

## CMBI Credit Commentary

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

- *Markets focused on new issues this morning. CKHH'28/33 tightened c10/7bps respectively with active flows. SUMIFL'28 narrowed c20bps. TMT sector was unchanged and we continued to see buying flows on bank T2s.*
- **China Economy** – *Growth beat expectations with recovery underway. CMBI revises up the GDP growth forecast for 2023 from 5.4% to 5.7% and maintain the forecast for 2024 at 4.9%. See below for comments from our economic research.*
- **WFURCD:** *Fitch downgraded Weifang Urban Construction and Development Investment to BB+ from BBB-. Shandong LGFV were mostly unchanged this morning.*

#### ❖ Trading desk comments 交易台市场观点

Yesterday, Asia IG space was largely firm. On the primary front, CK Hutchison priced the USD1.25bn 5Y at T+110, and USD1.25bn 10Y at T+135 overnight. The IPTs of 5Y/10Y were T+145/170, respectively. The issues were upsized to USD2.5bn from USD1.5-2bn. New CITNAT 28s first hovered around RO level in the AM session, but closed 2bps wider. China SOEs such as HAOHUAs/CITLTDs closed unchanged to 2bps tighter amid active two-way flows. In TMTs, high-beta long-end papers were under better selling. MEITUA/LENOVO/JD 30s widened by 5bps. Benchmark BABA 31s/TENCNT 30s were unchanged despite we saw better buying. In financials, HRINTH curve was traded 0.5-2pts lower (10-30bps wider) after gaining 2-5pts on Mon. Bank T2s were better bid. ICBCAS 29s/CINDBK 29s/CCB 30s grinded about 2-5bps tighter. China property space was still lackluster. DALWANs dropped another 1.75-5.25pts, with its 25s/26s closed at mid-70s. COGARDs were traded 0.5-2pts lower. CIFIHGs/GRNLGRs drifted 0.25-1.25pt lower. ROAKGs were marked down 0.5-2pts. In industrials, FOSUNIs bounced 0.75-1.75pts from the lows across the curve. HONGQIs/WESCHIs were also under better buying. In Macau gaming space, MPeLs/SANLTDs/STCITYs were bid up 0.25-0.5pt. In India space, ADSEZs/ADTINs were indicated 0.5-1pt higher. Indonesian oil name MEDCIJs were unchanged to 0.5pt lower.

The LGFV/Asia AT1/Perp spaces were firm with trading volume remained light. UST 2y yield climbed back to around 4.2% amid the stronger-than-expected US economic data. In LGFVs, sentiment were still cautious amid rising funding costs. Quality LGFVs were better-bid but we saw thin liquidity on the offer side. Shandong names remained under the spotlight. HKIQCL/SHUGRP/QDHTCO 23s-25s were bid up 0.125pt amid relatively active two-way flows. Elsewhere, CQNANA 26s/CDCOMM 27s were also sought-after. Away from LGFVs, HAOHUA/HUADIA perps were unchanged to 0.125pt higher. China AT1s/Perps were largely stable. Benchmark AT1s

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such as BCHINA/ICBCAS perps were still well-bid from onshore RMs. HK beta papers such as BNKEA/CHOHIN perps closed around 0.25pt higher. GRWALL/CCAMCL perps were traded down 0.25-0.5pt.

#### ❖ Last Trading Day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
FOSUNI 5.95 10/19/25	74.0	1.7	DALWAN 11 01/20/25	77.2	-5.3
CENCHI 7.9 11/07/23	21.5	0.9	DALWAN 11 02/13/26	73.8	-5.1
SHUION 6.15 08/24/24	89.1	0.9	DALWAN 7 1/4 01/29/24	81.7	-3.9
ADSEZ 4.2 08/04/27	82.8	0.9	ROADKG 6 09/04/25	75.3	-2.4
FOSUNI 5 05/18/26	64.6	0.9	ROADKG 5.9 03/05/25	79.1	-2.0

#### ❖ Marco News Recap 宏观新闻回顾

**Macro** – U.S. stock markets were mixed yesterday that S&P (+0.09%), Dow (-0.03%) and Nasdaq (-0.04%) were nearly unchanged. Three Fed officials expressed hawkish comments about inflation control and rate hike, the probability of 25bps hike in May has increased to more than 90% based on markets' expectation. The U.S. treasury yields were stable yesterday, the 2/5/10/30 yields reached 4.19%/3.69%/3.58%/3.79%, respectively.

#### ❖ Desk analyst comments 分析员市场观点

##### ➤ China Economy – Growth beat expectations with recovery underway

China's GDP growth beat expectations in 1Q23 as retail sales and service output recovered better than expected. We revise up our GDP growth forecast for 2023 from 5.4% to 5.7% and maintain the forecast for 2024 at 4.9%. Industrial output growth was in line with expectations as exports still face some uncertainties in future. FAI gradually slowed especially in a few manufacturing and infrastructure sectors. The better-than-expected recovery lowers the possibility of strong policy stimulus in China. However, China will not tighten its monetary and credit policy as the GDP growth remains below the potential growth and the reflation pressure is low.

