

## CMBI Credit Commentary

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

- *Markets was upbeat this morning. New issue HKAA tightened several bps then we saw profit taking near noon. Rest of space was also better buying, there was demand on active traded LGFV, SOE names with higher than 6% yield.*
- **Asia Credit outlook 2023 – After dawn:** *We have published a 2023 Outlook for Asia Credit. See below.*
- **China properties:** *Chinese authorities extend measure to support real estate sector via mortgage rate easing. See below.*

#### ❖ Trading desk comments 交易台市场观点

Yesterday, UST drifted 2-4 bps wider but China IG space remained firm with strong cash deployment need across the street. Primary side was very busy, as market priced USD9.5bn bonds on the day, across EIBKOR, HKINTL and INDON. In secondary market, new HKINTL 53s were lifted 50bps tighter from T+145 to close T+90 level. New EIBKOR 5/10y managed to tighten 20bps while 3y touched inside reoffer, with bank and local accounts chasing for duration. Financials space was 2-3bps tighter on active two-way flows. Bank names BOCHKL/CMHI/ CNBG were under better buying. T2 benchmarks CCBs were 3-6bps tighter. TMTs were still active but relatively stable from the rally on Wednesday, with BABA/TENCNT tightened 2-4bps. BIDU/MEITUA/XIAOMI were also 4-7bps tighter. IG properties like LNGFORs marched 1.5-2.5pts higher and CHJMAO 4.875 Perp was marked another 10pts higher to reach 90 level, after jumping 9pts yesterday. China HY had a super solid session again. SINOCEs were 4-8pts higher again. COGARDs were up 1.5-3.5pts, with long end papers reached mid-60s. FUTLANs/FTLNHDs were quoted 1.5-3.5pts higher at around mid-80s and lost further momentum there. Beaten names AGILEs/CENCHIs gapped up 5-9pts with all buyers around. CHINSCs were marked 7.5-10.5pts higher with its 23-24s under FM/PB chasing. Elsewhere, GRNLGRs/ROADKGs were traded up 1-4pts amid the boosted sentiment. In industrial space, FOSUNI 25-27s/HONGQI 24-26s edged up 0.5-2pts. Macau gaming space was a bit quieter. MPELs/WYNMACs were up 0.5-1pt, STCITYs were traded 1.5-3.5pts higher. Away from China, Indian HYs like VEDLNs/GRNKENs were unchanged to 0.5pt higher. In Indonesia, LMIRTs continued to gain 1.5pts and LPKRIJ ended 2.5-5pts higher. KIJAIJs were also well bid. INDON 33N /53N gained around 0.25pt /1.25pt, respectively.

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In the LGFV/SOE Perp/AT1 market, sentiment remained super strong as flows skewed heavily to better buying. Market spotlight was naturally on new issues early morning with 10y and 30y tranches leading the rally up to 2-6pts higher in cash price terms as duration in high-grade papers continued to be aggressively chased after. Indeed new issues have become about the only way for clients to load risks in meaningful sizes, as offer side liquidity remained extremely thin in existing papers. It is also worthy to mention that the LGFVs had a sudden surge in demand for high-beta/ high-yielding/ weak names that nobody wanted usually, thanks to inflows and re-leveraging mainly among cross-border Chinese accounts. Nonetheless, little did the laggard chasers know that even if there was any offer, real trading levels could be 3-5pts higher than what was on screen such as in the case of ZHHFGR. That said, as yields continued to compress toward funding/ hurdle levels, we envisage that valuations are drifting away from fundamentals. And it remains to be seen how long will the rally sustain amid the expected flurry of primary supply in the coming week. Overall, we saw onshore RM actively looking for CQNANA/GZINFU 26s. SOE space tightened 3-5bps, while AT1s performed stable with light volume balanced flows.

