

CMBI Credit Commentary

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

- *Markets were quiet and cautious ahead of tonight's CPI. Asian IG widened 5-10bps and flows skewed to sell. AT1 got supported and HSBC, CTIH rose 0.1 to 0.5pt. We also saw demands on SOE Perps as rates down.*
- **AGILE:** *Shares transferred not related to the put of onshore bonds as per the company. AGILEs moved -0.75 to +1.5pts since 8 Mar'23. See below.*
- **China Policy – New cabinet seeks to restore business confidence.** *See below for comments from our economic research.*

❖ Trading desk comments 交易台市场观点

Yesterday, Asia IG space was volatile on the concerns of SVB contagion and expectation of policymakers to slow or even reverse the pace of rate hike. UST 2y yields plunged 60bps to 3.98% on Mon, and tightened 108bps from 5.06% since last Thu. IG spreads were 5-25bps wider across Asia space. Any reasonable bids in street just got aggressively hit. Flow-wise, buy-sell ratio was roughly 4:6 in the AM session and turned out to be one way selling in the PM session following the Treasury yields drastic drop. Financials space encountered aggressive selling from FM/panic sellers on the back of SVB headlines. Bank T2s broadly ended 10-25bps wider. CCB 32s were traded 20bps wider to T+106. BNKEA 26s/27s widened 20-25bps. China TMTs/SOEs widened 10-15bps amid two-way flows. TENCNT 30s/31s closed 8-15bps wider at T+174 and T+167, respectively. BBB tech names LENOVO 32s/MEITUA 30s widened 15bps. HAOHUA curve was traded 8-13bps wider, with HAOHUA 30 closed at T+ 220. Outside China, Korea and SG spaces were 5-15bps wider. We saw heavy selling on T2 space as well. China property space was subdued except state-owned names CRHZCH/POWINV 26s gained 2pts. CHJMAOs/VNKRLEs were marked down 0.5-1pt in cash prices. YXREIT lowered 0.5pt. Moody's has placed Yuexiu REIT's ratings on review for downgrade. COGARDs/FUTLANs/FTLNHDs were quoted unchanged. GRNLGRs were traded 1.5-3.5pts lower. KWGPROs/CENCHIs/CIFIHGs lowered 0.5-1pt. Elsewhere, FOSUNIs were down 0.5pt. EHOUSE 23s were marked down 1.5pts at low-10s. Macau gaming names MGMCHIs/WYNMACs were traded 1.5pts lower into close. MPELs dropped 1.5-2.5pts. Indian space was rather quiet. VEDLNs were marked 0.5pt post the one notch downgrade by Moody's. Indonesian names LMRTSPs were down 0.5-1.5pts.

The Asia AT1/Perp/LGFV market had an extremely choppy day amid volatility in macro, as the SVB/US regional bank crisis continued to unfold especially after London entry amid First Republic Bank's pre-market plunge. Asia AT1s performed mixed. We saw HSBC 8 Perp AT1 hammered 2pts to 98.5 from midday high of 100.5, and the paper closed at 98.8 (1.25pts lower than

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last close). Another Asia/Europe crossover name STANLN 7.75 Perp AT1 was down 1.5pts. Whilst Korean and Thai AT1s were marked down 0.25-0.5pt although bids remained fairly supportive. On the other hand, Chinese AT1s continued to be extremely resilient and were up to 0.5pt higher, although we saw some profit taking from RM here. ICBCAS 3.2 Perp was marked 0.5pt higher at 92.875. SOE Perps were resilient and grounded ~0.25pt higher under Chinese RM buying, whilst HK FFL Perps were relatively muted with spotlights away from them at the moment. New CTIH were traded 0.25pt higher to 100.75 at close. Meanwhile, LGFVs remained in their own universe and were largely quiet, effectively tightening in terms of credit spreads despite the massive widening in broader high-beta IG.

