

CMBI Credit Commentary

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

- *Light flows this morning. Moody's placed Cinda/Orient AMC review for downgrade and CCAMCLs/ORIEASs were stable this morning. VEDLNs moved -0.1 to +0.4pt post the company confirmed talks with investors for USD1.25bn loan.*
- *Asia ex-JP USD bonds issuance: 11M23 gross issuance down 17.9% yoy to USD130.9bn. See below.*
- *China Economy – Moderate export gains amid worsening import figures. CMBI forecasts the exports and imports of goods to drop 4.3% and 4.9% in 2023 and increase 3.6% and 3.3% in 2024. See below for comments from CMBI economic research.*

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❖ Trading desk comments 交易台市场观点

Yesterday, overnight 10yr UST yield tightened 6bps to 4.12%. Asia IG space was stable while the flows were mixed across spaces. In Chinese SOE/TMT benchmarks, HAOHUA/CNOOC/TENCNT 27-30s were unchanged to 3bps tighter. The high beta TMTs were under better selling. MEITUA/WB 30s widened 1-2bps. In financials, the front-end of Chinese bank T2s remained better sold. BCHINA/ICBCAS 24-26s and CCB '29 were unchanged to 4bps wider. AMCs were mixed. HRINTH 24-25s were 3-4bps tighter. CCAMCL/GRWALL 24s were 4-6bps wider. Chinese AT1s were unchanged to 0.1pt higher, while EU AT1s HSBC/STANLN Perps were 0.2-0.4pt higher. Meanwhile JP names NIPLIF 6.25 '53/MUFG 8 Perp lowered 0.1pt amid profit taking. In HK space, NWDEVL Perps declined 0.5-1.1pts to close 2-3pts lower WTD. BNKEA 5.875 Perp/LIFUNG 5.25 Perp were down 0.6-0.9pt. HK/Chinese properties were sluggish. SHUION 24-26s declined 0.6-1.1pts. ROADKG 25-26s dropped another 1.3-2.4pts to close 4-10pts lower WTD. FUTLAN/FTLNHD 24-26s and LNGFOR 29-32s were down 0.7-1.2pts. GEMDAL '24/GRNCH '25 lowered 0.6-0.7pt. CHJMAOs stayed relatively stable and closed unchanged to 0.5pt lower following Moody's downgrade to Ba1. On the other hand, PINGRE 24/26 were 1.1-2.1pts higher. DALWAN '26/RDHGCL '24 were 1.7-2.7pts higher. In industrials, CHIGRA 9.125 '24 was up 3pts post media reported the company's plan to redeem all of its o/s USD231.7mn due-Jan'2024 bonds with cash on hand. AACTECs/FOSUNIs were 0.2-0.6pt higher. Macau gaming names SANLTD/WYNMAC 26-30s were up 0.3-0.7pt. In Indian space, ADANEMs/ADSEZs were 0.6-1.1pts higher. VEDLN 24s were up another 0.3-0.8pt to close around 3.5pts higher WTD. Renewables GRNKEN/RPVIN 26-28s were up 0.3-0.4pt. Indonesian names BUMAIJ '26/KIJAIJ '27 were 0.4-0.5pt higher.

The flows in LGFV/Perp spaces continued to slow down while the sentiment was firm. On the new issue front, CCUDIH priced a USD100mn 2.5yr bond at par to yield 7%. The recent new GZGETH '25 narrowly moved and closed 0.2pt higher above par. On the secondary front, we saw better buying on LGFVs and SOE perps. The 6-7% quality LGFVs, GZINFU '26/JNHTE '24 were up 0.1pt. In Chongqing names, CQLGST 24s/CQNANA 26s were 0.2-0.3pt higher. The higher-yielding LGFVs GSHIAV 24-25s were 0.2-0.5pt higher. SOE perps were firm in light of lower rates. CHSCOI 4 Perp/CHPWCN 3.45 Perp were up 0.1pt. FRESHK 2.5 '25 was 0.4pt higher.