#### ❖ Last Trading Day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
CHJMAO 4 7/8 PERP	91.5	10.7	PCGIHD 4 1/2 08/23/26	87.0	-4.0
AGILE 5 1/2 05/17/26	57.8	10.5	CHJMAO 6 PERP	81.3	-2.8
CHINSC 7 3/8 04/09/24	62.8	9.9	BTSDf 5 5/8 10/24/24	86.1	-1.8
CENCHI 7 1/4 04/24/23	53.2	8.9	ZHHFGR 4 1/4 PERP	86.7	-1.7
SINOCE 3.8 04/26/25	88.9	7.8	ZHLGHD 8 3/4 04/15/23	14.0	-1.5

#### ❖ Macro News Recap 宏观新闻回顾

**Macro** – U.S. stock markets were weak yesterday, S&P (-1.16%), Dow (-1.02%) and Nasdaq (-1.47%) down due to Dec strong ADP data. The U.S. Dec ADP was 235k and higher than expectation of 182k, the resilient labor market causes worry about inflation and further interest rate hike. The U.S. treasury yields movement were divergent that short term yields edged up while long term yields down. The 2/5/10/30 yields curves reached 4.45%/3.90%/3.71%/3.78%, respectively.

#### ❖ Desk analyst comments 分析员市场观点

##### ➤ Asia Credit outlook 2023 - After dawn

##### Executive Summary

- A horrendous year in 2022! ACIG and ACHY posted return of -12.3% and -19.9%, respectively. Asia HY corps notably underperformed those of other EMs while Asian IG corps out-performed. The weak sentiment also led to significant drop in new issuance. The gross issuance in 2022 in Asia ex JP decreased 52% to USD165.1bn, the lowest since 2014. Indeed, the net issuance in 2022 was negative USD105.2bn. 2022 is the first negative net issuance year for Asia ex JP USD bond market since 2008.
- Looking ahead, we expect the Asian ex JP credit market to perform notably better after 2 successive years of marked correction. We envisage credit fundamentals to rebound off the lows with the re-opening of China. In terms of valuation, we see a sufficient margin of safety in general for Asian ex JP credits at current levels. We also see more supportive technical as fund flow situation turned more favourable. The US rate hikes and the strength of USD will likely be moderating and these should be more supportive for EMs to perform. That said, we should be aware of near-term volatility resulting from the spike in COVID cases and death toll resulting from the reopening of China (including HK and Macau), the non-consensual

view on the UST rate hikes which will remain sensitive to data such as CPI, NFP and global economic outlook. CMBI research expects a mild recession in the US economy starting from 2Q23.

- Under this backdrop, our picks are:-

**AMCs:** HRINTH 4.25 PERP, HRINTH 5.5'25, CCAMCL 4.4 PERP, CCAMCL 4.375'25, GRWALL 3.95 PERP.

**AT1s:** BCHINA 3.6 PERP, ICBCAS 3.58 PERP, DBSSP 3.3 PERP, UOBSP 3.875 PERP, SHINFN 5.875 PERP, KBANK 5.275 PERP, KBTBTB 4.4 PERP.

**Car rentals:** CARINC and EHICAR. We prefer CARINC despite its higher cash price given CARINC's more resilience operating performance.

**Chinese properties:** CHJMAO, CSCHCN, DALWAN, GRNCH, HPDLF, LNGFOR, SEAZEN, VNKRLR and YLLGSP.

**Corp perps:** PCORPM 4.6 Perp, UPLLIN 5.25 Perp, NWDEVL 6.15 Perp and NWSZF 5.75 Perp. Our picks are on perps with reset/high coupon step-up, as well as chance of buy-back/tender offer.

**LGFVs:** Prefer short-dated bonds from stronger regions such as SHUGRP 4.3'23, HKIQCL 3.99'23, HZCONI 3.15'23 and YWSOAO 3.15'23.

**Macau gaming:** Conviction is lower after the recent strong performance. We prefer MPELs and STCITYs within the Macau gaming sector.

**SE Asia commodities and renewables:** Our picks are GRNKEN, INDYIJ 8.25'25, SAKAEI 4.45'24, VEDLNs, especially short-dated and secured VEDLNs such as VEDLN 23s, secured VEDLN'24 and 25.

**TMTs:** Short-dated yield plays through "busted" CBs. Our picks are PDD 0'25 and XIAOMI 0'27. Both PDD and Xiaomi were in net cash position as at Sep'22.

