

CMBI Credit Commentary**Fixed Income Daily Market Update 固定收益部市场日报**

- *Markets were weak this morning. Asian IG overall widened 10-20bps. HSBC AT1 down c10pts as a result of CS AT1 write down. China AT1 were relatively firmer with c2pts lower and we saw active buying flows when the price down.*
- **LNGFOR:** *Resilient FY22 results; Buy LNGFORs. LNGFORs moved -0.5 to +0.5pt this morning. See below.*
- **HRINTH:** *China Huarong expects around RMB27.6bn FY22 net loss on decline in fair value of certain equity financial assets and higher provisions for credit impairment losses. HRINTHs down 0.25 to 1pt by mid-day.*

❖ Trading desk comments 交易平台市场观点

Asia IG space opened unchanged to marginally firmer last Friday. UST yields climbed 5-20bps across the curve on Thur night. CS's spillover and ECB's 50bps hike made market reassess global rates outlook. Into close, China announced to cut RRR by 25bps. China SOEs were a touch stronger. HAOHUA 29s/30s tightened 5-8bps. TMTs generally edged 1-5bps tighter. TENCNT 31s/BABA 31s tightened 2-4bps to T+160 and T+167, respectively. In China financials, T2s CCB 29s/30s were still traded flat at recent wide. BNKEA 6.75 27 were marked another 30bps wider. Thai T2s also marched another 5-10bps wider. Elsewhere, Korean corp HYUELE 33s tightened 8bps. China property space were largely sideways except for CENCHI which moved 1-2pts lower. That said, we were told that CENCHI had cured the missed coupons. ROADKG 24 dropped 2.5pts and rest of ROADKGs were down 0.5pt. SINOCES were down 0.5pt and AGILEs lowered 0.5-1pt. Macau gaming names MPELs/SANLTDs/WYNMACs were marked 0.5-1.5pts higher. Indian space was muted. VEDLNs drifted 0.5-1pt lower while renewables remained firm. Indonesian names LPKRIJs were down 0.25-0.75pt. Moody's affirmed Lippo Karawaci's rating at B3 and downgraded its bond rating to Caa1 from B3. MEDCIJs were up 0.5-1pt.

In the Asia AT1/Perp/LGFV spaces, sentiment was overall calm as market digested the CS development and looked forward to coming Wed's FOMC after the ECB's 50bps hike. In AT1 space, the HSBC 8 Perp was actively traded higher again to 99-handle, before coming down back to =<98 after London entered. Flows on the HSBC AT1 remained better buying from regional PBs/AMs versus selling from Europe. Rest of Asia AT1s were largely stable. Perps had an upbeat session with more active mixed flows. SOE names were generally better bid. CTIH 6.4 outperformed to close at 101.625. SPICPT/CHCOMU/CHALUM perps performed strong after China's 25bps RRR cut. Meanwhile, we saw better selling flows in CNSHAN and HKCGAS but bids remained resilient. HYSAN and ZHHFGR were under better buying.

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LGFVs were mixed, with bonds coming out of high-beta front end papers GXFING/SHARAO/GSHIAV, but they were digested fairly well by PB and cash parking demand. We saw clients looking to park cash also sought after offers in front end quality names YWSOAO/HZCONI/JXCCMZ.

❖ Last Trading Day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
ZHHFGR 4 1/4 PERP	93.7	1.9	ROADKG 5.2 01/12/26	75.6	-2.4
YANTZE 3.2 10/16/49	75.2	1.8	ROADKG 7 PERP	63.9	-1.9
CITLTD 4.6 04/14/35	93.0	1.7	EHICAR 7 09/21/26	70.3	-1.6
CITLTD 4.85 04/25/46	95.0	1.7	CENCHI 7 1/4 04/24/23	51.7	-1.4
MPEL 5 1/4 04/26/26	89.2	1.4	CENCHI 7 3/4 05/24/24	28.5	-1.2

❖ Marco News Recap 宏观新闻回顾

Macro – U.S. stock markets turned to down on last Friday, S&P (-1.10%), Dow (-1.19%) and Nasdaq (-0.74%) were weak amid market worries about banking sector risk. The University of Michigan's March index of consumer sentiment released as 63.4, down from 67 in Feb. China PBOC cut RRR by 25bps, the average weighted RRR of financial institution is 7.6% after the cut. The U.S. treasury yields overall dropped last Friday, the 2/5/10/30 yields reached 3.81%/3.44%/3.39%/3.60%, respectively.

