CMBI Credit Commentary

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

- *Markets were driven by increased UST rate and showed defensive this morning. Asian IG overall widened 1-2bps till noon and buyers focused on short-end bonds. Recent issued HSBC/CTIH AT1 down 0.5-0.75pt. For LGFV, we saw selling flows on names with lower than 6% yield.*

- ***China Economy – Foreign trade plunge shows no relief of global recession risk.*** *CMBI expects China's exports of goods to drop 3.5% and the imports of goods are projected to rise 0.5% in 2023. See below for comments from our economic research.*

- *YLLGSP: Media reported that Yanlord is mulling a 2yr USD bond issuance and aiming at lower than 10% price. YLLGSPs were unchanged this morning.*

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❖ Trading desk comments 交易台市场观点

Yesterday, Asia IG had a quiet session with spreads unchanged to 2bps tighter. Korea space was unchanged to 3bps tighter with bank names outperformed. EIBKOR/KDB 5y tightened 1-2bps while 10y papers were unchanged. On new issue front, new BCLMHK 5.5 24 were under better buying. New CBAAU 26s that priced at T3+70 closed 4bps tighter at around T+66. China SOEs notably underperformed. HAOHUA/SINOCH curves widened 5-10bps on refreshed sanction concerns over ChemChina's Syngenta. TMTs initially edged 1-3bps tighter in the morning but retraced early gains post lunch. We saw sellers on BABA curve and TENCNT benchmark papers. TENCNT 29s/30s were marked 2-3bps wider at T+137/T+154. BBB names MEITUA/XIAOMI were unchanged to 3bps tighter. Financials remained strong. Bank T2s were better bid by Chinese accounts on BCHINA/CINDBK/CCB/ICBCAS. BCHINA 32s and CCB 29s moved 3-6bps tighter to T+75 and T+66, respectively. China HY property space was stable. CHINSC 24s were up around 3.5pts. SINOCEs/CSCHCNs were unchanged to 0.5pt higher. However, CIFIHGs/GRNLGRs were traded 0.5-1.5pts lower. Away from properties, EHICAR 24s/26s were marked 0.5-1.25pts higher. TSINGHs were bid up 1-1.5pts at low-50s. In Macau gaming space, SANLTDs/STCITYs were up another 0.5-1pt after moving 0.5-2pts higher on Monday. In Indian space, VEDLNs notably gained 1.5-2pts. Renewables such as RPVINs/GRNKENs were up 0.5-1pt. Indonesian names LMRTSPs/ LPKRIJs were unchanged. Elsewhere, MEDCIJs were up 0.5-1.5pts.

The LGFV/ PERPS/Asia AT1 spaces had an active day and closed on a firm tone. Flows in house were more active in LGFVs as sentiment continued to improve on high-beta names. We traded two way across beta LGFV names, with high-yielding names from weaker regions better demanded whilst the >=6% issues were better-offered against the backdrop of higher anticipated funding costs. Shandong names QDHTCO/SHUGRP were stable on two way

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flows, whilst HKIQCL were marked 0.5pt lower. Elsewhere, AT1s and Perps generally held on well despite intraday movements in rates. Market participants would rather square off risk/cover shorts ahead of Powell's speech on Tuesday night and a busy data calendar ahead of FOMC. In particular, new HSBC 8 Perp had offer liquidity pretty much drained thanks to relentless PB buying, and after being lifted to 101.5 in street, offers quickly surged to 101.75/102 area. Rest of client interests were largely in front-end cash management papers where demand remained solid. For instance, HAOHUA/CNBG Perp 23 callable papers barely dropped despite long end weakening on back of renewed US sanction fear.

❖ Last Trading Day's Top Movers

Top Performers	Price	Change
CHINSC 7 3/8 04/09/24	**64.9**	**3.5**
VEDLN 8.95 03/11/25	**72.0**	**1.8**
VEDLN 13 7/8 01/21/24	**86.7**	**1.8**
VEDLN 6 1/8 08/09/24	**70.9**	**1.8**
TSINGH 6 1/2 01/31/28	**50.7**	**1.4**

Top Underperformers	Price	Change
CHNAAR 5 1/2 03/08/24	**91.5**	**-1.8**
GRNLGR 7 1/4 01/22/27	**43.8**	**-1.5**
XINHUZ 11 06/06/25	**80.4**	**-1.0**
CSCHCN 9 10/09/24	**84.3**	**-0.9**
HKIQCL 4 10/08/24	**95.3**	**-0.6**

❖ Marco News Recap 宏观新闻回顾

Macro – U.S. stock markets down amid weak sentiment yesterday, S&P (-1.53%), Dow (-1.72%) and Nasdaq (-1.25%) retreated due to Fed chairman's hawkish testimony that the final interest rate may be higher than expectation. China is going to set new financial regulator based on the basis of CBIRC. The U.S. treasury yields overall rose yesterday, the 2/5/10/30 yields reached 5.00%/4.31%/3.97%/3.88%, respectively.

❖ Desk analyst comments 分析员市场观点

➢ China Economy – Foreign trade plunge shows no relief of global recession risk

China's exports continued to drop as overseas demand for goods shrunk with the disinflation trend. The recent better-than-expected performance in global economy was mainly supported by the service sector as its boost on global trade was limited. In fact, global housing market & home economy dropped sharply due to high base and high rates. In addition, the Russia-Ukraine war and Sino-US conflict continued to pressure on China's exports with global supply chain restructuring. China's imports surprised us with further deterioration as commodity prices plunged, service sector dominated in the early stage of recovery and more products saw the home-made substitution. We expect China's exports of goods to drop 3.5% in 2023 after rising 7.1% in 2022 and the imports of goods are projected to rise 0.5% after growing 1%. The weakness of China's foreign trade indicates no relief of global recession risk as the country has to maintain easing credit policy to boost domestic demand.

