's guarantee and also a residential building in Hong Kong. There is no detail as to the funding cost and amortization schedule, if any. The original bank loan was provided by China CITIC Bank and backed by a residential project at 138 Carpenter Road in Kowloon City. The project, now known as Allegro, was completed and is currently on sales. While the refinancing of this loan help relief COGARD's refinancing pressure, we are not sure why CITIC is not part of the refinancing, as well as the change in LTV and funding cost resulting from taking up this private credit.

Separately, COGARD obtained HKD950mn 3-year loan from Tai Fung Bank on 31 Mar'23. It also sold 47 units (c25% of total number of units) in Allegro with cumulative contract sales of HKD400mn since the pre-sales started in May'22. Regard to onshore financing, it was in the process of application for an issue up to RMB18.6bn corporate bonds in Mar'23. It is in discussions to issue two tranches of CBICL-guaranteed domestic bonds of RMB1.7bn as soon as this month, downsized from the original plan of RMB2bn in Feb'23. The issuances, if go ahead, will be the third CBICL-guaranteed bonds of COGARD, after RMB1.5bn and RMB1bn issued in Sep'22 and Dec'22, respectively. COAGRD would have bond maturities, put redemptions, offshore loan maturities, amortization and coupon payments totaled cUSD5.8bn for the rest of 2023, it needs the continued access to various funding channels and notable recovery in contract sales to meet the upcoming obligations. COGARDs up 0.25-1pt this morning post the news.

➢ Chinese properties: contracted sales gradually improved while remained divergent among developers

In Mar'23, 37 developers under our radar reported contract sales of RMB413.8bn in total, representing +8.0% yoy. 13 out of 37 developers reported contract sales growth in Mar'23. The outperformers under our radar in 1Q23 are YUEXIU (RMB43.8bn, +217% yoy), CHIOLI (RMB83.6bn, +73% yoy), CRHZCH (RMB79.0bn, +72%

yoy) and CHJMAO (RMB44.2bn, +40%). Underperformers are RONXIN (RMB3.9bn, -81% yoy), JIAYUA (RMB1.3bn, -66% yoy) and ZHPRHK (RMB4.8bn, -72% yoy). Overall in 1Q23, the developers' contract sales were RMB953.3bn, 5.9% lower than those in 1Q22.

The diverging trend of performance is obvious. The outperformers in contracted sales are SOEs such as COLI, China Resources Land and Yuexie, as well as non-distressed developers such as LNGFOR and HPDLF while underperformers include distressed developers such as GZRF, Jiayuan, Ronshine and Zhenro. We see the silver lining of the improving sales but expect the pace of recovery to be gradual with higher tier cities to recovery at a faster pace. As we have been discussing, we expect more notable yoy pick-up in contracted sales by 3Q23.

