

CMBI Credit Commentary

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

- *Markets were quiet this morning. Asian IG opened 2-3bps tight then retreated to unchanged till noon with light flows. AT1 sector continued to rebound, TH/KR names rallied 0.25pt while CN names slightly up 0.1pt.*
- **Hopson:** *weaker but much better than peers FY22 results; maintain Buy on HPDLFs. Price movements? See below.*
- **China Economy** – *PMI indicates continuous economic recovery. See below for comments from our economic research.*

❖ Trading desk comments 交易平台市场观点

Last Friday, Asia IG space had another gappy day. In China SOEs, HAOHUA curve tightened 5-9bps. TMTs opened quite strong but sentiment quickly faded. TENCNT 28s-30s and BABA 31s tightened 3-8bps at start and closed at 2-5bps tighter by EOD. MEITUA 3.05 '30 first tightened sharply 45bps to T+255, but then we saw profit taking flows at tight. MEITUA 30 returned most of the intra-day gain to close at T+290/280. We saw TMT space ended unchanged to 2bps tighter at close. In financials, the space was quiet and mostly unchanged. Leasing and T2 papers performed softly. BOCAVI/ICBCIL 23s/24s widened 2-5bps. CCB edged 1-3bps wider. In AMCs, HRINTH were 0.5pt higher despite small profit taking near the close. Korea space was firm as we saw high quality papers were sought-after. KDB/EIBKOR curves tightened 3-5bps. Though another quasi-sovereign name KHFC 28N had more two way mixed flows. Non-China IG space in general were unchanged to 5bps tighter. China property space performed mixed. SINOCEs dropped 3.5-6pts across the curve. Fitch downgraded SINOCE's rating by two notches to B+ at Friday close. DALWANs were traded 1-4pts higher (100-300bps tighter). COGARDs/ROADKGs were 1.25-5.25pts higher. FUTLANs/FTLNHDs were up 0.5-3.5pts. In Industrials, FOSUNs moved 0.5-1.5pts higher. Macau gaming names MPELs/SANLTDs/STCITYs were 0.5-1.5pts higher. In Indian space, VEDLNs were marked down 0.5-1.5pts. Indonesian names MEDCIJs were up around 0.5pt.

In the Asia AT1/Perp/LGFV space, market had a fairly quiet session at quarter end. Flows remained dominated by rebalancing needs mostly in the front end in SOE Perps/LGFVs, with otherwise some demand in better yielding/ laggard 24s papers. In AT1s, China bank papers such as BCHINA 3.6 Perp/ CMHI 3.875 Perp were 0.25pt higher. HSBC and STANLN were generally marked 0.5-1pt higher than Asia close on Thu, on the back of demand from PB and from AMs/HFs to reload risk/ cover short as macro sentiment continued to recover. In LGFVs, GSHIAVs/KMRLGPs were up 0.125-0.2pt. Chongqing names were under active two-way mixed flows.

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❖ Last Trading Day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
ROADKG 5 1/8 07/26/26	68.9	5.2	SINOCE 6 07/30/24	62.6	-6.1
COGARD 2.7 07/12/26	55.1	4.4	SINOCE 5.95 02/04/27	46.1	-5.6
COGARD 3.3 01/12/31	46.4	3.7	SINOCE 4 3/4 01/14/30	38.2	-5.4
COGARD 6 1/2 04/08/24	79.3	3.6	GRNLGR 6 3/4 06/25/24	45.8	-4.9
COGARD 5 5/8 01/14/30	53.6	3.5	SINOCE 4 3/4 08/05/29	40.0	-4.8

❖ Marco News Recap 宏观新闻回顾

Macro – U.S. stock markets continued to rebound on last Friday, S&P (+1.44%), Dow (+1.26%) and Nasdaq (+1.74%) were led by tech names as previous days. OPEC and other oil-producing countries announced to reduce daily oil production by more than 100mn barrels unexpectedly, Brent and WTI oil rose more than 6% on Monday to USD80+ per barrel. The U.S. treasury yields slightly down, the 2/5/10/30 yields reached 4.06%/3.60%/3.48%/3.67%, respectively.

❖ Desk analyst comments 分析员市场观点

➤ Hopson: weaker but much better than peers FY22 results; maintain Buy on HPDLFs

We maintain buy on HPDLFs in view of its more resilient FY22 results, large offshore financial investments, high quality investment properties (IPs) and manageable debt maturity profile. As discussed, Hopson has proven track records in full repayments even in a challenging operating environment and without access to capital markets. It repaid, rather than refinanced, CBs of RMB1.8bn in Feb'10, straight bonds of USD350mn in Sep'12, USD300mn in Jan'18 and CBs of USD250mn in Jan'23 in a challenging market environment. During the stringent lockdown in China, it repaid 2 offshore bonds totalled cUSD1.1bn in Jun and Jul'22. HPDLFs corrected 2-5pts since mid Feb'23 but is still 4-5 pts higher YTD. Offered at 92.9 and 87.0, HPDLF'23 and '24 are trading at YTM of 18.7% and 20.5%, respectively. We continue to see Hopson a survivor for the sector and consider the current valuations of HPDLFs offer attractive risk-return profile.