**GDP growth rebounded strongly as service output and retail sales beat expectations.** China's GDP grew 4.5% in 1Q23 after rising 3% in 2022, recording the fastest growth since 1Q22 and beating our forecast of 3.8%-4%. The value added industrial output (VAIO) rose 3% in 1Q23, in line with expectations. However, service output index and retail sales were much stronger than our forecast by rising 6.7% and 5.8% YoY respectively in 1Q23.

**We revise up our GDP growth forecast for 2023 from 5.4% to 5.7%.** The GDP growth for the remaining three quarters are projected to reach 8%, 4.9% and 5.6%, up from our previous forecast of 7.7%, 4.7% and 5.5%. We revise up the retail sales and service GDP growth forecast from 6.8% and 6.2% to 7.4% and 6.8%. The forecast of VAIO, FAI and exports growth for 2023 remains unchanged at 4.9%, 5% and -3.5%.

**VAIO growth was in line with expectations with a gradual pick-up ahead.** Industrial output improved in most sectors as power generation growth accelerated from 0.7% in 2M23 to 5.1% in March. The VAIO in steel product and cement strongly picked up 8.1% and 10.4% YoY in March after rising 3.6% and dropping 0.6% YoY in 2M23. However, industrial output in coal and non-ferrous metal slowed noticeably as prices retreated amid strong imports in those sectors. VAIO in auto sharply rose 11.2% YoY in March after dropping 14% YoY in the first two months, while that in integrated circuit narrowed its YoY declines from 17% in 2M23 to 3% in March amid domestic production substitution. Meanwhile, the industrial output in electrical equipment

maintained strong growth, while that in general equipment, special equipment, computer, telecom equipment & electronics all improved.

**FAI slowed in most sectors. FAI rose by 5.1% YoY in 1Q23, down from 5.5% in 2M23.** FAI growth in infrastructure and manufacturing respectively slowed from 11.5% and 9.2% in 2M23 to 9.9% and 6.2% in 1Q23, while property development investment dropped 5.8% in 1Q23 after decreasing 5.7% in 2M23. Specifically, FAI in chemical materials & product, auto, electrical equipment, computer, telecom equipment & electronics, power generation & supply, railway transportation and health care & social welfare maintained strong YoY growth in 1Q23. However, investment in mining, textile, medicine, metal product, railway & air transport equipment and culture, sports & recreation service sharply slowed or remained weak.

**Retail sales beat expectations as consumption recovery was underway.** China's retail sales rebounded strongly by rising 10.6% YoY in March and 5.8% YoY in 1Q23. Breaking down, sales of food, beverage and medicine all slowed as China said goodbye to the home-stay economy and rapidly reopened economy. Meanwhile, sales of clothing and cosmetics improved significantly as outgoing and social activity recovered strongly. Sales of auto and communication equipment also rebounded. However, sales in cultural & office products, furniture and construction & decoration materials remained weak.

**Employment condition improved yet remained tepid.** China's urban unemployment rate dropped to 5.3% in March from 5.6% in February. However, employment condition has deteriorated among those aged 16-24 as unemployment rate within this age group rose to 19.6% in March from 18.1% in February. Consumer confidence rebounded after the reopening of economy, but household saving rate remained high.

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

Issuer/Guarantor	Size (USD mn)	Tenor	Coupon	Yield	Issue Rating (M/S/F)
CK Hutchison	1250/1250	5/10yr	4.75%/4.875%	T+110/135	A2/A/A-
Sumitomo Mitsui Finance & Leasing	500	5yr	5.353%	T+170	-/A/-

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

Issuer/Guarantor	Currency	Size (USD mn)	Tenor	Pricing	Issue Rating (M/S/F)
No Offshore Asia New Issues Pipeline Today					

#### ➤ News and market color

- Regarding onshore primary issuances, there were 122 credit bonds issued yesterday with an amount of RMB114bn. As for Month-to-date, 1,081 credit bonds were issued with a total amount of RMB1,132bn raised, representing a 49.4% yoy increase
- [CENCHI]** CCRE announces results for exchange offer, consent solicitation for senior due-2023s; concurrent consent solicitation for senior due-2024s and due-2025s

- **[DALWAN]** Dalian Wanda-owned studio Legendary gets USD800mn credit line led by J.P. Morgan
- **[EVERRE]** Evergrande's Longgang redevelopment project in Shenzhen which was planned investment of RMB46.4bn taken over by Shenzhen Metro Property
- **[FRESHK]** Far East Horizon units received Shenzhen bourse approval over RMB15bn ABS offering
- **[GZDZCD]** Science City (Guangzhou) Investment sued by ICBC over RMB985.15mn loan dispute
- **[LPKRIJ]** Lippo Karawaci reported cUSD81.6mn property presales in 1Q23, which accounts for 24.7% of USD300mn full-year target
- **[RSMACA]** Xiamen C&D received SAMR clearance for acquisition of 29.95% stake in Red Star Macalline for RMB6.29bn
- **[VNRKLE]** China Vanke plans to raise up to RMB2bn onshore 3-year MTN
- **[WFURCD]** Fitch downgraded Weifang Urban Construction and Development Investment to BB+ from BBB- and placed stable outlook

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