

CMBI Credit Commentary

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

- *Market was rather muted as Chinese onshore buyers were out for the whole week. China HY has some short-covering and CIFIHG/COGARDs were marked 1-3pts higher this morning. SOE Perps/AT1s/T2s were unchanged by mid-day.*
- **China Economy:** *Growth remains weak in Sep-Oct before a gradual recovery. Maintaining the forecast on GDP growth at 3.5% for 2022 and 6% for 2023. See below for comments from our economic research.*
- **Macau Gaming:** *Gaming revenue was MOP2.96bn (cUSD368mn) and dropped 49.6% yoy in Sep'22. Total gaming revenue for 9M22 was MOP31.82bn (cUSD3.93bn), down 53.1% yoy.*

❖ Trading desk comments 交易平台市场观点

Last Friday, we saw opportunistic selling in IG space from RM with limited flows ahead of the quarter end. Financials space weakened 2-4bps with a sporadic widening in spread products. AT1s were unchanged to 0.25pt lower in the AM session, but were skewed to better buying into the afternoon with ICBCAS 3.2%'PERP outperforming thanks to dealers covering shorts. AMCs were 10bps wider on the back of beta move. T2s were relatively muted and we continued to see RM selling to raise cash. TMT sector was mixed, with BIDU/TENCNT/MEITUA tightened 2-10bps while BABA widened 5bps. IG properties like VNKRLs firmed up a bit on boosted sentiment amid news that central government allowed two dozen cities to relax the lower limit of first home loan mortgage rates. China HYs were unchanged to 1pt higher as we witnessed two-way flows between RM/Prop. COGARDs broadly bounced 4-8pts on short covering, after falling 3-5pts on Thursday. COGARD 6.15%'25 was also notably bid up 16pts by short-dealers, and was traded back at 45 level. CIFIHGs were unchanged to 1pt higher. Elsewhere, the belly of FUTLANs/FTLNHDs/GRNLGRs fell 2-4pts. Beaten-down names CENCHIs/CHINSCs were also 1-2pts lower. KWGPROs, exchange offer and consent solicitation completed, were traded unchanged at high-10s to low-20s. In non-property sector, FOSUNIs/HONGQIs strengthened 0.5-1pt. Gaming reflected a mixed tone as SANLTDs/WYNMACs were traded between -1 to +0.5pt. Ex-China HYs spaces were mixed. Indonesia HYs had small size retail demand. Whereas India HYs opened quieter as selling flows out of RMs reduced in size. Indian renewables RPVINs/GRNKENs were 0.25-0.75pt lower with small selling.

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The LGFV/SOE Perp spaces had a typical quiet quarter-end. Flows started off light before rebalancing selling flows from non-Chinese RM gradually picked up, whilst bid side liquidity was generally thin. In LGFVs, selling pressure was rather heavy as most onshore buyers stayed out ahead of National Day long holiday, whilst global RM continued to trim positions in the space. But again, short-dated high-yielding papers such as LZINVE'22 managed to be absorbed by the remaining onshore investors who were still trading, whilst most names beyond 24s found support very tough beyond short covering. We also saw better selling in Shandong Hi-speed name. CNSHAN 4.3%'Perp lost around 1.5pts following Caixin news about lost of contact of one ex-deputy GM, in light of RM trimming (might or might not be triggered by the headline though) and short sellers pushing. Elsewhere, SOE Perps/AT1s were actually mixed despite overall better selling flows in bonds, thanks to rates edging lower in the afternoon as well as a bit of dip buying from on-and-offshore Chinese NBRM. SOE/AT1 spaces were -0.25pts to +0.625pts on the day. Overall, SOE Perps still showed some support with demand while LGFVs had some sellers.

➤ Last trading day's Top Movers

Top Performers	Price	Change
COGARD 6.15 09/17/25	45.1	16.5
COGARD 8 01/27/24	44.8	7.8
COGARD 4 3/4 01/17/23	83.0	7.2
COGARD 6 1/2 04/08/24	40.5	6.2
COGARD 5 5/8 12/15/26	31.9	5.7

Top Underperformers	Price	Change
FTLNHD 6.8 08/05/23	66.4	-4.0
FTLNHD 4 5/8 10/15/25	33.7	-3.9
FUTLAN 6 08/12/24	44.1	-3.0
AIA 2.7 PERP	83.7	-3.0
GRNLGR 6 3/4 09/26/23	43.5	-2.8

➤ Macro News Recap 宏观新闻回顾

Macro – U.S. stock markets recorded another fall on last Friday. The S&P (-1.51%), Dow (-1.71%) and Nasdaq (-1.51%) down 9.3%, 8.8% and 10.5% in September respectively and showed the worst Sep performance since 2008. The U.S. consumer spending increases more than expected as 0.4% in August. The Fed's vice chair said the central bank will maintain higher interest rates to lower high level inflation. The U.S. treasury yields kept ascending and the yields curves bear steepened that 2/5/10/30 yield reaching 4.22%/4.06%/3.83%/3.79%, respectively.

❖ Desk analyst comments 分析员市场观点

➤ China Economy – Growth remains weak in Sep-Oct before a gradual recovery

China's PMI in manufacturing sector slightly rebounded as consumption of goods slowly improved. But the gauge in service sector noticeably declined as local governments tightened zero-Covid policy before the 20th Party Congress meeting amid an increase of new cases in some cities. Therefore, both retail sales and service output should have slowed in September. We expect economic growth should remain weak in October as the virus control policy remains strict before the meeting. The situation may gradually improve from late October especially in housing market and household consumption. Liquidity and credit policy should remain accommodative as China's economy should see a gradual resumption in 4Q22-2023. We maintain our forecast on GDP growth at 3.5% for 2022 and 6% for 2023.

