

CMBI Credit Commentary

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

- *Markets was active with two-way balanced this morning. We saw more profit taking compared to previous days. New deployment from buyers focus on high grade names like POSCO, which edged 0.25pt higher by mid-day.*
- **China SCE :** *Plan to issue RMB1.5bn CBICL-backed bonds, guides 3.5%-4.8%. CHINSCs rose 4-10pts since 5 Jan'23 when the news was firstly reported. See below.*
- **MONGOL:** *Mongolia to issue 5yr USD bonds (IPT 9.625%) for the tender offer of USD517mn MONGOL 5.625 05/01/23 and USD600mn MONGOL 8.75 03/09/24.*

❖ Trading desk comments 交易台市场观点

Yesterday, China IG was relatively quiet on Japan holiday. Market was slow ahead of Thursday CPI, digesting the latest jobs data that indicated wage growth has decelerated. On primary side, recent new issues HKINTLs/HKAAs broadly pushed back 3-5bps and benchmark papers closed unchanged to a touch wider. POHANG announced new issues for 3/5/10y tranches. Financials space was stable with AMCs outperformed. CCAMCL/ORIEAS closed 5-10bps tighter on the short end. T2s benchmarks CCBs further tightened 4-14bps. TMTs narrowed a bit selectively, with benchmarks BABA/TENCNT tightened 2-4bps. BIDU/MEITUA/LENOVO curves were under better buying. In IG properties, LNGFORs/VNKRLEs tightened 2-8bps. YUEXIUS ended 12bps tighter, amid FTZ issue of RMB2bn (USD292mn) priced at 4% for 3-year to refinance its USD bonds due Jan'23. China HY space was mixed. In property sector, recent outperformers took a pause from the previous rally. Benchmarks COGARDs dropped 1-2pts and FUTLANs/FTLNHDs were unchanged to 0.5pt lower. CIFIHG/CHINSCs lowered 0.5-1.5pts. On the other hand, GRNLGRs outperformed and up 1-5pts. ROADKGs and its Perps closed 1.5-3.5pts higher. HK Corp perps like HYSAN/NWDEVL Perps were traded 1-4pts higher. CKINF/TYANLI Perps were marked up 1.5-2pts. In industrial space, FOSUNIs/HONGQIs were traded up 0.5-3.5pts. In Macau gaming space, MPELs/WYNMACs were marked 0.5-1.5pts higher. Elsewhere, BTSD 24 was traded 4pts higher to close at low-90s. EHICAR 24 was quoted 3pts higher. Ex-China HY was mixed. Away from China, India HYs were largely unchanged. VEDLNs were indicated 0.5-1.5pts higher. In Indonesian HYs, LPKRIJs/ LMRTSPs were traded another 1.5-2.5pts higher, after jumping 4-5pts during last week. In Korea space, SHINFN/WOORIB perps were marked 0.5-1pt higher.

In the LGFV/ SOE Perp/ AT1 space, sentiment remained afloat but more cautious as opposed to last week's one-way gap up in thin offer liquidity. On Monday, we were gradually seeing more bonds coming out in 23s/c23s papers, as well as in weak LGFV names. In light of this, real deployment

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buying flows indeed slowed down a bit, but those who were short squeezed had few options but to take the higher offers. Hence we still saw bond prices of less liquid names like CQNANA being repriced higher towards current 95 level. Meanwhile bids on 23s papers and c23s perps/AT1s remained fairly resilient at low-5% to 6% as investors remained happy to pick up the thin yield margin above funding cost, whilst high yielding short dated papers such as TLINVT remained sought after. Overall, SOE Perps/AT1s generally edged up 0.25-1pt on the day.