	O/s amt (USD mn)	Offer price	YTM	Maturity
HPDLF 6.8 12/28/23	237.5	92.9	18.7%	28/12/2023
HPDLF 7 05/18/24	300	88.0	20.5%	18/5/2024

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➤ China Economy – PMI indicates continuous economic recovery

China's PMI indicates manufacturing sector continued to expand with slowing recovery pace while service activity further rebounded thanks to continuous improvement of population mobility and outgoing activity. China's reflation pressure was low as ex-factory price index remained below 50%. The country could maintain accommodative credit policy to support the growth. The recent RRR cut by the PBOC indicates its easing bias for liquidity and credit policy. New export order index declined as exports may have remained weak. The recent

overseas banking sector turmoil would hurt consumer confidence and credit supply expansion as we expect exports of goods to drop 3.5% in 2023 after rising 7% in 2022.

Manufacturing sector continued to expand with slowing pace while service activity further recovered.

China's PMI in manufacturing dropped to 51.9% in March from 52.6% in February, yet remained in the expansionary territory. Meanwhile, new order index and business expectation index in manufacturing respectively declined from 54.1% and 57.5% to 53.6% and 55.5%, indicating a probable slowdown of recovery in manufacturing industries amid exports slump and profit squeeze. For service sector, PMI and new order index further rebounded from 55.6% and 54.7% in February to 56.9% and 58.5% in March, as population mobility, outgoing activity and social activity continued to recover. By sector, PMI in retail sales, railway transport, air transport, internet, banking and business service reached above 60% indicating strong sentiment in those sectors. PMI in construction rose from 60.2% in February to 65.6% in March thanks to strong infrastructure investment and improvement of property development investment.

Reflation pressure was low as ex-factory price index further declined. The ex-factory price index in manufacturing, construction and service sectors respectively dropped to 48.6%, 50.9% and 47.3% in March from 51.2%, 53.6% and 50.4% in February, respectively. Raw material purchase price in those sectors also declined in March, indicating cost relief.

Exports may have remained weak. New export order index dropped from 52.4% in February to 50.4% in March. The recent overseas banking sector turmoil will hurt consumer confidence and credit growth with additional downside pressure on global economy. China exports may remain weak in the short term. We expect China exports of goods to drop 3.5% in 2023 after rising 7% in 2022.

Employment was not strong as SMEs remained cautious on capex expansion. Employment index in manufacturing dropped from 50.2% in February to 49.7% in March as the manufacturing upgrade towards higher labour productivity indicates less labor demand. Employment index in service remained below 50% in March as SMEs were still cautious to expand capex. In March, PMI in small enterprises was 50.4%, much lower than 53.6% for large enterprises. To boost employment, China has to restore the confidence of private and small & medium businesses.

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➤ **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	Pricing	Issue Rating (M/S/F)
REC Ltd	USD	-	5yr	T+250	Baa3/-/BBB-
Shinhan Bank	USD	-	5yr	T+145	Aa3/A+/A

➤ **News and market color**

- Regarding onshore primary issuances, there were 93 credit bonds issued on last Friday with an amount of RMB74bn. As for Month-to-date, 93 credit bonds were issued with a total amount of RMB74bn raised, representing a 37.7% yoy increase
- Macau gaming revenue for Mar'23 rises 246.9% yoy to MOP12.74bn; 3M23 revenue up 94.9% yoy to MOP34.64bn
- **[AGILE]** Agile Group signed HKD2.3bn and USD 36.94mn two-tranche term loan facility agreement coordinated by HSBC
- **[CAPG]** China Aoyuan signed contractual arrangements with certain onshore financial institutions to extend maturity of over RMB30.7bn onshore financing arrangements; it signed offshore private notes standstill agreement and is effective on 31 Mar
- **[COGARD]** Country Garden signed HKD950mn three-year term loan facility agreement with Tai Fung Bank
- **[DAFAPG]** DaFa Properties HKEx share trading suspended pending publication of FY22 results
- **[DTGRHD]** Datang Group auditor PwC resigns, identifies issues in FY22 results audit; Prism Hong Kong and Shanghai to be appointed new auditor
- **[FTHDGR]** Fantasia Holdings extended consent fee deadline in relation to proposed offshore debts restructuring to 25 Apr
- **[FTLNHD]** Seazen Holdings said to apply for up to RMB15bn loans from Seazen Group; it proposes up to RMB17.8bn financial aid to project companies
- **[GZRFPR]** Guangzhou R&F Properties expects to record net loss of RMB15.5bn for FY22
- **[JIAYUA]** Jiayuan International unable to publish FY22 results by 31 March; share trading suspended
- **[MOLAND]** Modern Land (China) expects to publish FY21,1H22 and FY22 results no later than 30 Jun
- **[REDPRO]** Redco Properties delays publication of FY22 results
- **[SHIMAO]** Shimao Group Holdings delays publication of FY22 results
- **[SHNSUN]** Shinsun Holdings (Group) HKEx share trading suspended pending publication of FY22 results
- **[SINOCE]** Fitch downgraded Sino-Ocean two notches to B+; Media reported it has draws down RMB7bn from RMB130bn new credit lines; readies funds for RMB2bn due-24 April private notes
- **[SINOCL]** Sino-Ocean Capital hit by HK winding up petition from Great Wall

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