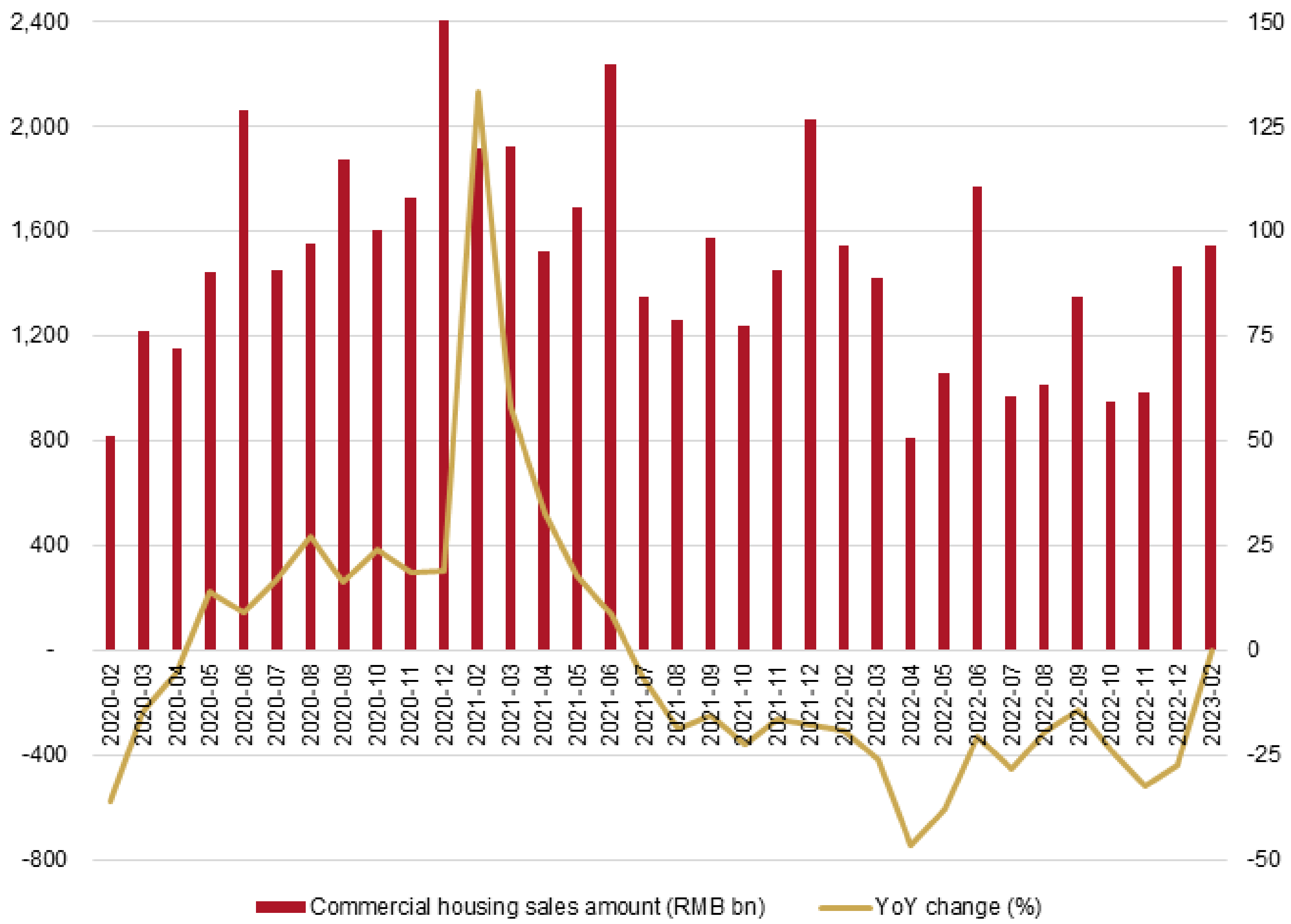
Chart 1: Contracted sales of developers under our radar

