

CMBI Credit Commentary

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

- *Markets were quiet this morning. Asian IG space overall tightened 1-2bps. HRINTH rebounded 5-8pts since last Friday's downgrade. Other China AMCs were mostly unchanged. DALWANs down 1.5-4pts as there is a news that it is in talks of trust extension.*
- *LGFV: Fitch Ratings took negative rating actions on 11 LGFVs in past 2 months. The agency said it has concluded most negative rating actions in the portfolio for now. See below.*
- *CHINSC: China SEC remitted funds to repay USD500mn CHINSC 7.25 04/19/23. CHINSCs down 0.5 to 1pt this morning.*

❖ Trading desk comments 交易台市场观点

Last Friday, the tone on Asia IG remained constructive. IG spreads closed unchanged to 1-3bps tighter in general. In financials space, there were more sellers on bank senior notes but T2 space was under better buying for yield pick-up. China T2s such as BCHINA/ICBCAS tightened 3-5bps. In AMCs, Moody's downgraded HRINTH one notch to Baa3, with outlook stable. HRINTH curve was traded 20-40bps wider (1-2pts lower) post headline, and we also saw FMs selling on the AMCs peers. Elsewhere, Thai names such as BBLTBs/KBANKs tightened 5-10bps. In Korea/HK spaces, long-end low-beta papers were better bid. KDB/EIBKOR/HKAA grinded 1-3bps tighter. Chinese properties were largely subdued. COGARDs were marked 0.5-1.75pts higher. CHINSCs closed 0.5-1.25pts higher. China SCE announced that it has remitted funds and made full repayment of its due-Apr 2023 note. CIFIHG/AGILEs were down 0.5-1pt. KWGPROs were traded 1-1.5pts lower. In industrials, FOSUNs dropped another 0.5-3pts. AACTEC'31 was marked 1.5pts lower. Macau gaming names such as MPELs/SANLTDs/STCITYs were traded 0.5-2pts higher. In India space, VEDLNs gained another 0.5-2.25pts. Renewables such as GRNKENS/RPVINs were unchanged to 0.5pt higher. Indonesia names MEDCIJs/LMRTSPs indicated 0.25-0.5pt higher.

In the Perp/LGFV/Asia AT1 spaces, flows remained heavily skewed to better buying primarily on the back of inflow deployment from Chinese AMs. As broader IG absolute yield levels reaching quite low again given the YTD UST rally, clients continued to show their interests in SOE Perps and more so in LGFVs. We saw LGFVs/SOE Perps yielding 5%-handle were pretty much drained in 24s-26s. Investors then turned their eyes to higher-beta names (yielding from high-6% to 7%+), which were also subject to a very thin offer liquidity with only occasional small clips coming out of NBRM. The offers/loose bonds coming out were Shangrao/Changde and 23s LGFVs maturing in a few months. Most c23 Chinese AT1 were also flat at choice market. Elsewhere, HSBC/STANLN AT1s were marked 0.5pt higher. In short, we reckon that the market has come back to full 'asset shortage' mode now

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which were effectively trading at choice. Most c23 Chinese AT1 were also flat at choice market. Elsewhere, HSBC/STANLN AT1s were marked 0.5pt higher. In short, we reckon the market has come back to full 'asset shortage' mode now.

❖ Last Trading Day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
VEDLN 6 1/8 08/09/24	67.8	2.2	ZHONAN 3 1/2 03/08/26	80.6	-2.9
COGARD 6 1/2 04/08/24	80.6	1.8	FOSUNI 5.05 01/27/27	64.8	-2.9
STCITY 5 01/15/29	79.5	1.8	SHPORT 2 3/8 07/13/30	85.0	-2.0
VEDLN 9 1/4 04/23/26	65.6	1.7	HRINTH 3 7/8 11/13/29	70.6	-2.0
MPEL 5 3/8 12/04/29	85.2	1.6	FOSUNI 5 05/18/26	65.7	-1.7

❖ Marco News Recap 宏观新闻回顾

Macro – U.S. stock markets were weak on last Friday that S&P (-0.21%), Dow (-0.42%) and Nasdaq (-0.35%) all down. U.S. March retail sales retreated 1% mom, more than expected -0.4% mom. China's new home prices in 70 major cities rose 0.3%/0.5%/0.3% for Tier1/2/3 cities in Mar'23, respectively. The U.S. treasury yields edged up last Friday, the 2/5/10/30 yields reached 4.08%/3.60%/3.52%/3.74%, respectively.

❖ Desk analyst comments 分析员市场观点

➤ LGFV: Fitch Ratings took negative rating actions on 11 LGFVs in past 2 months

Fitch Ratings took negative rating actions on 11 LGFVs since mid-Feb. The rating agency mentioned that it had concluded most negative rating actions on the LGFV portfolio last Friday, yet it might take further action following the market development. Negative rating actions were taken on 9 LGFVs of Tianjing, Qingdao, Putian, Jimo and Jiaozhou, these followed the agency's assessment on a deterioration in the creditworthiness of their respective local governments. Remaining 2 negative rating actions on Kunming and Yinchuan LGFVs reflected Fitch's expectation on the LGFV's reduced likelihood of receiving extraordinary support from their sponsoring governments.

In end-Feb, Fitch revealed 10 provincial-level regions LGFVs more susceptible to refinancing pressures, including Tianjing, Yunnan, Gansu, Ningxia, Jilin, Guangxi, Liaoning, Qinghai, Heilongjiang and Guizhou. It only rates those LGFVs in first 6 regions among the 10 in the list. See below table for the list of negative actions and rationale summarized on the 11 LGFVs.