China exports continued to shrink amid overseas demand slowdown, disinflation trend & supply chain restructuring. China exports of goods dropped by 6.8% YoY in 2M23 after dropping 9.9% YoY in December last year, better than market consensus. Exports of most products continued to decline, while a few items like motor vehicles and steel products achieved strong growth. The shrinkage of China exports was mainly due to two reasons. For one reason, overseas demand of goods has continued to shrink with sharp declines in both producer prices and import prices. The recent better-than-expected performance in global economy was mainly supported by the service sector as its boost to global trade activity may have been limited. China's exports of durables and capital goods plunged. For another reason, global supply chain has continued to adjust amid Sino-US tensions. The US has maintained high tariffs for Chinese goods and put more Chinese companies on its sanction list. Multinational companies have continued to restructure their supply chain with the "China +1" or "China + X" strategy. China's trade with US and EU further weakened while its economic ties with the ASEAN strengthened. In 2M23, China exports to US and EU dropped by 21.8% and 12.2% YoY, compared to the increase of 1.2% and

8.6% in 2022. Meanwhile, China's exports to its largest trade partner, the ASEAN, rose 9% YoY after growing 17.7% YoY. By enterprise, the exports of foreign enterprises in China remained worse than those of SOEs and private enterprises in 2M23 as this trend started from 2H21. At the same time, China's market shares in both US and EU imports continued to decline.

China imports further declined amid commodity deflation, lagged recovery in durable & capex demand and the home-made substitution. China imports of goods dropped 10.2% YoY in 2M23 after declining 7.5% YoY last December, below market expectations. China's reopening has firstly improved supply chains by boosting imports volume of most commodities. However, the commodity deflation dragged China imports as the prices of most products experienced sharp YoY declines in the first two months. In 2M23, the imports volume of medicine and airplane significantly picked up amid strong or improving demand. Coal imports volume also rebounded sharply as China improved trade ties with Australia to lower energy cost. As service sector dominated in the early stage of recovery, we may need some time to see the boost to imports of some durable and capital goods. The imports of machine tool dropped by 10.3% YoY in 2M23 as business capex remained weak. The imports of integrated circuits further dropped 26.5% YoY in 2M23 after decreasing 15.3% YoY in 2022 as global demand for electronics remained weak and US continued to decouple China from global semiconductor supply chains. Meanwhile, Due to the home-made substitution effect, the imports of autos dropped by 30.4% YoY in 2M23.

We expect exports to drop 3.5% and imports to rise 0.5% in 2023. China's exports are likely to see significant YoY declines in 1H23 as overseas demand for goods further slows with the disinflation trend and the Sino-US tensions lingers. The projected growth rates of the exports for the four quarters are -9%, -5%, -2% and 2%, respectively. We expect China imports to slightly rise 0.5% in 2023 after growing 1% in 2022. The economy reopening and resumption should help boost imports volume. However, the recovery model with more contribution from service sector and commodity deflation may restrain the upside room for China imports.

The weakness in foreign trade activity increases China's likelihood to maintain easing credit policy to boost domestic demand. The weakness in foreign trade will restrain China's economic recovery as the country has to rely on its domestic demand to boost the growth. China's conservative GDP growth target has lowered market expectations about its policy room ahead. However, we expect the country may have to further ease its policy in 2H23 as the pace of domestic recovery is likely to slow and overseas recession risk would increase. Meanwhile, China has to maintain easing credit supply to relieve property stress, lower local government contingent debt risk and boost private business confidence.

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- **Offshore Asia New Issues (Priced)**

Issuer/Guarantor	Size (USD mn)	Tenor	Coupon	Yield	Issue Rating (M/S/F)
Jinjiang Road and Bridge Construction & Development	158	364d	6.68%	6.68%	-/-/-

- **Offshore Asia New Issues (Pipeline)**

Issuer/Guarantor	Currency	Size (USD mn)	Tenor	Pricing	Issue Rating (M/S/F)
CDB Leasing International	USD	-	1yr	5.70%	A1/A/A+

➢ News and market color

- Regarding onshore primary issuances, there were 94 credit bonds issued yesterday with an amount of RMB74bn. As for Month-to-date, 437 credit bonds were issued with a total amount of RMB355bn raised, representing a 1.9% yoy decrease

- **[ADEIN]** Adani Group has prepaid INR73.74bn (cUSD902mn) of share-backeed financing

- **[AGILE]** Media reported that Agile Group is gauging investors' interests in RMB1bn (cUSD143mn) two-year bond

- **[FUTLAN]** Seazen Group acquired Hangzhou land parcel for cRMB2.46bn (cUSD351mn) in Feb'23

- **[HRINTH]** China Huarong AMC announced that CITIC Group now is the largest shareholder of company with 26.46% stake

- **[JIAYUA]** Jiayuan further extends expiration deadline of exchange offer to 8 May for the 11th times. The company has received 61.86% support in exchange offer vs minimum acceptance level of 90% for the exchange

- **[PUTSTA]** Fitch affirmed Putian State-Owned Assets Investment BB+ ratings and changed outlook to negative

- **[VEDLN]** Media reported that Vedanta Group is looking to acquire an additional 6% stake in Hindustan Zinc, of which c65% stake owned by Vedanta

- **[WYNMAC]** Wynn Macau completes issue of USD600mn 4.50% CBs due 2029

- **[YLLGSP]** Media reported that Yanlord is mulling a 2yr USD bond issuance and aiming at lower than 10% price

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