❖ Last Trading Day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
CHIGRA 9 1/8 01/30/24	97.2	3.0	ROADKG 5.9 03/05/25	51.3	-2.4
RDHGCL 7.8 03/20/24	77.1	2.7	ROADKG 6 09/04/25	43.3	-1.5
PINGRE 3.45 07/29/26	70.1	2.1	JIAZHO 12 06/05/23	5.3	-1.4
DALWAN 11 02/13/26	32.1	1.7	FUTLAN 4.45 07/13/25	26.4	-1.4
RISSUN 3 03/29/28	5.6	1.5	ROADKG 5 1/8 07/26/26	23.6	-1.3

❖ Marco News Recap 宏观新闻回顾

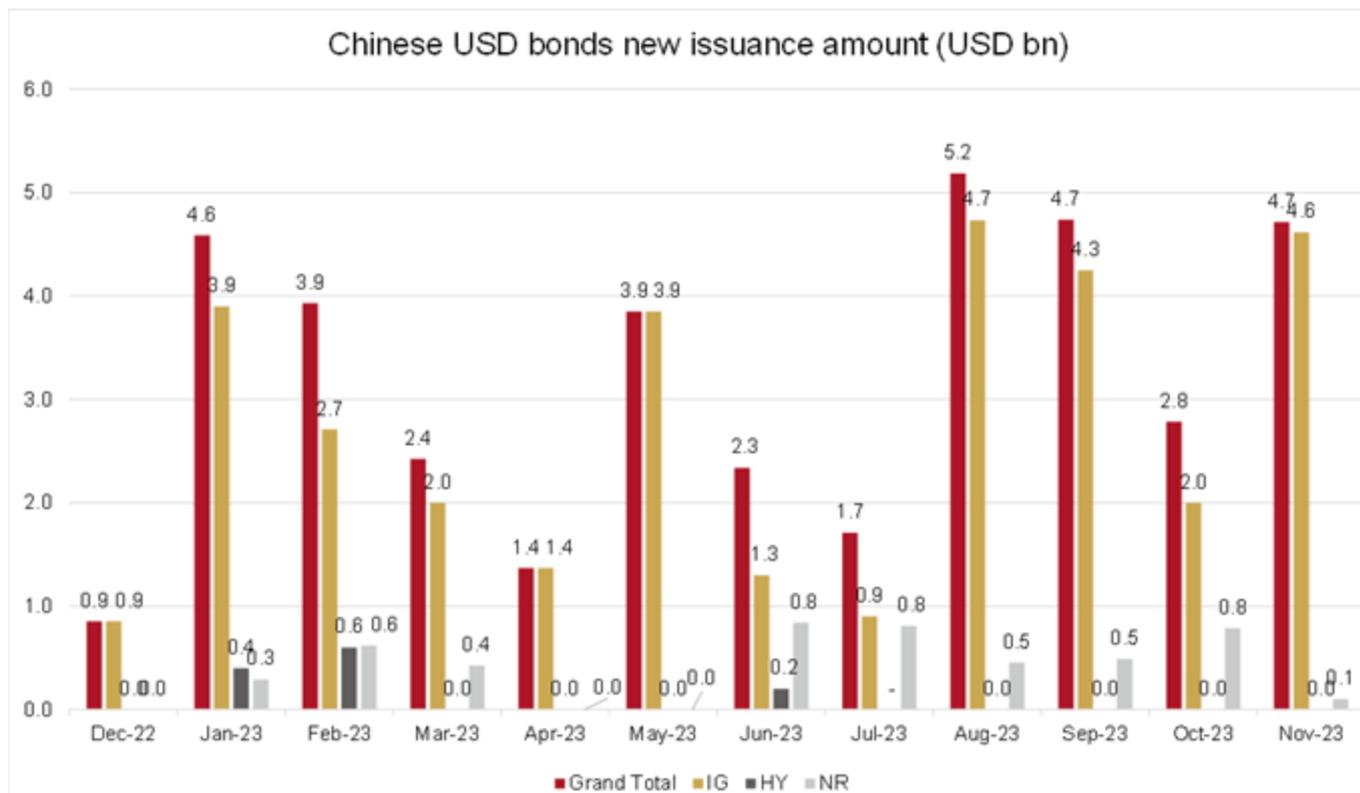
Macro – S&P (+0.80%), Dow (+0.17%) and Nasdaq (+1.37%) rebounded on Thursday. US latest initial jobless claim was +220k, lower than the expectation of +222k. Euro-zone 3Q23 GDP was unchanged, compared with the expectation of +0.1% yoy. The UST yields were stable yesterday, 2/5/10/30 yield reached 4.58%/4.11%/4.14%/4.25%, respectively.