❖ Last Trading Day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
GRNLGR 7 1/4 01/22/27	50.9	4.8	KMCMIN 7 06/22/23	94.0	-4.0
BTSDf 5 5/8 10/24/24	90.5	4.3	CHINSC 7 3/8 04/09/24	60.8	-3.2
GRNLGR 6 1/8 04/22/25	56.9	4.1	COGARD 3.3 01/12/31	58.8	-2.7
NWDEVL 4.8 PERP	71.8	4.1	KNMIDI 5 1/2 10/09/23	90.0	-2.5
FOSUNI 5.05 01/27/27	78.9	3.7	HILOHO 9 3/4 11/18/24	41.7	-2.1

❖ Macro News Recap 宏观新闻回顾

Macro – U.S. stock markets were weak yesterday, S&P (-0.08%), Dow (-0.34%) and Nasdaq (+0.63%) were divergent that TMTs and Renewable sector rose while healthcare, oil and gas down. Fed's official said that 25bps, 50bps rate hike are both on table for February. The U.S. treasury yields movement continued previous days' trend that short term yields edged up while long term yields down. The 2/5/10/30 yields curves reached 4.19%/3.66%/3.53%/3.66%, respectively.

❖ Desk analyst comments 分析员市场观点

➤ China SCE : Plans to issue RMB1.5bn CBICL-backed bonds at 3.5%-4.8%

Media reported that China SCE planned to issue RMB1.5bn (cUSD220mn) CBICL-backed bonds next week at an initial price guidance of 3.5%-4.8%. The final price is likely to be closer to higher end of the band taking cues from other recently issued CBICL-backed property bonds. The recent issues of COGARD (RMB1bn) and SEAZEN (RMB2bn) were priced at 4.3%. Besides, both COGARD and SEAZEN have AAA onshore issuer rating which is higher than China SCE's AA+. Notwithstanding, the CBICL-backed bonds cost is lower than China SCE's 7% average finance cost (1H22), the issue will notably strengthen its financial flexibility to refinance its USD500mn bonds due Apr'23.

Despite financing environment improved in 2H22, the key for developers to survive is notable market recovery, which has not appeared yet. In 11M22, China SCE recorded RMB54.4bn contracted sales, declined 44% yoy. The average sale price per sqm also down 15% yoy to RMB14.4k/sqm.

Bond maturities	Onshore (RMB mn)	Offshore (USD mn)
1H23	-	500
2H23	540	500
1H24	-	-
2H24	506	450
After2025	565	850
Total	1611	2300

Source: Wind, Bloomberg.

➤ Offshore Asia New Issues (Priced)

Issuer/Guarantor	Size (USD mn)	Tenor	Coupon	Yield	Issue Rating (M/S/F)
POSCO	700	3yr	5.625%	T+190	Baa1/A-/-
POSCO	1000	5yr	5.75%	T+220	Baa1/A-/-
POSCO	300	10yr	5.875%	T+250	Baa1/A-/-

➤ Offshore Asia New Issues (Pipeline)

Issuer/Guarantor	Currency	Size (USD mn)	Tenor	Pricing	Issue Rating (M/S/F)
Export-Import Bank of India	USD	-	10yr	T+220	Baa3/BBB- /BBB-
Macquarie Bank	USD	-	10yr	T+350	Baa3/BBB/BBB+
Mongolia	USD	-	5yr	9.625%	-/B/B
SK Hynix	USD	-	3/5/10yr	T+280/315/360	Baa2/BBB-/-

➤ News and market color

- Regarding onshore primary issuances, there were 85 credit bonds issued yesterday with an amount of RMB66bn. As for Month-to-date, 306 credit bonds were issued with a total amount of RMB273bn raised, representing a 9% yoy decrease
- [AZUPOE]** Azure Power audited financials delayed by auditor disagreement
- [CRHZCH]** China Resources Land applies to Shenzhen bourse to raise RMB10bn via bonds
- [JINKE]** Jinke seeks additional 32-month extension of already twice-extended 5% domestic notes originally puttable in May'22
- [LNGFOR]** Longfor unit plans to raise up to RMB20bn via bonds in multiple tranches with up to 10-year maturity
- [MONGOL]** Government of Mongolia launched tender, exchange offer for 5.625% notes due 2023 and 8.75% notes due 2024
- [RSMACA]** Xiamen C&D announces to acquire up to 30% stakes of Red Star Macalline
- [YANGOG]** Yang Guang Cheng announced it has so far failed to make payment on overdue RMB45bn debts
- [YUEXIU]** Yuexiu Property to issue RMB2bn 4% guaranteed notes due 2026 for refinancing

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