❖ Last Trading Day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
POWINV 3 7/8 12/06/26	98.0	2.1	GRNLGR 7 1/4 01/22/27	41.8	-3.6
MTRC 2 1/2 11/02/26	93.4	2.1	MPEL 5 5/8 07/17/27	86.8	-2.5
AVICAT 3.1 04/28/26	92.8	2.0	SINOCE 2.7 01/13/25	72.3	-1.8
CRHZCH 4 1/8 02/26/29	94.5	2.0	MPEL 5 3/4 07/21/28	84.7	-1.8
TAISEM 1 3/4 10/25/26	91.2	2.0	WYNMAC 5 1/8 12/15/29	80.4	-1.7

❖ Marco News Recap 宏观新闻回顾

Macro – U.S. stock markets remained weak yesterday, S&P (-0.15%), Dow (-0.28%) and Nasdaq (+0.45%) were mainly dragged by bank names. Department of the Treasury, Fed and FDIC took prompt action and announced on Monday that they will ensure depositor to withdraw their deposits in SVB. The U.S. treasury yields continued to drop yesterday, the 2/5/10/30 yields reached 4.03%/3.68%/3.55%/3.70%, respectively.

❖ Desk analyst comments 分析员市场观点

➤ AGILE: Shares transferred not related to the put of onshore bonds as per the company

As per our discussions with Agile, the transfer of c36% of the Chen family on 8 Mar'23 to HSBC Wealth is to digitalize the shareholding of Chen family. The major shareholder cannot pledge his shares during the blackout. According to Agile, it would be able to handle the put of onshore bonds of RMB1.45bn without raising additional debts. In FY23, it has offshore loan repayments of HKD3.3bn which could be covered by cash at opco levels. Agile did not provide details on shares pledge, if any, of the controlling shareholder and the plan for the remaining 10.1% stakes not yet digitalized. Recalled that the Chen family has 62.6% stakes in Agile. As per the CCASS record, stakes under HSBC Wealth increased to 50.5% from 14.5% started from 8 Mar'23.

➤ China Policy – New cabinet seeks to restore business confidence

China's new cabinet leaders held a press conference after the close of the NPC session yesterday. Premier Li Qiang outlined three major tasks for the new cabinet as people's well-being, high-quality development and reforms & opening of China economy. The premier sought to boost business confidence with the promise of unswerving support for the private business. The new cabinet seems pragmatic as most leaders have rich work experience in the southeastern provinces or strong industrial & technology background. The public institutional reorganization indicates Chinese policymakers' focus on technology innovation, financial risk relief and digital economy development in future.

The new cabinet has three major tasks in next five years

-The first is to improve people's well-being by meeting people's aspirations. Li said most people do not keep their eyes on GDP growth every day as they are more concerned about their daily life like housing, employment, income, education, healthcare and environmental condition. This does not mean that China no longer needs GDP growth, but the growth needs to be more inclusive so that it can improve people's well-being and benefit everyone. Therefore, the cabinet will pay more attention to inclusive growth and social development to improve people's livelihood.

-The second is to boost high-quality development with science & tech innovation, modern industrial system and green transformation. China has to accelerate innovation, upgrade industry and boost green development to assure sustainable growth due to aging population, climbing labor costs, high debt burden and rising demand for better environmental condition.

-The last is to firmly push forward reforms and opening of China's economy to boost business confidence and strengthen the growth momentum.

New premier seeks to boost business confidence

-Firstly, Premier Li Qiang made the commitment to achieving the 5% GDP growth target this year. He acknowledged China will not find it easy to achieve the growth target due to uncertainty in global economy and China's huge GDP amount as a high base. However, the premier vowed to use macro policies, demand boost measures, reform & innovation and risk relief policies to meet the growth target.

-Second, Premier Li pledged to provide unswerving support for the private business with measures to ensure fair competition and protect property rights. He said the Party's commitment in this regard is unequivocal and steadfast.

-Thirdly, the premier showed the willingness of Mainland China to restart cross-strait visits, economic cooperation and cultural communication with Chinese Taipei.

-Last, Premier Li also extended conciliatory remarks towards Washington and appealed for more goodwill between China and the US while blaming some American voices for attempting to decouple the two countries.

New cabinet seems pragmatic as most leaders have rich work experience in Southeast China or strong industrial & technology background

-At the premier level, Li Qiang, Ding Xuexiang and He Lifeng worked in the southeast provinces for a long time with a pro-business reputation, while Zhang Guoqing and Liu Guozhong had the military or aerospace industrial background. At the minister level, most leaders also used to work in East and South China or had a strong background in industrials or technology. This arrangement shows the cabinet will focus on boosting economic growth, tech innovation & industrial upgrades, while the CCCPC will deal with Sino-US strategic competition and systematic risk prevention. We note the NPC voted to retain Yi Gang and Liu Kun as the PBOC governor and Minister of Finance, respectively. Their respective leadership in the central bank and MoF may be extended for a few months to seek a smooth transition during the period with financial regulatory reforms and cabinet reorganization.