❖ Desk analyst comments 分析员市场观点

➤ LNGFOR: Resilient FY22 results; Buy LNGFORs

Longfor delivered resilient FY22 results last Friday. Total contract sales in FY22 amounted to RMB201.6bn with 13.05mn sqm GFA sold. Revenue and core net profit both increased, by 12.2% yoy to RMB250.6bn and 0.5% yoy to RMB22.5bn respectively. Its profit margins, despite declined yoy, are also more resilient compared to that of peers; gross profit margin at 21.2% and core net profit margin at 12.3%. The better than peers' financial performance was supported by the growth in recurring rental and property services businesses as their margins are higher than the margin of property development. The total revenue contribution from these two recurring segments increased by 1% yoy to 9.4% also help to offset the declining margin of property development.

There is no guidance on sales or cash flow target in 2023. The company acquired 34 land parcels in FY22 to replenish the saleable resources in higher tier cities. Compared to FY22, the FY23 saleable resources in tier 1 (including HK) and leading tier 2 cities increased to 56% from 50%. The 2M23 contract sales amount to RMB18.4bn, up 40% yoy.

The financial position was solid at Dec'22. Total cash balance at RMB72.6bn, cash to short-term debt at 3.52x and 3 red lines are all in green camps. Longfor expects to maintain the total debt level at RMB208bn in FY23 and continues to optimize its debt structure, including to increase the portion of onshore bank financing. The company is able to obtain ongoing funding via bond issuance and bank financing, funding channels remain diverse. In particular, the company issued 4 onshore bonds totaling RMB5bn (in which RMB500mn issued May'22 with CDS), two CBICL-guaranteed MTNs (RMB1.5bn in Aug'22 (first issuance in real estate sector) and RMB2bn in Nov'22), as well as an offshore loans under onshore guarantee of RMB700mn in Dec'22. For offshore dues, there is no offshore USD bonds maturity until 2027. Maturities in HKD will be cHKD10bn in 2023 (after the early repayment of syndicated loan HKD5.1bn in Oct'22) and cHKD15bn in 2024. The offshore maturities are manageable, in our view.

The price of LNGFORs are 6-9pts lower since mid-Feb. At a high single digit yield, while its IG rating (M/S/F: Baa2/BBB-/BBB) remain intact, we see the low cash prices are better entry points and recommend buy on LNGFORs. LNGFORs are also low-beta IG plays with better carry than peers such as China Jinmao, Vanke, China Overseas Land and China Resources Land.

	Px (mid)	YTM (% , mid)	Amount o/s (USDmn)
LNGFOR 3.375 04/13/27	83.6	8.2	245
LNGFOR 4.5 01/16/28	83.9	8.7	500
LNGFOR 3.95 09/16/29	76.9	8.7	850
LNGFOR 3.85 01/13/32	72.1	8.4	400
Total			1995
CHIOLIs		5.0-5.8	
CHJMAOs		6.3-9.3	
CRHZCHs		5.0-8.4	
VNKRLEs		6.0-6.7	

Source: Bloomberg

➤ Offshore Asia New Issues (Priced)

Issuer/Guarantor	Size (USD mn)	Tenor	Coupon	Yield	Issue Rating (M/S/F)
Zhangzhou Transportation Development Group Co Ltd	125	364d	6.28%	6.28%	-/-/-

➤ 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 79 credit bonds issued last Friday with an amount of RMB75bn. As for Month-to-date, 1,407 credit bonds were issued with a total amount of RMB1,202bn raised, representing a 11.3% yoy increase
- [ADEIN]** Media reported that Adani Group seeks to refinance USD1.15bn overseas bonds for Adani Ports, Adani Green Energy via private placements
- [AGILE]** Agile Group unit proposes to offer up to RMB1.2bn (cUSD174.62mn) two-year corporate bonds to repay debts
- [COGARD]** Country Garden announced that it is still in the process of application for issue up to RMB18.6bn (cUSD2.7bn) onshore bonds

- **[DAFAPG]** DaFa Properties may not be able to publish the 2022 annual results on or before 31 Mar
- **[EVERRE]** Media reported that China Evergrande is closer to a restructuring deal with its offshore bondholders and it has received creditor support for restructuring
- **[HRINTH]** China Huarong expects around RMB27.6bn FY22 net loss on decline in fair value of certain equity financial assets and higher provisions for credit impairment losses
- **[LPKRIJ]** Moody's affirmed Lippo Karawaci B3 CFR and downgraded bond ratings to Caa1
- **[REDSUN]** Redsun Properties expects to get RMB3-4bn loss for FY22
- **[SHIMAO]** Media reported Shanghai Shimao Jianshe extends voting deadline for holistic domestic bond restructuring to 23 Mar
- **[TPHL]** Times China expects to record net loss of up to RMB10bn for FY22
- **[YXREIT]** Yuexiu REIT to issue RMB1.5bn 4.15% guaranteed notes due 2026 for refinancing

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