❖ Desk analyst comments 分析员市场观点

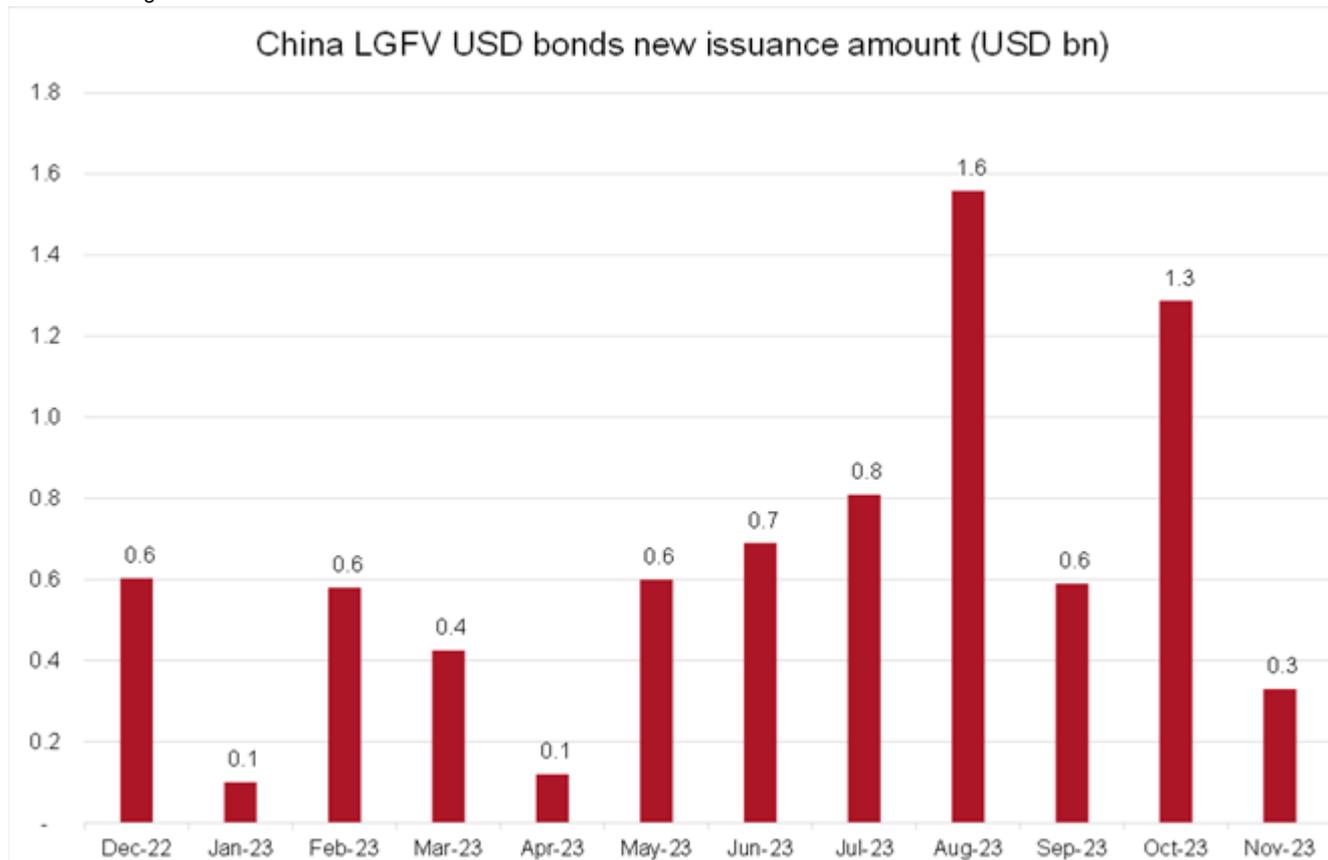
➤ Asia ex-JP USD bonds issuance: 11M23 gross issuance down 17.9% yoy to USD130.9bn

In Nov'23, the gross issuance of Asia ex-JP USD bonds increased 93.4% yoy to USD9.6bn from USD5.0bn in Nov'22. The monthly issuance has increased yoy for four consecutive months since Aug'23. China (USD4.7bn), Indonesia (USD2.0bn) and South Korea (USD1.3bn) were the regions with largest issue amount. In Nov'23, IGs accounted for 95.3% of the gross issuance, financials sector continued to be the largest issuer with issuance amount of USD5.1bn, c53.4% of total issuance. Cumulatively, the gross issuance of Asia ex-JP USD bond in 11M23 was USD130.9bn, the yoy gross issuance decline in 11M23 further narrowed to 17.9%, compared with a yoy decline -21.5% in 10M23.