The public institutional reorganization indicates China's focus on tech innovation, financial risk relief and digital economy in future

-The first important reorganization is related to science & technology management system. The Central Committee of the Communist Party of China (CCCPC) will set up the Central Science & Technology Commission to guide strategies and leverage resources to boost science & technology innovation. The Ministry of Science & Technology (MST) in the cabinet will be restructured with less role in distribution of government R&D funds and more focus on strategy plans, policies and incentive mechanisms to boost original innovation in key areas. Corporates will play a more important role in deciding the flow of R&D resources in future.

-The second reform is on the financial regulatory system. The CCCPC will set up the Central Financial Work Commission to oversee policies, functions and key personnel issues in the financial system. The Party tries to assert more control over the state-owned part of the system to make sure it is in line with the country's strategic goals (systematic risk prevention, tech innovation & self-reliance, industrial upgrading and inclusive development with common prosperity). In the ministry level, the National Financial Regulatory Administration (NFRA) will replace China Banking and Insurance Regulatory Commission (CBIRC) and take over certain functions of the PBOC (regulation over financial group companies and financial consumer protection) and China Securities Regulatory Commission (investor protection). China's new regulatory system may be a bit similar to that in UK or Australia. The central bank is responsible for monetary policy and macro prudential regulation; the NFRA is in charge of institutional, function and behavior regulations over banks & insurers and financial consumer protection; and the CSRC will deal with capital market regulation. What is special for China is the securities regulator has a prominent responsibility in supporting the capital fundraising of hard-tech and high-end manufacturing sectors, which are important for China's strategic competition against the US. The NFRA will enhance vertical regulation over small regional banks by boosting the capacity of its branches. The NFRA will monitor regional financial risk more closely in future. In addition, the policymakers require local banks to focus on regional or community development to facilitate inclusive development as it may become more difficult for regional banks to expand their businesses across provinces or regions in future. The NFRA will not take part in the personnel management over the four national AMCs as some central state-owned financial groups may take over those AMCs with asset and business restructuring.

-China will set up the National Data Bureau (NDB) to ratchet up digital economy development. The NDB will promote data infrastructure construction and integration, sharing, development & utilization of data resources across the country. By taking over several regulators' data-related regulation responsibilities, the NDB could make the regulation policy more consistent and clearer for private and international businesses in China. The reform indicates China's firm determination to boost the development of digital economy and smart society in future. The Chinese policymakers consider data as a new factor for the production function, which can boost tech innovation and total factor productivity.

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➤ Offshore Asia New Issues (Priced)

Issuer/Guarantor	Size (USD mn)	Tenor	Coupon	Yield	Issue Rating (M/S/F)
No Offshore Asia New Issues Priced Today					

➤ 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 99 credit bonds issued yesterday with an amount of RMB71bn. As for Month-to-date, 928 credit bonds were issued with a total amount of RMB775bn raised, representing a 11.2% yoy increase
- **[ADTIN]** Fitch affirmed Adani Transmission at BBB- and stable outlook; it also affirmed Adani Electricity Mumbai's USD notes at BBB-
- **[DALWAN]** Dalian Wanda Commercial Management chairman Qi Jie resigns due to personal reasons
- **[FUTLAN]** Seazen Holdings proposes up to RMB8bn private placement of new shares to fund six development projects; it plans to redeem RMB1.1bn 19Xincheng01 bonds on 20 Mar. Meanwhile, Seazen Holdings canceled the private plan of RMB5bn first proposed in 2016
- **[FWDGRP]** FWD Re-submits Main Board Listing Application to HKEX
- **[GCLNE]** GCL New Energy offers to purchase up to USD49.8mn of 10.00% senior notes due 2024
- **[GDPOLY]** Beijing Energy to hold bank meeting on Wednesday for up to USD500mn three-year bullet green loan
- **[HONGQI]** China Hongqiao unit issues RMB1bn 366-day bills to repay debts
- **[JINGRU]** Jingrui 1H22 revenue dropped 51.5%yoy to USD358mn
- **[PWRLNG]** Powerlong cites cure of missed 10 Feb coupon by end of grace period
- **[RISSUN]** RiseSun shareholders approve proposals on up to RMB3bn private placement
- **[SMCPM]** San Miguel Corp subscribes to USD500mn redeemable perpetual securities of SMC Global Power Holdings
- **[YXREIT]** Moody's put Yuexiu REIT's Baa3 ratings on review for downgrade

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