

CMBI Credit Commentary

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

- *Markets was largely stable. In IGs, POHANG/HYUELE tightened 5-10bps. In AMCs, we saw CCAMCL/ORIEAS 28-31s curve widened 10-15bps. LGFV 23-25s showed small better buying on quality. In properties, COGARD transfers fund to repay COGARD 4.75% 17 Jan'23. COGARs were unchanged to 0.5pt higher this morning than EOD.*
- **China Economy:** *China published key economic data. Q422 and 2022 GDP growth were 2.9% and 3.0% yoy, exceeded expectation of 1.6% and 2.7% respectively. The highlight is the first decline in population size in over 60 years.*
- **China Properties:** *Agile and KWG plans to issue up to RMB1.2bn and RMB700mn CBICL-guaranteed 3-year MTNs respectively to fund project development. AGILEs/ KWGPROs stayed largely flat from the last closes, as of this morning*

Glenn Ko, CFA 高志和
(852) 3657 6235
glennko@cmbi.com.hk

Cyrena Ng, CPA 吳蓓瑩
(852) 3900 0801
cyrenang@cmbi.com.hk

Jerry Wang 王世超
(852) 3761 8919
jerrywang@cmbi.com.hk

❖ Trading desk comments 交易台市场观点

Yesterday, IG space overall had a better buying day despite light flow with US out for holiday. Flow-wise, there was strong buying demand on 3y or shorter tenor IG papers as investors were willing to park cash before CNY but found them hard to find, as offer liquidity started to dry out. IG spread levels of 10y benchmarks were basically flat. Recent new issues rally took a pause but HKAA still managed to close unchanged to 2bps tighter. Financials space was slightly subdued without much traction. Bank T2s were largely stable skewed to better selling, though benchmark BNKEA/CCB curves widened 3-5bps under better selling. AMCs outperformed, HRINTHs were traded up 0.25-0.375pt on RM buying. TMTs were mixed, with benchmark BABA/BIDU tightened 2-3bps but MEITUA/TENCNT widened 2-3bps. IG properties had another upbeat session, with LNGFOR/YUEXIU curves showed better buying flows. New DALWAN'25 wrapped 0.125pt higher at 98 level. China HY, on the other hand, turned more quiet before CNY. In properties, CHINSC 23-24s were actively traded by PB accounts to close 1-3.5pts higher, after popping up 2-3pts across the curve on last Friday. Benchmark COGARs/ FUTLANs/FTLNHDs were 0.5-1pt higher. AGILEs/KWGPROs were largely flat amid the plans to issue CBICL-guaranteed MTNs. FTHDGRs gained 5-6pts after releasing the restructuring terms. Elsewhere, GRNLGR 23-25s dropped 1-2pts. In industrial space, FOSUNI 23s closed at 99.75/100 level, amid headlines on Fosun High-technology's RMB12bn syndicated loan agreement with eight banks. Macau gaming names were stable. Away from China, Indian HY space performed mixed with renewables like GRNKENS/ RRVINs ended up 0.25-0.5pts. VEDLNs retraced to 0.5-2.5pts lower than the last closes. Before close, Moody's/Fitch downgraded Azure Power by one notch to Ba2/BB with

outlook negative maintained. Indonesian low-cash papers ceased the recent upbeat momentum. LPKRIJs lowered 1-2pts on RM selling and LMRTSPs were 3-4pts lower on HF/Retail selling.

In the LGFV/ SOE PERPS/ AT1 space, market showed overall slower activity with CNY in the weekend ahead, as sentiment remained afloat and flows still skewed to better buying albeit in less aggressive manner. Onshore NBRM continued to gradually deploy in high-yielding LGFVs across the yield curve, most of them being higher-beta names/ names from regions like Chongqing/ Shandong amid several 364D new issues from names in the latter, despite recent concerns/ noises over LGFVs' onshore non-standardised financing in general. Meanwhile offshore Chinese accounts were largely muted apart from cash parking demand in the front end. Elsewhere, c23/c24 SOE Perps continued to be better offered as yields approached low-5%, but bids remained generally firm. Meanwhile AT1s were under better buying flows from RM in a few of the higher-beta higher-yielding names. Benchmark ICBCAS showed balanced two-ways as RM switched hands before holiday.

