

CMBI Credit Commentary

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

- *Markets were relatively stable ahead of tonight CPI data. For Asian IG space, HAOHUA and SINOCH were firstly traded 10bps wider due to potential sanction risk then narrowed to 5bps wider by opportunistic buying flow. We also saw some buying interests on SOE Perps at mid-5%.*
- **Chinese Properties:** *Contracted sales remained weak in Jan'23, around 20 cities lowered mortgage interest rate for first home purchase. See below.*
- **KWGPRO/PWRLNG:** *Both companies cured missed Jan'23 coupons within grace period. KWGPROs were unchanged to -0.25pt and PWRLNGs down 0.25-0.5pt by mid-day.*

❖ Trading desk comments 交易台市场观点

Yesterday, we saw the softening tone extended in broader Asia IG space amid limited liquidity, with investors awaiting for crucial CPI number on Tuesday. Recent new issued KDB 5/10y tightened by 2bps to T+63/T+82 level, and WSTPNZ 28s also edged 2bps tighter. Flow wise, belly to front end IGs still had better demand across China/Korea names and we saw selling more focused on the 10y papers. Chinese SOEs/TMTs were slightly subdued, HAOHUA widened 2-5bps. In TMTs, BABA/TENCENT longer-tenor papers grinded 1-3bps wider under some two-way trading. In Chinese financials, leasing papers like BOCAVI/ICBCIL were unchanged to 3bps wider. AMCs were around 5-10bps wider. Chinese HY property space was weaker. LNGFORs encountered better sellers on the long-end with 28-32s retreated 1-2pts in cash prices. Seazen initially underperformed after the company announced it is unable to contact its boards' vice-chairman Mr. Qu, but RM accounts and HF short coverings helped to stabilize the FUTLANs/FTLNHDs curves and close only 0.5-1pt lower. DALWAN curve also dropped 0.5-1pt post weekend's headline. Beta names like ROADKGs/SINOCEs were quoted 1.5-2.5pts lower. Lower-cash names like AGILEs/CENCHIs were also notably traded down 1-2pts. KWGPROs/PWRLNGs both cured missed coupons within grace period but curves were still marked down 0.5-1.5pts. LVGEM 23s were marked 2pts further higher to 90 level. Elsewhere, PCGIHDs were traded up 2pts. FOSUNI 24-27s dropped 1-3pts across the curve. Macau gaming names like MPELs/STCITYs were unchanged to 0.5pt lower. In Indian HYs, ADANIgS dropped 1.5pts after Moody's changed its outlook to negative last Friday. Rest of the Adani international bonds were largely unchanged to 0.5pt lower. VEDLNs were down another 0.5-1.5pts. Indonesian HYs LMRTSPs trended down 0.5pt

In the LGFV/Perp/Asia AT1 space, we saw the soft sentiment in the market carried over to this week as rates shot up further higher when market continued to price in high inflation/hawkish Fed. There was some jittery ahead of CPI and this translated to better selling flows in the Perp/AT1 spaces where bonds were generally 0.5-1pt lower. In SOE Perps we saw

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better selling in c24 sub perps from FM, but it was not hard for these papers to find support from RM at mid-5%. HUADIA perps were down 0.5pt. Non-SOE perp NWDEVL perps also drifted ~1pt lower. In AT1s, there were no longer short squeezed bids and instead offers continued to edge lower as loose bonds came out of less liquid issues like BOCOM/ BOCOHK. In LGFVs, we saw short squeezed bids stepped back for ~0.5pt, as clients' focus were mainly in the front end. That said, activities in LGFVs was more active from banks on back of the retracement in prices.

❖ Last Trading Day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
PCGIHD 4 3/4 10/28/24	95.5	2.1	FOSUNI 5.05 01/27/27	73.9	-3.0
LVGEM 12 03/10/23	90.0	1.9	FOSUNI 5 05/18/26	76.4	-2.7
NJYZSO 4 1/2 12/05/27	93.4	1.3	AGILE 6.05 10/13/25	56.2	-2.5
LEEMAN 5 1/2 PERP	94.9	1.1	SINOCE 4 3/4 01/14/30	64.9	-2.5
MINMET 4.95 07/22/26	91.1	1.1	CHINSC 7 3/8 04/09/24	56.2	-2.2

❖ Marco News Recap 宏观新闻回顾

Macro – U.S. stock markets rebounded yesterday, S&P (+1.14%), Dow (+1.11%) and Nasdaq (+1.48%) rose amid optimistic sentiment about tonight CPI data which is estimated as +6.2% yoy, decreasing from +6.4% in Dec'22. The U.S. treasury yields moved divergently yesterday that short-term yields climbed higher while long-term yields slightly down, 2/5/10/30 yields reached 4.52%/3.93%/3.72%/3.79%, respectively.