Many of the LGFVs rely on the revenue from land sales due to their nature as financing vehicles of the local governments. Impacted by the weak sentiment of the property market, LGFV will need to raise more debts to refinance the existing dues and this will further increase their leverage, which in turns, increase the burden of respective local governments. This will also impact the ability of these government to support its LGFVs. Besides, Jilin, Gansu and Tianjing are among the provinces with highest local government debts by % of total local GDP. We will not be surprised to see more rating downgrades on the LGFVs in these provinces in 2H23.

	Company	Ticker	Local government	Rating	Rating action taken	Rationale	Action date
1	Tianjin Rail Transit Group Co., Ltd.	TJRTGC	Tianjin Municipal	BBB+	Outlook on negative	Revision of assessment of the creditworthiness of Tianjin	02/20/23
2	Jimo District Urban Tourism Development and Investment Co. Ltd.	JIMOTM	Jimo District	BBB-	On rating watch negative	Change in perception of Jimo District's ability to provide support	02/21/23
3	Jimo District Urban Development Investment Co.,Ltd.	JMUDIV	Jimo District	BBB-	On rating watch negative	Change in perception of Jimo District's ability to provide support	02/22/23
4	Qingdao China Prosperity State-owned Capital Investment Operation Group Co., Ltd	QDHTCO	Qingdao Municipal	BBB	Outlook on negative	Revision follows a change in outlook of the Qingdao	02/24/23
5	Qingdao Conson Development (Group) Co., Ltd.	CONSON	Qingdao Municipal	BBB+	Outlook on negative	Revision follows a change in outlook of the Qingdao	03/06/23
6	Qingdao City Construction Investment (Group) Limited	HKIQCL	Qingdao Municipal	BBB+	Outlook on negative	Revision follows a change in outlook of the Qingdao	03/07/23
7	Qingdao Haifa State-owned Capital Investment And Operation Group Co., Ltd	QDWCDG	Qingdao Municipal	BBB-	Outlook on negative	Revision follows a change in outlook of the Qingdao	03/07/23
8	Putian State-Owned Assets Investment Co., Ltd.	PUTSTA	Putian Municipal	BB+	Outlook on negative	Revision follows a change in outlook of the Putian	03/07/23
9	Qingdao Jiaozhou Bay Development Group Co., Ltd.	QDJZWD	Jiaozhou Municipal	BB+	Downgraded from BBB-	Change in perception of Jiaozhou Municipal's ability to provide support	04/03/23
10	Yinchuan Tonglian Capital Investment Operation Group Co., Ltd.	TLINVT	Yinchuan Municipal	BB-	Downgraded from BB, rating watch negative	Decreasing flexibility in refinancing debt	04/05/23
11	Kunming Industrial Development & Investment Co. Ltd.	KNMIDI	Kunming Municipal	BB-	Downgraded from BB, rating watch negative	Decreasing flexibility in refinancing debt	04/13/23

Source: Fitch Ratings.

➤ Offshore Asia New Issues (Priced)

Issuer/Guarantor	Size (USD mn)	Tenor	Coupon	Yield	Issue Rating (M/S/F)
Jinan Energy Group	210	364d	6.0%	6.0%	-/-/-

➤ Offshore Asia New Issues (Pipeline)

Issuer/Guarantor	Currency	Size (USD mn)	Tenor	Pricing	Issue Rating (M/S/F)
CK Hutchison	USD	-	5/10yr	-	-/-/-
Kookmin Bank	USD	-	5yr	T+135	Aa3/A+/-
Sumitomo Mitsui Finance&Leasing	USD	-	5yr	-	-/A/-

➤ News and market color

- Regarding onshore primary issuances, there were 0 credit bonds issued yesterday with an amount of RMB0bn. As for Month-to-date, 770 credit bonds were issued with a total amount of RMB849bn raised, representing a 38.3% yoy increase
- **[CHINSC]** China SCE Group remitted funds for repayment of USD500mn CHINSC 7.25 04/19/23
- **[CHJMAO]** China Jinmao issued RMB2.5bn three-year MTNs with 3.6% coupon rate
- **[CPDEV]** Beijing Capital Group proposes to offer up to RMB1bn three-year bonds to repay debts
- **[FOSUNI]** Moody's withdrawn Fosun International's B2 ratings due to insufficient information
- **[FUTLAN]** Seazen Holdings schedules RMB610.4mn payment for 21XinchengkongguMTN001 notes on 21 Apr
- **[HRINTH]** Moody's downgraded Huarong AMC to Baa3 and placed stable outlook
- **[HYDOO]** Guangdong–Hong Kong Greater Bay Area Holdings proposed exchange offer for its two due 2023 USD bonds totaled USD340.8mn
- **[REDSUN]** Redsun Properties does not expect to pay USD455mn REDSUN 9.7 04/16/23 on maturity date
- **[RISSUN]** RiseSun delayed deadline for reply to Shenzhen bourse inquiries regarding up to RMB3bn private placement
- **[RPVIN]** Moody's affirmed ReNew Power's Ba2 rating
- **[SHIMAO]** Shanghai Shimao unit seeking deferred payment of RMB700mn ABS
- **[SHNSUN]** Shinsun Holdings (Group) appointed CEO as new Board Chairman after passing away of former Chairman Chen
- **[ZHLGHD]** Zhongliang Holdings does not expect to pay totaled USD424.4mn ZHLGHD 8.75 04/15/23 and ZHLGHD 12 04/17/23 on maturity date
- **[ZYAMCL]** Zhongyuan Asset Management issues RMB500mn three-year MTNs to repay debts

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