❖ Last Trading Day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
FTHDGR 11 7/8 06/01/23	17.8	6.1	LMRTSP 7 1/2 02/09/26	74.1	-3.6
FTHDGR 10 7/8 01/09/23	17.7	5.7	LMRTSP 7 1/4 06/19/24	85.6	-3.2
FTHDGR 7.95 07/05/22	17.6	5.5	SINOCE 6.876 PERP	54.3	-2.6
CHINSC 7 1/4 04/19/23	78.9	3.3	GRNLGR 5 7/8 07/03/26	51.4	-1.9
PINGRE 2 3/4 07/29/24	87.2	3.0	GRNLGR 6 3/4 03/03/26	51.3	-1.7

❖ Macro News Recap 宏观新闻回顾

Macro – U.S. stock markets closed yesterday on Martin Luther King Jr. Day. The U.S. treasury yields were unmoved, 2/5/10/30 yields curves at 4.22%/3.60%/3.49%/3.61%, respectively. China published key economic data. Q422 and 2022 GDP growth were 2.9% and 3.0% yoy, exceeded expectation of 1.6% and 2.7%, respectively. The unemployment rate in 2022 was at 5.5%, lower than the market expectation of 6.0%. However, population size declined in 2022, the first drop in over 60 years. China had a population of 1.41bn at end of 2022, 850k fewer than that at the end of 2021. In 2022, the number of newborn babies were 9.56mn, the lowest level since at least 1950

➤ 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 RMB93bn. As for Month-to-date, 858 credit bonds were issued with a total amount of RMB781bn raised, representing a 6.1% yoy decrease
- China state-owned AMCs, Huarong, Cinda, Great Wall and Orient, plan to provide refinancing support up to RMB160bn to healthy developers. The PBOC will channel RMB80bn at 1.75% and encourage AMCs to match the amount with their own funds
- China Real Estate Information surveyed the construction status of 290 installed housing projects. By the end of 2022, the construction of c43% of them are still halted while the remaining had partially or fully resumed construction
- **[ADSEZ]** Adani likely to launch its cUSD2.5bn follow-on public offering before 1 Feb, and it will be the Indian's largest FPO
- **[AZUOPE]** Moody's downgraded Azure Power Energy (Azure RG3) to Ba3 from Ba2 and Azure Power Solar Energy (Azure RG2) to Ba2 from Ba1, all rating on negative outlook. Fitch downgraded Azure RG3's USD bond to BB from BB+, and Azure RG2's USD bond to BB- from BB. All ratings remain on rating watch negative
- **[CIFIHG]** ICBC will grant total RMB240bn credit lines to 16 developers, including CIFI
- **[COGARD]** Country Garden transfers fund to repay 4.75% USD bonds due on 17 Jan, the outstanding amount is USD391.6mn. Reuters also reported the company has prepared sufficient funds to repay its offshore bonds in 1H23
- **[DANDAI]** Dangdai International does not expect to pay 10.5% guaranteed notes due yesterday, the default will trigger cross default on its 9% notes due 2023. An onshore creditor committee is formed to explore possible solution
- **[EVERRE]** China Evergrande Group's auditor PwC resigned on disagreement on a timetable and scope of work about the company's going concern basis for the year ended 31 Dec'21
- **[FOSUNI]** Fosun secured RMB12bn syndicated loans from eight banks, including ICBC, ABC, BOC, CCB, BOCOM, CMBC, EXIM, and SPDB
- **[LNGFOR]** The IPO application of Longfor Intelligent Living has lapsed. It is the property management service arm of Longfor Group, and it was seeking to raise cUSD1bn through an IPO in Hong Kong
- **[KWGPRO]** KWG proposes to issue up to RMB700mn 3-year CBICL-guaranteed MTNs to fund project development
- **[SHIMAO]** Shanghai Shimao gets requisite consent from holders of its RMB4.425bn domestic bonds to push forward with proposed holistic restructuring
- **[YUEXIU]** Yuexiu Property completes issue of RMB2bn 4% guaranteed notes due in 2026

CMB International Global Markets Limited

Fixed Income Department

Tel: 852 3761 8867/ 852 3657 6291

fis@cmbi.com.hk

CMB International Global Markets Limited ("CMBIGM") is a wholly owned subsidiary of CMB International Capital Corporation Limited (a wholly owned subsidiary of China Merchants Bank)

Author Certification

The author who is primary responsible for the content of this research report, in whole or in part, certifies that with respect to the securities or issuer that the author covered in this report: (1) all of the views expressed accurately reflect his or her personal views about the subject securities or issuer; and (2) no part of his or her compensation was, is, or will be, directly or indirectly, related to the specific views expressed by that author in this report.

Besides, the author confirms that neither the author nor his/her associates (as defined in the code of conduct issued by The Hong Kong Securities and Futures Commission) (1) have dealt in or traded in the stock(s) covered in this research report within 30 calendar days prior to the date of issue of this report; (2) will deal in or trade in the stock(s) covered in this research report 3 business days after the date of issue of this report; (3) serve as an officer of any of the Hong Kong listed companies covered in this report; and (4) have any financial interests in the Hong Kong listed companies covered in this report.

