

**CMBI Credit Commentary****Fixed Income Daily Market Update 固定收益部市场日报****The Asset Asian G3 Bond Benchmark Review 2023**

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- *Markets remained cautious with RM rebalancing towards half-year end. TMT/SOE papers TENCNT/HAOHUA 30s were traded 1-3bps tighter. In financials, bank T2s and AMC/leasing names were under better selling with an overall higher rates outlook.*
- **CSCHCN:** *A leverage play on SZ LGFV despite the expected weak FY23 results. CSCHCNs were unchanged to 0.125pt lower this morning. See below.*
- **KMRLGP:** *Moody's downgraded Kunming Rail Transit Group to Baa3 from Baa2 on its diminished liquidity buffer and uncertainties in the timeliness of government payments. All ratings are on review for further downgrade. KMRLGP 24s were down 0.125pt this morning.*

**❖ Trading desk comments 交易台市场观点**

Yesterday, Asia ex-JP IG space had a quiet day with SG out for holiday, and IG spreads were largely unchanged. The recent new issues KORGAS/NACF were firm with two-way flows. KORGAS 28s edged 1-2bps tighter to close at T+86.5, while NACF were relatively quiet. In Chinese SOEs, the long-end of HAOHUA widened around 2bps. TMT space performed mixed. TENCNT 30s edged 3bps wider to close at T+155/153 with active two-way flows. BIDU 24-27s tightened 1-3bps. In financials, Chinese bank T2s were traded 2-5bps tighter with active two-way flows. BCHINA 24s tightened 6bps. BOCOHK/CCB/ICBCAS papers were sought after. In AMCs, HRINTH curve remained under small selling across the curve. Chinese properties still performed softly. DALWANs closed 0.75-1.25pts lower. COGARDs/ROADKG declined 0.5-1.5pts. AGILEs lowered 0.5-1pt. In industrials, EHICAR 24s/WESCHI 26s were better bid. However, FOSUNs were down 0.25pt. The long end of TAISEMs were better sold. Macau gaming names such as MPELs/STDCTYs/SANLTDs drifted 0.5pt lower. In Indian space, ADSEZs were bid up 0.25pt. Indonesian papers MEDCIJ/LMRSTP 26s were down 0.25-0.5pt.

The Perp/LGFV spaces were generally stable. HK Corp Perp space performed mixed. NWDEVL perps were marked another 0.5-1pt lower, after having dropped 1.25-2.25pts on Wed. However, CKINF/BNKEA Perps

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gained 0.5-0.75pt. Otherwise, flows were largely two-way driven by cash management needs across SOE Perps. HUANEN 3.08 Perp/CHSCOI 4 Perp were better bid. Away from perps, we saw slightly more buying/cash parking demand in the front-end LGFVs at low-6%, as inflows seemed to have recovered a bit while clients recalibrated duration strategies. That said, the digestion of these loose bonds in the street remained slow. Elsewhere in LGFV space, we saw small better selling in Shandong names such as HKIQCL/QDHTCO. KMRLGP 24s closed 0.15pt lower. Moody's downgraded Kunming Rail Transit to Baa3. KNMIDI 23s were marked around 2pts higher at mid-90s.

#### ❖ Last Trading Day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
KNMIDI 5 1/2 10/09/23	93.0	2.0	SWIPRO 3 1/2 01/10/28	93.8	-1.6
BNKEA 5 7/8 PERP	92.3	0.7	ROADKG 7 PERP	29.9	-1.5
CHINSC 7 3/8 04/09/24	32.3	0.6	TAISEM 3 1/4 10/25/51	75.6	-1.5
CKINF 4.85 PERP	85.0	0.5	SINOPE 4.6 09/12/48	93.1	-1.4
ROADKG 5.9 03/05/25	65.8	0.5	TAISEM 4 1/2 04/22/52	94.9	-1.4

#### ❖ Marco News Recap 宏观新闻回顾

**Macro** – S&P (+0.45%), Dow (+0.80%) and Nasdaq (-0.00%) were mixed yesterday. U.S. weekly jobless claims drop 26k to 239k, fell by the most since Oct'21. The U.S. Commerce Department revised its 1Q23 GDP estimate up to 2.0% from 1.3%. The Fed's stress test exercise on big U.S. banks showed they have enough capital to weather a severe economic slump. The US treasury yields edged up yesterday, the 2/5/10/30 yield reached at 4.87%/4.14%/3.85%/3.92%, respectively.

#### ❖ Desk analyst comments 分析员市场观点

##### ➤ CSCHCN: A leverage play on SZ LGFV despite the expected Weak FY23 results

China South City (CSC) posted weak FY23 (ended Mar'23) results as expected. Its revenue lowered 57.9% to HKD4.0bn and recorded loss before tax of HKD1.6bn compared with profit before tax of HKD1.5bn in FY22. The weak results were attributable to slower deliveries, lower ASP, disposal of 50% of its property management businesses and various impairment losses on receivables, property held for sales, etc. Auditors "voiced out" the uncertainty of CSC as a going-concern as current debts were much larger its cash on hand.

Nonetheless, we took comfort that CSC concluded the 3-yr onshore syndicated loans in Mar'23. Indeed, the onshore loan facilities were upsized to RMB6bn from RMB3bn and funding cost is 4.7% (1-yr SHIB+1.05%). The syndicated loans are led by BOC, CCB, BOCOM and ICBC. The successful conclusion reflected the strong support from the Shenzhen government. Local Financial Regulatory Bureau of Shenzhen Municipality had coordinated with banks on the loan provisions. The conclusion of these loans helps "normalize" CSC's access to funding channels, as well as its funding cost.

Additionally, SZCDG completed the first instalment of equity injection of RMB2bn into Xian China South City in Mar'23. The final instalment of RMB3bn is scheduled to be injected in May/Jun'23. We expect the repayment of RMB2.86bn loans from CSC. This means that China South City will be able to upstream cash of RMB2.86bn from the project level upon the completion of equity injection.

Given SZCDG's demonstrated willingness and ability to provide financial and other supports, we continue to consider CSCHCNs good yield pick-up trades over the LGFVs of higher tier cities (YTM of 5-7%).

## ➤ 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 103 credit bonds issued yesterday with an amount of RMB60bn. As for month-to-date, 1,897 credit bonds were issued with a total amount of RMB1,622bn raised, representing a 5.5% yoy increase
- [BABA]** Alibaba's Cainiao Network Technology will team up with AliExpress, another Alibaba's unit, to launch a 5-day worldwide delivery services by year-end ahead of a potential listing, it is 30% faster than the industry standard
- [CSCHCN]** China South City revenue for the year ended 31 Mar'23 slumped 57.9% to HKD4.05bn (cUSD517mn) due to lower property sales and deliveries. Auditor flagged a material uncertainty that may cast significant doubt on its ability to continue operating as a going concern
- [CSIPRO]** CSI Properties revenue for the year ended 31 Mar'23 jumped 91.3% to HKD804.3mn (cUSD102.7mn) driven by increase in sales and rental income
- [GRNLGR]** Greenland Hong Kong is seeking consent to extend maturities for due-Jul and due-Aug loans to 2024-25
- [LPKRIJ]** Siloam International Hospital, a subsidiary of Lippo Karawaci, will acquire land plots in Jakarta from its parent at IDR306.8bn (cUSD20.4mn)
- [LUSOIB]** Luso International Banking has redeemed all of its 5.375% subordinated notes due 2027
- [MEITUA]** Meituan agreed to acquire 100% stake in an AI start-up controlled by company co-founder Wang Huiwen at USD233.7mn

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