Table 1: Summary of our picks

Sector	Ticker/Bonds	Price	YTM (%)	YTC (%)	YTP (%)	Next Call/ Put date
AMCs	HRINTH 4.25 PERP	77.5	-	13.7	-	30 Sep'25
	HRINTH 5.5 01/16/25	95.6	7.6	-	-	-
	CCAMCL 4.4 PERP	91.1	-	6.8	-	11 Mar'26
	CCAMCL 4.375'25	96.6	6.0	-	-	-
	GRWALL 3.95 PERP	93.4	-	8.0	-	31 Jul'24
AT1s	BCHINA 3.6 PERP	96.1	-	5.3	-	4 Mar'25
	ICBCAS 3.58 PERP	95.5	-	5.2	-	23 Sep'25
	DBSSP 3.3 PERP	93.1	-	6.5	-	27 Fed'25
	UOBSP 3.875 PERP	97.5	-	6.6	-	19 Oct'23
	SHINFN 5.875 PERP	98.4	-	7.5	-	13 Aug'23
	KBANK 5.275 PERP	95.2	-	6.9	-	14 Oct'25
	KTBTB 4.4 PERP	89.1	-	8.0	-	25 Mar'26
Car rentals	CARINC 9.75 03/31/24	89.7	19.6	-	-	-
	EHICAR 7.75 11/14/24	68.9	30.9	-	-	-
	EHICAR 7.0 09/21/26	61.7	22.8	-	-	-
Properties	CHJMAO	72.8-92.6	8.4-10.9	-	-	-
	CSCHCN	61.1-67.3	39.1-45.8	-	-	-
	GRNCH	88.8-99.0	6.3-10.9	-	-	-
	VNKRLE	79.2-99.4	6.2-7.8	-	-	-
	DALWAN	89.5-98.2	16.1-18.5	-	-	-
	FUTLAN/FTLNHD	67.3-97.9	13.4-23.2	-	-	-
	HPDLF	81.3-87.8	21.2-23.7	-	-	-
	LNGFOR	68.2-82.1	9.0-9.5	-	-	-
	YLLGSP	83.7-99.3	9.0-11.1	-	-	-
Corp Perps	NWSZF 5.75 PERP	97.1	10.3	-	-	31 Jan'24
	NWDEVL 6.15 PERP	92.4	9.7	-	-	16 Mar'25
	PCORPM 4.6 PERP	92.2	20.8	-	-	19 Jul'23
	UPLLIN 5.25 PERP	71.4	21.1	-	-	27 Feb'25
LGFV	SHUGRP 4.3 05/08/23	97.3	12.61	-	-	-
	HKIQCL 3.99 04/27/23	98.9	8.22	-	-	-
	HZCONI 3.15 07/30/23	98	6.81	-	-	-
	YWSOAO 3.15 08/11/23	97.8	7.08	-	-	-
Macau gaming	MPEL	83.6-92.6	8.3-9.6	-	-	-
	STCITY	73.4-86.9	11.2-12.5	-	-	-
SE Asia commodities and renewables	GRNKEN	84.1-99.7	7.7-8.8	-	-	-
	INDYIJ 8.25 10/22/25	98.9	8.7	-	-	-
	SAKAEI 4.45 05/05/24	95.9	7.8	-	-	-
	VEDLN	63.8-94.9	23.5-38.6	-	-	-
TMTs	PDD 0 12/01/25	94.9	-	-	5.8	1 Dec'23
	XIAOMI 0 12/17/27	82.3	-	-	6.7	17 Dec'25

Sources: Bloomberg.

See our report: <https://www.cmbi.com.hk/article/7705.html?lang=en>

➤ **China properties: Chinese authorities extend measure to support property sector via lowering/dropping minimum mortgage rate**

Cities are allowed to lower or drop the minimum mortgage interest rate for the first home purchase, if the new home prices fall for three months consecutively both on a MoM and YoY basis. Starting from Dec'22, the local governments could perform assessment on the home prices every quarter end, i.e. Sep-Nov'22 prices for the Dec'22 assessment, Dec'22-Feb'23 prices for Mar'23 assessment, etc. If the new home prices do not drop for three consecutive months, minimum national interest rate should be applied for the first home mortgage.