❖ Desk analyst comments 分析员市场观点

➤ Chinese Properties: Contracted sales remained weak in Jan'23

Due to the earlier Lunar New Year holiday compared with previous years and sluggish real estate market, the contracted sales of 38 developers under our radar were weak in Jan'23 that only 5 developers recorded yoy increase. Furthermore, the total contracted sales of 38 developers decreased 34.2% yoy.

Amongst the developers under our radar, outperformers in Jan'23 are YUEXIU (RMB8.9bn, +76% yoy), CENCHI (RMB2.9bn, +43% yoy) and CRHZCH (RMB16.0bn, +5% yoy). Underperformers are YLLGSP (RMB0.9bn, -91% yoy), LOGPH (RMB1.1bn, -88% yoy) and TPHL (RMB0.9bn, -88% yoy).

2023 YTD Sales (in RMB mn)

Company	CN Name	BBG Ticker	Jan	Jan'23 MoM Growth	Jan'23 YoY Growth	Jan'23 YTD Sales	Jan'23 YTD Sales Growth
Agile	雅居乐	AGILE	6,440	67%	-13%	6,440	-13%
Aoyuan Property	中国奥园	CAPG	660	94%	-66%	660	-66%
Central China Real Estate	建业地产	CENCHI	2,871	27%	43%	2,871	43%
China Jinmao	中国金茂	CHJMAO	10,000	-43%	0%	10,000	0%
China Overseas	中国海外发展	CHIOLI	13,188	-65%	-11%	13,188	-11%
China Resources Land	华润置地	CRHZCH	16,020	-68%	5%	16,020	5%
China SCE	中骏集团控股	CHINSC	3,051	-33%	-39%	3,051	-39%
China Vanke	万科企业	VNKRLE	28,630	-28%	-20%	28,630	-20%
CIFI Holdings	旭辉集团	CIFIHG	5,020	-22%	-41%	5,020	-41%
Country Garden (Attributable)	碧桂园	COGARD	22,010	0%	-39%	22,010	-39%
Dafa Properties	大发地产	DAFAPG	251	-24%	-75%	251	-75%
Dexin China	德信中国	DEXICN	2,340	-6%	-17%	2,340	-17%
Future Land	新城控股	FUTLAN/FTLNHD	5,776	-12%	-27%	5,776	-27%
Gemdale	金地集团	GEMDAL	9,210	-55%	-38%	9,210	-38%
Greenland Holding	绿地控股集团	GRNLGR	9,790	-56%	-18%	9,790	-18%
Greentown	绿城	GRNCH	13,500	-64%	-8%	13,500	-8%
Guangzhou R&F	富力地产	GZRFR	1,350	-34%	-71%	1,350	-71%
Hopson	合生创展	HPDLF	1,327	-70%	-56%	1,327	-56%
Jingrui Holdings	景瑞控股	JINGRU	342	-24%	-46%	342	-46%
KWG Property	合景泰富集团	KWGPRO	2,500	-34%	-40%	2,500	-40%
Logan Property (Attributable)	龙光地产	LOGPH	1,070	-49%	-88%	1,070	-88%
Longfor (Attributable)	龙湖集团	LNGFOR	7,220	-36%	3%	7,220	3%
Poly Real Estate	保利地产	POLYRE	29,500	-48%	4%	29,500	4%
Powerlong	宝龙地产	PWRLNG	2,040	-32%	-57%	2,040	-57%
Radiance	金辉控股	JNHUIG/RDHGCL	1,920	60%	-56%	1,920	-56%
Redco Properties	力高集团	REDPRO	1,323	-34%	-49%	1,323	-49%
Redsun	弘阳地产	REDSUN/HONGS	1,109	-6%	-72%	1,109	-72%
Ronshine China	融信中国	RONXIN	995	-7%	-85%	995	-85%
Shimao	世茂房地产	SHIMAO	4,510	-36%	-40%	4,510	-40%
Sino-Ocean	远洋集团	SINOCE	3,290	-70%	-27%	3,290	-27%
Sunac China	融创中国	SUNAC	7,230	-12%	-74%	7,230	-74%
Times Property	时代中国控股	TPHL	852	-46%	-88%	852	-88%
Yanlord	仁恒置地	YLLGSP	905	-85%	-91%	905	-91%
Yuexiu Property	越秀地产	YUEXIU	8,884	-60%	76%	8,884	76%
Yuzhou Properties	禹洲地产	YUZHOU	1,505	-17%	-67%	1,505	-67%
Zhenro Properties	正荣地产	ZHPRHK	1,356	-47%	-83%	1,356	-83%
Zhongliang	中梁控股	ZHLGHD	3,660	-9%	-56%	3,660	-56%