Important Disclosures

There are risks involved in transacting in any securities. The information contained in this report may not be suitable for the purposes of all investors. CMBIGM does not provide individually tailored investment advice. This report has been prepared without regard to the individual investment objectives, financial position or special requirements. Past performance has no indication of future performance, and actual events may differ materially from that which is contained in the report. The value of, and returns from, any investments are uncertain and are not guaranteed and may fluctuate as a result of their dependence on the performance of underlying assets or other variable market factors. CMBIGM recommends that investors should independently evaluate particular investments and strategies, and encourages investors to consult with a professional financial advisor in order to make their own investment decisions.

This report or any information contained herein, have been prepared by the CMBIGM, solely for the purpose of supplying information to the clients of CMBIGM and/or its affiliate(s) to whom it is distributed. This report is not and should not be construed as an offer or solicitation to buy or sell any security or any interest in securities or enter into any transaction. Neither CMBIGM nor any of its affiliates, shareholders, agents, consultants, directors, officers or employees shall be liable for any loss, damage or expense whatsoever, whether direct or consequential, incurred in relying on the information contained in this report. Anyone making use of the information contained in this report does so entirely at their own risk.

The information and contents contained in this report are based on the analyses and interpretations of information believed to be publicly available and reliable. CMBIGM has exerted every effort in its capacity to ensure, but not to guarantee, their accuracy, completeness, timeliness or correctness. CMBIGM provides the information, advices and forecasts on an "AS IS" basis. The information and contents are subject to change without notice. CMBIGM may issue other publications having information and/ or conclusions different from this report. These publications reflect different assumption, point-of-view and analytical methods when compiling. CMBIGM may make investment decisions or take proprietary positions that are inconsistent with the recommendations or views in this report.

CMBIGM may have a position, make markets or act as principal or engage in transactions in securities of companies referred to in this report for itself and/or on behalf of its clients from time to time. Investors should assume that CMBIGM does or seeks to have investment banking or other business relationships with the companies in this report. As a result, recipients should be aware that CMBIGM may have a conflict of interest that could affect the objectivity of this report and CMBIGM will not assume any responsibility in respect thereof. This report is for the use of intended recipients only and this publication, may not be reproduced, reprinted, sold, redistributed or published in whole or in part for any purpose without prior written consent of CMBIGM.

Additional information on recommended securities is available upon request.

Disclaimer:

For recipients of this document in the United Kingdom

This report has been provided only to persons (I) falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended from time to time) ("The Order") or (II) are persons falling within Article 49(2) (a) to (d) ("High Net Worth Companies, Unincorporated Associations, etc.") of the Order, and may not be provided to any other person without the prior written consent of CMBIGM.

For recipients of this document in the United States

CMBIGM is not a registered broker-dealer in the United States. As a result, CMBIGM is not subject to U.S. rules regarding the preparation of research reports and the independence of research analysts. The research analyst who is primary responsible for the content of this research report is not registered or qualified as a research analyst with the Financial Industry Regulatory Authority ("FINRA"). The analyst is not subject to applicable restrictions under FINRA Rules intended to ensure that the analyst is not affected by potential conflicts of interest that could bear upon the reliability of the research report. This report is intended for distribution in the United States solely to "major US institutional investors", as defined in Rule 15a-6 under the US, Securities Exchange Act of 1934, as amended, and may not be furnished to any other person in the United States. Each major US institutional investor that receives a copy of this report by its acceptance hereof represents and agrees that it shall not distribute or provide this report to any other person. Any U.S. recipient of this report wishing to effect any transaction to buy or sell securities based on the information provided in this report should do so only through a U.S.-registered broker-dealer.

For recipients of this document in Singapore

This report is distributed in Singapore by CMBI (Singapore) Pte. Limited (CMBISG) (Company Regn. No. 201731928D), an Exempt Financial Adviser as defined in the Financial Advisers Act (Cap. 110) of Singapore and regulated by the Monetary Authority of Singapore. CMBISG may distribute reports produced by its respective foreign entities, affiliates or other foreign research houses pursuant to an arrangement under Regulation 32C of the Financial Advisers Regulations. Where the report is distributed in Singapore to a person who is not an Accredited Investor, Expert Investor or an Institutional Investor, as defined in the Securities and Futures Act (Cap. 289) of Singapore, CMBISG accepts legal responsibility for the contents of the report to such persons only to the extent required by law. Singapore recipients should contact CMBISG at +65 6350 4400 for matters arising from, or in connection with the report.