In Jul'23, Chinese Politburo meeting proposed to defuse local government debt risks. LGFV bond issuance notably increased in onshore markets in Aug'23 that total issuance amount rose 53% to RMB563bn (cUSD78.6bn) compared with Jul'23. The USD bond issuance from LGFV also rebounded 93% to USD1.6bn in Aug'23. In Nov'23, onshore LGFV issuance reduced to RMB285bn (cUSD40bn) and USD bond issuance retreated to USD0.3bn. Despite decreasing issue amount, the funding cost continues to drop that the average coupon rate of onshore/USD bond was 4.07%/5.95% in Nov'23, compared with 4.79%/6.42% in Jul'23. Besides, the Chinese government has taken a package of measures including issuing cRMB1tn (cUSD137bn) special refinancing bonds to swap hidden debts, encourage state-owned banks to extend maturities of LGFV loans, to relieve the local debt burdens. We expect these measure to mitigate LGFV's near-term refinancing pressure, especially for those in weaker regions like Inner Mongolia, Yunnan, Guizhou and Tianjin.



Source: Dealogic.



Source: Dealogic.

➤ China Economy – Moderate export gains amid worsening import figures

China's exports of goods moderately improved from deep contraction by rising 0.5% YoY in Nov. Nonetheless, there are no signs of fundamental improvement in exports as the rebound was mostly contributed by a much lower base last year. The export recovery in China is comparatively weaker than similar export-intensive countries like Vietnam and South Korea. Cellphones and integrated circuits turned out to be the few bright spots in export products, along with further corroboration by Korea's cellphone and semiconductor exports turning positive in November, highlighting an improvement in global electronics cycle. Imports came in below expectation, crumbling in terms of volume in major energy commodities and industrial materials, indicating still-subdued domestic demand. Looking forward, China's exports and imports of goods may continue to improve from the YoY perspective due to the base effect and shrinkage of deflation albeit headwinds from ascending supply-chain diversifying and prolonged restrictive rate weighing on external demand. We forecast the exports and imports of goods to drop 4.3% and 4.9% in 2023 and increase 3.6% and 3.3% in 2024. Such trade weakness implies that China's economy is still faced with downside pressure, calling for additional policy support in the future. We expect China may maintain the GDP growth target at 5% with moderate fiscal stimulus and continuous monetary policy easing in 2024.

Exports of goods moderately improved with most trading partners. China's exports of goods rise 0.5% YoY (all on a YoY basis unless specified) in Nov after decreasing 6.4% in Oct. Surprisingly, exports to US saw a solid rebound in Nov from -8.2% to 7.3%, along with India, Africa and Latin America surging from -1.5%, -4.9% and -6% to 5.8%, 3% and 4.9%, respectively, while the decline in exports to Japan, ASEAN, the UK, and South Korea also narrowed in Nov. Exports to EU further deteriorated from -12.6% to -14.5% as the Europe economy continued to weaken. Meanwhile, exports to Russia remained elevated at 33.6%. There are no signs of fundamental improvement in exports as the rebound was mostly contributed by a much lower base last year. The export recovery in China is comparatively weaker than similar export-intensive countries like Vietnam and South Korea, as both posted YoY growth exceeding 6.5% in Nov.

Exports bottoming out across major products. In terms of the largest value in export, automatic data processing equipment, garment, textile products, and plastic products narrowed their contraction from 20.2%, 10.2%, 5.8% and 11.3% in Oct to 10.9%, 4.4%, 1.3% and 3.4% in Nov, while integrated circuits and cellphones significantly boomed from -16.6% and 21.8% respectively to 12% and 54.6%. The improvements may be mainly driven by the lower-base effect; however, when comparing horizontally with Korea, China's wireless communication device and semiconductor exports both turned positive YoY in Nov, indicating an improvement in the global tech product cycle. Exports of home-related products like furniture and home appliances also saw a moderate recovery from -9.1% and 8% to 3.6% and 11.8%. Meanwhile, exports of auto moderated from 45% to 27.9% in Nov, while auto parts increased 10.1% after rising 3.4% in Oct. Lastly, exports of medical equipment declined 2% in Nov after dropping 7.5%.