2023 YTD Sales (in RMB mn)

Company	CN Name	BBG Ticker	Jan	Feb	Mar	Trend	Mar'23 MoM Growth	Mar'23 YoY Growth	Mar'23 YTD Sales	Mar'23 YTD Sales Growth
Agile	雅居乐	AGILE	6,440	6,120	4,250		-31%	-39%	16,810	-20%
Central China Real Estate	建业地产	CENCHI	2,871	2,120	1,237		-42%	-60%	6,228	-1%
China Jinmao	中国金茂	CHJMAO	10,000	14,130	20,100		42%	37%	44,230	40%
China Overseas	中国海外发展	CHIOLI	13,188	27,424	42,987		57%	90%	83,599	73%
China Resources Land	华润置地	CRHZCH	16,020	24,200	38,800		60%	86%	79,020	72%
China SCE	中骏集团控股	CHINSC	3,051	3,809	4,608		21%	-42%	11,468	-34%
China Vanke	万科企业	VNKRLE	28,630	30,120	42,630		42%	3%	101,380	-5%
CIFI Holdings	旭辉集团	CIFIHG	5,020	7,810	8,300		6%	-31%	21,130	-26%
Country Garden (Attributable)	碧桂园	COGARD	22,010	24,850	25,010		1%	-17%	71,870	-28%
Dafa Properties	大发地产	DAFAPG	251	453	466		3%	-23%	1,170	-55%
Dexin China	德信中国	DEXICN	2,340	3,200	2,630		-18%	-35%	8,170	-13%
Future Land	新城控股	FUTLAN/FTLNHD	5,776	7,809	7,920		1%	-34%	21,505	-31%
Gemdale	金地集团	GEMDAL	9,210	14,800	20,110		36%	-4%	44,120	-3%
Greenland Holding	绿地控股集团	GRNLGR	9,790	7,710	11,290		46%	5%	28,790	-7%
Greentown	绿城	GRNCH	13,500	17,900	29,900		67%	44%	61,300	27%
Guangzhou R&F	富力地产	GZRFPR	1,350	2,110	1,430		-32%	-67%	4,890	-64%
Hopson	合生创展	HPDLF	1,327	2,193	6,547		199%	113%	10,067	26%
Jiayuan International	佳源国际	JIAYUA	311	461	516		12%	-66%	1,288	-72%
Jingrui Holdings	景瑞控股	JINGRU	342	454	442		-3%	-56%	1,238	-45%
KWG Property	合景泰富集团	KWGPRO	3,561	4,320	3,850		-11%	-15%	11,731	-10%
Logan Property (Attributable)	龙光地产	LOGPH	1,070	2,190	3,110		42%	-20%	6,370	-63%
Longfor (Attributable)	龙湖集团	LNGFOR	7,220	11,140	15,240		37%	39%	33,600	40%
Poly Real Estate	保利地产	POLYRE	29,545	34,284	50,301		47%	31%	114,130	26%
Powerlong	宝龙地产	PWRLNG	2,040	3,319	3,478		5%	-19%	8,837	-27%
Radiance	金辉控股	JNHUIG/RDHGCL	1,920	1,750	1,530		-13%	-51%	5,200	-51%
Redco Properties	力高集团	REDPRO	1,323	1,516	1,390		-8%	36%	4,229	-24%
Redsun	弘阳地产	REDSUN/HONGS	1,109	2,770	3,434		24%	25%	7,313	-26%
Ronshine China	融信中国	RONXIN	995	1,334	1,537		15%	-72%	3,865	-81%
Shimao	世茂房地产	SHIMAO	4,510	4,110	6,220		51%	-15%	14,840	-33%
Sino-Ocean	远洋集团	SINOCE	3,290	5,070	8,200		62%	20%	16,560	10%
Sunac China	融创中国	SUNAC	7,230	10,860	11,180		3%	-49%	29,270	-60%
Times Property	时代中国控股	TPHL	852	1,961	2,638		35%	-42%	5,451	-62%
Yanlord	仁恒置地	YLLGSP	905	3,667	3,557		-3%	-33%	8,129	-50%
Yuexiu Property	越秀地产	YUEXIU	8,884	13,712	21,237		55%	257%	43,833	217%
Yuzhou Properties	禹洲地产	YUZHOU	1,505	1,750	2,150		23%	-39%	5,405	-53%
Zhenro Properties	正荣地产	ZHPRHK	1,356	1,620	1,811		12%	-30%	4,787	-66%
Zhongliang	中梁控股	ZHLGHD	3,660	4,020	3,750		-7%	-45%	11,430	-47%

Source: company fillings.

Chart 2: China monthly commercial housing sales amount and YoY change



Source: NBS.

➢ **China Economy – Exports strongly rebounded with uncertainty ahead**

China's exports of goods sharply rebounded in March as overseas economy temporarily improved in the first two months and domestic supply chains rapidly resumed after reopening. However, the recent bank turmoil should bring downside pressure on credit supply, economic activity and inflation in the overseas. China's exports may still face some uncertainty ahead as overseas recession risk rises and disinflation accelerates. China's imports of goods also improved as domestic demand gradually resumed. We expect China's exports of goods to drop 3.5% in 2023 after rising 7% in 2022 and the imports of goods to rise 0.5% in 2023 after growing 1% in 2022.

Exports beat expectations as overseas economy temporarily improved. China's exports rose by 14.8% YoY in March after declining by 6.8% YoY in 2M23. Economic condition temporarily improved as consumer confidence and consumption of goods rebounded in advanced economies in the first two months after relief of food & energy costs. Developing economies performed better this year with low comparison base as they reopened and recovered more slowly than advanced economies after the pandemic. Therefore, China's exports to US and EU respectively dropped 17% and 7.1% YoY in 1Q23, compared to the declines of 21.8% and 12.2% in 2M23. Meanwhile, the exports to ASEAN and Africa respectively picked up 18.6% and 19.3% YoY after rising 9% and 5.8% YoY. China's exports to Latin America also improved sharply while those to Russia maintained strong growth at 47.1% YoY in the first quarter.

