

CMBI Credit Commentary

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

- *Asian IG space was firm and benchmarks were mostly unchanged, Low beta names like CKHH, AIA tightened c2bps. AT1/SOE Perp were quiet while LGFV were better buying that high yield names were chased by onshore buyers.*
- *SINOCL: proposed 3-month extension on coupon payment instead of 6 months for SINOCL 6 10/24/23. SINOCLs were unchanged this morning. See below.*
- *China Macro Monitor – Recovery momentum weakened. CMBI maintains the forecast on GDP growth at 5.7% for 2023 and the 2Y CAGR for 2023 is at about 4.3%. See below for comments from our economic research.*

❖ Trading desk comments 交易台市场观点

Yesterday, UST curve bear-flattened overnight and CT2 moved 15bps wider to 3.92%, post higher than expected US NFP. China SOEs/TMTs were firm. HAOHUA/CHGRID curves grinded 2-4bps tighter. TMT benchmarks TENCNT/BABA 30s/31s edged 1-3bps tighter. In financials, there were better buying flows in bank T2 space while AMCs were relatively stable. CCB/ICBCAS29-32s tightened by 2-5bps. HRINTH curve closed unchanged to 5bps wider amid mixed two-way flows. In leasing, the recent new BOCAVI 33s tightened 2bps to T+150/149 while its 24s closed unchanged amid active two-way flows. Chinese properties had another very weak session. COGARDS fell another 2.5-4.5pts while ROADKG 25s/26s plunged 3-7pts. FUTLANs/FTLNHDs/ CSCHCNs/CHINSCs moved 1-2pts lower. AGILEs were traded down 2.5-3.5pts. Away from properties, BTSDF 24 was marked 1.25pt higher, post H&H announced a USD 3NC2 new deal and concurrent tender offer for the existing due-2024. In industrials, FOSUNIs gained 0.5-1.25pts across the curve. CHNAAR 24 was quoted 1pt higher. Macau gaming names such as SANLTDs/SJMHOs closed unchanged to 0.5pt lower. In Indian space, VEDLNs were bid up 0.5pt following VRL announced that it has repaid USD800mn loans to Standard Chartered. Indonesian SOEs PLNIIJ/PERTIJs were under better buying. Elsewhere, GLPCHI 24s/26s bounced 1.25-1.75pts from the recent lows.

The LGFV/Perp/Asia AT1 spaces had a relatively quiet session with the UK out for holiday, while strong deployment demand in LGFVs persisted. We saw buying flows mainly on papers that provided yield enhancement such as GZINFU/ZHHFGR/CNSHAN/HKIQCL/CQNANA/YWSOAO. That said, as yields continued to grind tighter we also saw RM gradually taking profit into the rally. Elsewhere in SOE Perps, prices broadly stayed stable. CTIH 6.4 Perp was traded 0.25pt higher. POE Perps such as NWDEVL/PEAKRN Perps were down 0.5pt. Chinese AT1 were relatively quieter but firm, amid treasury yields retreated. Whilst Thai AT1s were better bid. In European AT1s,

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HSBC/STANLN Perps moved 0.25pt lower with two-way flows from regional PB amid London holiday.

❖ Last Trading Day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
GLPCHI 2.95 03/29/26	60.4	1.8	ROADKG 5.9 03/05/25	72.6	-6.8
CHNAAR 5 1/2 03/08/24	95.8	1.7	ROADKG 5.2 01/12/26	53.2	-5.7
BTSDf 5 5/8 10/24/24	85.3	1.3	COGARD 4.2 02/06/26	41.3	-4.5
GLPCHI 4.974 02/26/24	82.2	1.1	COGARD 5 5/8 12/15/26	40.6	-4.4
FOSUNI 5.05 01/27/27	61.7	0.9	COGARD 7 1/4 04/08/26	42.3	-3.9

❖ Marco News Recap 宏观新闻回顾

Macro – S&P (+0.05%), Dow (-0.17%) and Nasdaq (+0.18%) were mixed yesterday, investors are cautious before Wednesday's CPI. U.S. president will meet congressional leaders to discuss the U.S. debt ceiling issue on Tuesday afternoon. The U.S. treasury ramped up on Monday, the 2/5/10/30 yields reached 4.00%/3.49%/3.52%/3.84%, respectively.

❖ Desk analyst comments 分析员市场观点

➤ SINOCL: proposed 3-month extension on coupon payment instead of 6 months for SINOCL 6 10/24/23

Sino-Ocean Capital changed the proposed accrued interest payment date of SINOCL 6 10/24/23 in the second consent solicitation from 24 Oct to 31 Jul. Based on the original scheduled payment date on 24 Apr, it now proposes to extend for c3 months instead of 6 months that is to encourage noteholders to agree on the extension and to waive default in the absence of upfront monetary incentive. The company extended the consent deadline by 4 days to 12 May from 8 May.