Imports of goods dropped due to subdued domestic demand in terms of volume. China's imports of goods dropped 0.6%, remarkably below market expectation, after briefly rising 3% in Nov due to weak domestic demand. For a breakdown of the value of imports, the volume growth of crude oil dwindled to negative 9.2% from 13.5% while the decline of import price narrowed to 3.9% in Nov from 4.5%. For integrated circuits, the import volume edged down to 0.5% growth in Nov, while their import price resurged to 7.9% after dropping 11.7% in Oct. Iron ore and copper ore both declined in terms of volume from 4.6% and 23.5% to 3.9% and 1.4% while their price rose 24.2% and 10.1% from 16.7% and 9.2% in Oct. For grain, soybean and natural gas, their import volume eased while coal and medicine rebounded. At the same time, the import volume of machine tools continued with YoY declines as domestic capex remained weak.

Exports and imports of goods are expected to drop 4.3% and 4.9% in 2023 and increase 3.6% and 3.3% in 2024. Overseas consumer sentiment deteriorated again recently due to the prolonged restrictive rates, casting a shadow on the future of China exports. In addition, Sino-US conflicts and "de-risk" strategy from the US and Europe continue to drag on the exports recovery. However, due to the base effect and improvement of the price

factor, China's exports and imports of goods should continue to improve from a YoY perspective. We expect China's exports and imports of goods to drop 4.3% and 4.9% in 2023 before increasing 3.6% and 3.3% in 2024.

Trade weakness calls for continued policy support to boost the economy. The Nov trade and PMI data signaled China's economy may have weakened again recently. The policymakers may maintain the GDP growth target at 5% for 2024. However, it is more difficult to achieve the 5% growth next year as the lower base effect should diminish. China may adopt more expansionary fiscal policies and further loosen monetary policy & property policy to boost growth. The broad fiscal deficit ratio may reach 8% of GDP in 2024. The PBOC may launch additional cuts in RRR, deposit rates and LPRs in the next several quarters. Municipal governments may further loosen property policy to stabilize the property sector. We maintain the GDP growth forecast for 2023 at 5.3% and that for 2024 at 4.8%.

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➤ Offshore Asia New Issues (Priced)

Issuer/Guarantor	Size (USD mn)	Tenor	Coupon	Priced	Issue Rating (M/S/F)
Changxing Urban Construction Investment Group	150	3yr	6.8%	6.8%	-/-/-

➤ 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 93 credit bonds issued yesterday with an amount of RMB83bn. As for Month-to-date, 374 credit bonds were issued with a total amount of RMB364bn raised, representing a 20% yoy increase
- **[CCAMCL]** Moody's placed China Cinda AMC's rating on review for downgrade
- **[CHIGRA]** Media reported that China Grand Auto plans to use internal cash to redeem USD231.69mn bonds due on 30 Jan'24
- **[CIFIHG]** CIFI Holdings plans to sell 49% of Park Rongyu residential project in Tianjin for RMB435.5mn
- **[CQLGST]** Chongqing International Logistics Hub Park Construction received Shanghai bourse approval over RMB283m corporate bond offering
- **[KIJAII]** Fitch upgraded Jababeka to B- on improved liquidity and placed stable outlook
- **[MONMIN]** Mongolian Mining issued USD40mn of 12.5% senior notes due 2026 to partially replace funds for 2024 notes redemption
- **[ORIEAS]** Moody's placed China Orient AMC's rating on review for downgrade

- **[PWRLNG]** Powerlong ad hoc group of USD bondholders engages Latham Watkins for restructuring talks
- **[VEDLN]** Media reported that Vedanta Resources confirms holding talks with foreign investors to raise USD1.25bn
- **[YUNINV]** Yunnan Provincial Investment proposes to offer RMB1.2bn two-year MTNs to repay debts

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