Exports also benefited from domestic supply chain resumption and trade cooperation enhancement. China's supply chains resumed rapidly after reopening as the country strengthened its advantage in supply chain stability. Meanwhile, China enhanced trade cooperation with other countries after the 20th Party Congress, supporting export order recovery after China's economic reopening. By product, exports of steel products and chemical products further picked up thanks to China's comparative advantage in energy supply after the Russia-Ukraine war. Meanwhile, exports of auto & parts maintained strong growth thanks to China's rapid development of new energy vehicle supply chains. Exports of travel bag & similar articles sharply rebounded as international travel and tourism recovered.

Imports also improved as domestic demand gradually recovered. China's imports fell 1.4% YoY in March after dropping 10.2% YoY in 2M23. Imports volume rebounded more rapidly as the price retreated. Imports volume of iron ore and coal respectively picked up 9.8% and 96.1% YoY in 1Q23 after rising 7.3% and 70.8% YoY in 2M23. Meanwhile, imports volume of crude oil rose 6.7% YoY after dropping 1.3% YoY and that of natural gas narrowed its YoY decline from 9.4% in 2M23 to 3.6% in 1Q23. Imports volume of airplanes and medicine increased strongly by 57.7% and 33.4% YoY in 1Q23 after growing 41.2% and 25.7% YoY in 2M23. Domestic demand for beauty cosmetics also improved as its imports volume narrowed its YoY decline from 16.4% in 2M23 to 8% in 1Q23. However, imports volume of integrated circuits and machine tools continued to decline sharply as demand for electronics and business capex remained weak. Imports volume of autos also shrank significantly as domestic brand gained more shares in the auto supply chains.

We expect exports to drop 3.5% and imports to rise 0.5% in 2023. The improvement of China's exports may be unsustainable as the recent bank turmoil should slow down overseas credit growth, economic activity and inflation. China's exports should face some fluctuations this year as we expect the exports to drop 3.5% in 2023 after rising 7% in 2022. China's economic reopening and resumption should support the imports volume recovery. However, the retreat of commodity prices may restrain imports growth. We expect China's imports to rise 0.5% in 2023 after growing 1% in 2022.

China will maintain easing credit policy to boost domestic demand. China will not tighten its credit policy as overseas economy faces high uncertainty while domestic demand resumption is in a gradual manner with limited reflation risk. China will maintain easing credit policy and continue to send pro-business signals in order to restore business confidence and growth momentum.

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

Issuer/Guarantor	Size (USD mn)	Tenor	Coupon	Yield	Issue Rating (M/S/F)
Nickel Industries Ltd	400	5.5NC2.5	11.25%	11.25%	B1/-/B+
Binzhou Guotou Overseas Investment CO., Ltd	50	3yr	7.5%	7.5%	-/-/-

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

Issuer/Guarantor	Currency	Size (USD mn)	Tenor	Pricing	Issue Rating (M/S/F)
Jinan Energy Group	USD	-	364d	6.5%	-/-/-

➢ **News and market color**

- Regarding onshore primary issuances, there were 113 credit bonds issued yesterday with an amount of RMB129bn. As for Month-to-date, 770 credit bonds were issued with a total amount of RMB849bn raised, representing a 63.3% yoy increase

- **[FOSUNI]** Media reported that Babytree Group' former CFO Xu said Fosun's units including Fosun Tourism used fake subscription orders to enlarge IPO scale.

- **[MEITUA]** Fitch revised Meituan's outlook to stable from negative, affirmed ratings at BBB

- **[RISSUN]** Media reported that Ronshine seeks three-year extension on already extended domestic notes totaled RMB2.15bn

- **[SUNAC]** Sunac's executive directors Chi Xun and Shang Yu resigned

- **[VEDLN]** Vedanta's Committee of Director approved to raise up to INR21bn (cUSD256mn) via non-convertible debentures

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