Manufacturing PMI mildly rebounded. PMI in manufacturing sector rose from 49.4% in August to 50.1% in September, thanks to the stable growth of exports and slow resumption in consumption of goods. Food, beverage, medicine, non-metal mineral products, steel products and general equipment saw the most significant improvement as the indexes in those sectors all reached above 54% in September. The new order index for manufacturing rose from 49.2% in August to 49.8% in September yet remained in contraction range as demand was weak.

Construction PMI significantly improved. PMI in construction sector rose from 56.5% in August to 60.2% in September. The gauge for the civil engineering construction industry reached 61%, the highest in the past four months. It indicates the recent policy support for infrastructure projects has facilitated a strong expansion of infrastructure construction activity in China. But new order index in construction sector dropped from 53.4% in August to 51.8% in September, indicating a possible slowdown of new project starts in future.

Service PMI noticeably declined amid stricter zero-Covid policy. PMI in service sector dropped from 51.9% in August to 48.9% in September. Meanwhile, the new order index in service sector sharply decreased from 49.2% to 41.6%. By sector, retail sale trade, air transportation, accommodation, catering, and maintaining & repairing service experienced the most severe deterioration as PMIs in those sectors were all below 45%. The decline of service PMI is mainly due to stricter zero-Covid policy as new virus cases rebounded in some cities and it is close to the important political meeting. We note the mobility indicators like traffic congestion index and subway passenger flow noticeably declined. Therefore, both retail sales and service output may have slowed noticeably in September.

Slowdown of overseas demand while domestic demand remained weak. Exports order index dropped from 48.1% in August to 47% in September as overseas demand gradually slowed. Import index slightly rose from 47.8% to 48.1%, but was still in a contraction condition. Business continued to reduce inventory investment as inventory index of finished products and that of materials remained below 50%.

Material cost rebounded but inflation pressure remained low. Material cost index in manufacturing sharply rose from 44.3% in August to 51.3% in September. Ex-factory price index in manufacturing climbed from 44.5% to 47.1%, but was still below 50%. Ex-factory price index in service was also weak at 47.5% as service activity remained sluggish amid the zero-Covid policy.

Unemployment pressure still lingered. Employment indexes in manufacturing, construction and service reached 49%, 48.3% and 46.3% in September, compared to 48.9%, 47.7% and 46.7% in August.

China's growth remains weak in Sep-Oct and may gradually improve from November. China's economic growth declined in September and may remain weak in October, as local governments maintain stricter zero-Covid policy before the important political meeting. Mobility and service activity may gradually improve from late October. Housing market should be in a slow resumption trend in 4Q22-2023 as China maintains easing liquidity and credit policy. Household consumption may also gradually improve as employment, income and confidence slowly rebound amid a gradual easing of the zero-Covid policy next year. We maintain our forecast on GDP growth at 3.5% for 2022 and 6% for 2023.

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➤ Offshore Asia New Issues (Priced)

Issuer/Guarantor	Size (mn)	Tenor	Coupon	Yield	Issue Rating (M/S/F)
Jiangning Jingkai Overseas Investment Co., Ltd. (SBLC by Shanghai Bank)	USD93.5	364d	5.35%	5.35%	-/-/-
Korea Electric Power Corp	USD500	3.5yr	5.375%	T+120	Aa2/AA/-
Korea Electric Power Corp	USD300	5.5yr	5.5%	T+160	Aa2/AA/-

➤ Offshore Asia New Issues (Pipeline)

Issuer/Guarantor	Currency	Size (mn)	Tenor	IPG	Issue Rating (M/S/F)
No Offshore Asia New Issues Pipeline Today					

➤ Market conditions and color

- Regarding onshore primary issuances, there were 36 credit bonds issued last Friday with an amount of RMB19bn. As for Month-to-date, 1563 credit bonds were issued with a total amount of RMB1505bn raised, representing a 2.1% yoy decrease
- Macau's official data shows that Macau's gaming revenue was MOP2.96bn (cUSD366mn) and dropped 49.6% yoy in Sep, total gaming revenue for 9M22 was MOP31.82bn (cUSD3.93bn), down 53.1% yoy
- [CAPG]** China Aoyuan signed arrangements with onshore financial institutions to extend maturity of existing financing arrangements of over RMB23bn principal amount
- [CHINSC]** Media reported that China SCE has paid on time USD8.9mn coupon of its USD300mn CHINSC 5.95 09/29/24
- [CIFIHG]** S&P downgraded CIFI Holdings to B+ from BB- on thinning liquidity buffer and placed ratings on CreditWatch with negative implications; Fitch placed CIFI ratings on BB- and on rating watch negative
- [FOSUNI]** Moody's placed Fosun B1 rating on review for downgrade
- [FTLNHD]** Seazen holdings failed to resale and cancelled cRMB500mn 20Xinkong03 bonds
- [HRINTH]** China Huarong announced to repurchase some of its notes in open-market, and all repurchased notes will be canceled. The notes includes 22 USD bonds and 1 SGD bonds
- [KWGPRO]** KWG Group completes exchange offer, consent solicitation in relation to 7.875% senior notes due 2023, the remaining o/s amount is USD63.5mn
- [MOLAND]** Modern Land anticipates the restructuring effective date will occur on or before 7 Oct
- [SUNAC]** Sunac has remitted funds to Chinaclear for payment of 10% installment of RMB4bn 4.78% PRRongchuang01 onshore notes

- **[YIDCHL]** Yida China announced that it failed to pay USD3.45mn related to the consent solicitation of YIDCHL 6.0 04/30/2025

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