On 5 Jan'23, PBOC relaxed the minimum mortgage interest rate policy that allowing cities 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. There were 38 qualified cities at the time of policy publication and around 20 cities have lowered the mortgage interest rate as of today, including tier 2 cities like Wuhan, Tianjin and Xiamen. While lowering the mortgage interest rate may boost the real estate market, we view the contracted sales still need times to recover by taking reference from previous market cycles.

Tier 2 cities with mortgage rate adjustment:

City	Province	Mortgage rate adjustment	Top 3 developers in the cities
Shenyang	Liaoning	4.1%→3.9%	Longfor, Vanke, China Resources
Tianjin	Tianjin	4.1%→3.9%	China Overseas, Sino-Ocean, Vanke

Wuhan	Hubei	4.1%→3.9%	Wuhan Urban Construction, Hubei United Investment, Vanke
Wuxi	Jiangsu	4.1%→3.8%	Wuxi Xincheng Group, C&D International, Vanke
Xiamen	Fujian	4.1%→3.8%	Xiamen ITG, C&D International, Poly Development
Zhengzhou	Henan	4.1%→3.8%	China Resources, Vanke, Poly Development
Fuzhou	Fujian	4.1%→3.8%	C&D International, Xiamen ITG, Poly Development
Zhuhai	Guangdong	3.9%→3.7%	Huafa, Vanke, Poly Development

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

Issuer/Guarantor	Size (USD mn)	Tenor	Coupon	Yield	Issue Rating (M/S/F)
Huantaihu International	200	3yr	7.3%	7.3%	-/-/-

➤ **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 62 credit bonds issued yesterday with an amount of RMB73bn. As for month-to-date, 350 credit bonds were issued with a total amount of RMB372bn raised, representing a 337.9% yoy increase
- CBIRC asked national banks to provide the amount of loans affected by the wave of mortgage prepayment. Banks were also told not to put up hurdles to qualified customers prepaying their mortgages, as complaints about banks placing such restrictions has increased
- **[ADANIG]** Adani revenue's target half to between 15-20% and defer new CAPEX
- **[HONGQI]** China Hongqiao proposes to offer up to RMB1bn 1-year bills to repay debts
- **[JOHNEL]** Johnson Electric to hold bank presentation for USD400mn unsecured 5-year loan
- **[KWGPRO]** KWG cures missed 13 Jan and 14 Jan coupons on two offshore tranches
- **[LEEMAN]** Lee & Man Paper expects c60% drop in profit yoy for FY22 due to decrease in profit margin
- **[LMRTSP]** Lippo Malls says the distributions to unitholders and holders of perp may be negatively affected by recent Moody's downgrade
- **[LOGPH]** Logan's domestic bondholders said they have received up to RMB50k initial principal payment under the company's holistic restructuring
- **[MGMTGE]** Mongolian Mortgage Corp repurchases USD119mn of USD 250m 8.85% senior notes due 2024

- **[PWRLNG]** Powerlong cures missed 15 Jan coupons near the end of grace period
- **[SOFTBK]** Media reported SoftBank expected to raise cUSD907m via issue of 5-year straight bonds to individual investors
- **[SUNAC]** Sunac China obtained RMB51mn property development loan for residential project in Nanning
- **[TPHL]** Times China launches process seeking 30-day grace periods for its two domestic bond tranches with payments owed this month

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