Today is the last day of the 14-day grace period of the coupon payment, an event of default is expected to occur today if sufficient consent, i.e. 75% of the aggregate principal amount of the notes, are not received by the expiration deadline. As discussed in our daily last Friday, we expect its parent company Sino-Ocean to continue prioritizing the debt repayment at the parent company level, considering the tight liquidity condition. SINOCLs down c16.5pts since the second consent solicitation announced last week.

	Px (bid)	YTM (% , bid)	Amt o/s (USDmn)
SINOCL 6.25 06/22/23	18.97	3,280.2	497
SINOCL 6 10/24/23	18.64	977.0	282.3
Total			779.3

Source: Bloomberg

➤ China Macro Monitor – Recovery momentum weakened

Economic condition: The momentum of economic recovery has waned recently after the release of pent-up demand in 1Q23. Service consumption continued to recover with mild slowdown of recovery pace, while property sales, durable consumption and industrial output noticeably retreated. Credit demand also weakened while credit supply remained ample with additional downside pressure on loan rates. Private businesses, which accounted for 80% of urban employment, remained cautious on capex and employment expansion. The employment condition especially for the youth was still weak. Therefore, consumer income growth and confidence remained low. Due to base effect, the YoY growth of GDP is expected to rise from 4.5% in 1Q23 to

8% in 2Q23. However, the 2Y CAGR for GDP is expected to slow from 4.6% in 1Q23 to 4.1% in 2Q23. We maintain our forecast on GDP growth at 5.7% for 2023 and the 2Y CAGR for 2023 is at about 4.3%.

Traffic & passenger flow: number of flights and daily subway passenger flow further rebounded, supporting continuous recovery in transportation service. Number of movie audience continued to recover, indicating rapid improvement of recreation service after the economic reopening. Looking forward, service consumption may continue to resume along with passenger and visitor flow during the summer holiday.

Housing market, auto sales and construction activity: housing sales have softened recently especially in lower-tier cities as the pent-up demand gradually released. The listing price index also weakened in lower-tier cities as demand slowed. The youth was still cautious to use leverage to buy a house as they see an increase of uncertainty in their income condition and housing price in future. Auto sales mildly improve as the base effect supported a pick-up of YoY growth. Indicators for construction activity were mixed as some upstream sectors saw softening of demand.

Exports of goods: The base effect may provide support for China's exports growth in April-May, but downside risks still exist as overseas demand and inflation continues to decline. US 10Y/3M treasury yield spreads remained negative with further declines, indicating an increase of recession risk ahead. The YoY growth of China's exports may drop again in 3Q23 before some moderate improvement in 4Q23. We expect the exports to drop 3.5% in 2023 after rising 7% in 2022.

Monetary policy: liquidity condition has mildly eased as credit demand and economic recovery softened. Credit policy should remain accommodative as China's GDP growth remains below potential growth with negative output gap and low reflation risk. The PBOC may further cut RRR or LPRs in 2H23 to boost the market confidence and growth momentum.

RMB Exchange Rates: renminbi seemed weaker than expected in the past several weeks as China's economic recovery momentum weakened and US economy was stronger than expected. Looking forward, renminbi may see moderate recovery as China's economy continues to recover and US economy may slow in 2H23. We expect US\$/RMB spot rates to reach 6.6 at end-2023, compared to 6.95 at end-2022.

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➤ 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)
Bayfront Infrastructure Management	USD	-	3yr	T+70	-/AAA/-
Export-Import Bank of China	USD	-	3yr	T+75	-/A+/-

➤ **News and market color**

- Regarding onshore primary issuances, there were 28 credit bonds issued yesterday with an amount of RMB32bn. As for Month-to-date, 124 credit bonds were issued with a total amount of RMB94bn raised, representing a 16.7% yoy decrease
- China MOHURD and SAMR published regulations to decrease real estate brokerage fees
- **[ADSEZ]** Adani Ports announces tender offer results for up to USD 130m outstanding 3.375% due-2024s, USD 412.7m notes validly tendered and not validly withdrawn
- **[BTSDf]** Health and Happiness' proposed USD notes assigned B1 by Moody's
- **[COGARD]** Country Garden unit issued RMB1.7bn two-year CBICL-backed MTNs including a RMB800mn 3.8% coupon tranche and a RMB900mn 3.95% coupon tranche
- **[DALWAN]** Media reported that Dalian Wanda is in talks with Chinese lenders over potential loan relief that could enable it to defer principal repayments on certain onshore borrowings
- **[GRNLGR]** Greenland cured missing 24 April installment on extended USD398.5mn due-22 April 2025 bonds
- **[LOGPH]** Logan unit Shenzhen Logan gets loss of RMB7.697bn in FY22
- **[RONXIN]** Ronshine formally launched holistic term-out process for RMB7.93bn domestic bonds
- **[SAKAEI]** Saka Energi FY22 revenue increase 69% yoy to USD611.5bn
- **[SINOCL]** Sino Ocean Capital extended consent solicitation deadline for SINOCL 6 10/24/23 to 12 May
- **[VNRLE]** China Vanke plans to raise up to RMB2bn via domestic notes
- **[YLLGSP]** Yanlord Land unit granted HKD500mn 5-year term loan facility by CMB Wing Lung Bank

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