This is another policy initiative stimulating the demand side for residential property, after the personal income tax refund announced by MOF and PBOC lowered personal housing provident loan interest rate, both on 30 Sep'22. Based on the statistic released by NBS in Nov'22, 51 out of 70 major cities recorded MoM decrease in new home prices, in which tier 1/2/3 cities record MoM increase/decrease/decrease respectively. During Sep'22 to Nov'22, 38 out of 70 cities meet the criteria to lower or drop the minimum mortgage rate.

We filtered seven tier 2 cities from 38 qualified cities, and listed top 3 developers (by contract sales in 11M22) in each city:

City	Province	Top 3 developers
Dalian	Liaoning	Poly Development, <b>Dalian Wanda</b> , China Overseas
Shenyang	Liaoning	<b>Longfor</b> , <b>Vanke</b> , China Resources
Tianjin	Tianjin	China Overseas, Sino-Ocean, <b>Vanke</b>
Wuhan	Hubei	Wuhan Urban Construction, Hubei United Investment, <b>Vanke</b>
Wuxi	Jiangsu	Wuxi Xincheng Group, C&D International, <b>Vanke</b>
Xiamen	Fujian	Xiamen ITG, C&D International, Poly Development
Zhengzhou	Henan	China Resources, <b>Vanke</b> , Poly Development

*Note: Bold names are our recommended developers in our 2023 Outlook.*

*Source: NBS, China Index Academy, CRIC.*

We view the new measure is a more dynamic approach towards the mortgage rate setting, taking into account of contracted sales and home prices trend at city level, and this shall bring more noise to tier 2/3 cities. Nonetheless, we view timely completion and deliveries track record is more vital in reviving the home sales via regaining the confidence of potential new buyer towards the property market.

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

Issuer/Guarantor	Size (USD mn)	Tenor	Coupon	Yield	Issue Rating (M/S/F)
Asian Development Bank	3,500	3yr	4.25%	SOFR MS+29	Aaa/AAA/AAA
Asian Development Bank	2,000	10yr	4.0%	SOFR MS+60	Aaa/AAA/AAA
Airport Authority (HKAA)	500	3yr	4.875%	T+70	-/AA+/-
Airport Authority (HKAA)	1,000	5yr	4.75%	T+90	-/AA+/-
Airport Authority (HKAA)	700	7yr	4.875%	T+115	-/AA+/-
Airport Authority (HKAA)	800	10yr	4.875%	T+125	-/AA+/-

### ➤ Offshore Asia New Issues (Pipeline)

Issuer/Guarantor	Currency	Size (USD mn)	Tenor	Pricing	Issue Rating (M/S/F)
Chengdu Sino French Ecological Park Investment Development	USD	-	3yr	6.5%	-/-
Woori Bank	USD	-	3/5yr	-	-/-

### ➤ News and market color

- Regarding onshore primary issuances, there were 64 credit bonds issued yesterday with an amount of RMB66bn. As for Month-to-date, 172 credit bonds were issued with a total amount of RMB158bn raised, representing a 1.5% yoy decrease
- **[FOSUNI]** Fosun International announced to sell equity interest in four mining and steel companies for RMB6.7bn
- **[GRNLGR]** Greenland schedules interest payment for RMB1bn 21Lvdi01, 21Lvdi02 bonds on 9 Jan
- **[JIAYUA]** Jiayuan further extends the expiration deadline in relation to its exchange offer and consent solicitation to 6 Feb'23
- **[LPKRIJ]** Moody's changed Lippo Karawaci's rating outlook to stable from positive and affirmed B3 ratings
- **[RPVIN]** Media reported that Thailand PTT restarts talks to acquire 49% stake in ReNew Power's solar assets with up to USD1.75bn
- **[SHIMAO]** Shanghai Shimao got one-year extension for RMB500mn due 9 Jan'23 notes 20HushimaoMTN001

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