

## CMBI Credit Commentary

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

- *Property space rebounded after CBIRC comments, SHIMAO gained 1-2pts while CIFIHG/COGARD up 1pt this morning. IG spread generally tightened 2-5bps for names like TENCNT/HAOHUA on higher treasury yield overnight.*
- *NPC will convene its annual meeting on 5 March. Premier Li will give China's growth & development targets as well as major policies for 2022 in the cabinet work report. Sectors that are expected to benefit from China's policies includes New Energy, New-Energy Vehicles and Chinese Banks. See below.*
- ***LENOVO**: Strong 9MFY2022 results across various business segments and bringing it a small net cash position. Moody's upgraded it to Baa2/Stable and we expect S&P to follow soon. We prefer short-dated LENOVO 5.875 '25 at T3+168bp, 107.5 mid over its long tenor notes. We also prefer LENOVO '30 over XIAOMI '30. See below.*

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

**Polly Ng 吴宝玲**  
(852) 3657 6234  
pollyng@cmbi.com.hk

**James Wen 温展俊**  
(852) 3757 6291  
jameswen@cmbi.com.hk

#### ❖ Trading desk comments 交易平台市场观点

Yesterday, China HY property space remained soft. SUNAC curve was impacted by street selling flows and plunged 6-8pts. CIFIHG/COGARD/PWRLNG continued to underperform and down 4-6pts. AGILE/CHINSC/FUTLAN/KWGPRO were also skewed to selling and closed 3-4pts down. LOGPH/GZRFPR traded down 2-3pts while CENCHI/GRNLGR/KAISAG/JIAYUA fell 1-2pts for the day. In industrial sector, FOSUNI down 1-2pts while WESCHI dropped around 1pt. Macau gaming space also traded soft and down around 1pt.

IG market had another weak session with benchmark spreads 5-10bps wider. In financial sector, leasing names including CMINLE/BOCAVI were impacted and spreads widened 10bps or more for the day. SOE names like SINOCH/HAOHUA also traded down and spreads closed around 5bps wider. In TMT sector, LENOVO saw active two-way flows and spreads barely changed.

**CMBI Fixed Income**  
fis@cmbi.com.hk

➤ **Yesterday's Top Movers**

Top Performers	Price	Change	Top Underperformers	Price	Change
AGILE 6.7 03/07/22	98.8	4.4	KWGPRO 6 09/15/22	56.0	-10.0
WYNMAC 5 1/8 12/15/29	86.9	3.3	SUNAC 7.95 08/08/22	55.5	-8.3
WYNMAC 5 1/8 12/15/29	86.6	3.2	SUNAC 6.8 10/20/24	31.8	-8.0
SHIMAO 5.2 01/16/27	20.4	2.1	SUNAC 7 1/4 06/14/22	60.5	-7.8
SHIMAO 4.6 07/13/30	19.7	1.7	SUNAC 6.65 08/03/24	32.3	-7.8

➤ **Macro News Recap 宏观新闻回顾**

**Macro** – U.S. stock indexes rose and bond yields grew on Tuesday coming with oil price advanced. The S&P (+1.86%), Dow (+1.79%), Nasdaq (+1.62%) closed higher. Oil prices rallied, rising back above USD 110 a barrel to the highest level since 2014. U.S. Treasury yield curve shifted upward yesterday, with 1/5/10/30Yr yield being 1.06%/1.74%/1.86%/2.24%.

➤ **Desk analyst comments 分析员市场观点**

➤ **China's NPC Meeting Preview**

The National People's Congress (NPC) will convene its annual meeting on 5 March. Premier Li Keqiang will give China's growth & development targets as well as major policies for 2022 in the cabinet work report. We preview what to expect on growth target and major policies, and highlight stocks that may benefit.

- **Growth & development targets for 2022:** i) GDP growth target may be at around 5.5%; ii) CPI growth target may be at 3%; iii) Urban registered unemployment rate target remains at 5.5% and urban incremental employment target should be at 11 million; iv) Energy consumption per unit GDP may be targeted to decline by 3%.
- **Macro policies:** i) China would maintain prudent monetary policy yet with easing bias; ii) will maintain proactive fiscal policy with additional tax cut; iii) may continue to loosen property policy to stabilize property market and avoid systematic risks; iv) will pledge to expand domestic consumption with common prosperity; v) will commit to green development; vi) will continue to accelerate the development of digital economy.
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- **Policy implications from the Russia-Ukraine tensions:** i) China will take more effort to assure its energy & grain supply security; ii) will be more determined to develop its own chip and hard tech industries; iii) will further enhance its cyber security; iv) will firmly development the CIPS and improve the resilience of its financial system to external shocks.
- **HK stock market attractive after correction:** After the recent correction, the HSI is again highly attractive compared to other major indexes worldwide. HSI's P/B has now returned to the trough level 0.92x. H-shares' discount to A-shares is near decade-high. China's pro-growth policies could drive re-rating in the HSI moderately.

- **Sector rotation – from Energy & Banks into Internet:** Energy stocks, after strong gains YTD, is unattractive relative to other sectors. HK banks may pull back as U.S. rate hike expectations cooled on Ukraine crisis. On the other hand, Internet sector's EPS estimates are bottoming out. Prefer online gaming leaders NetEase (NTES US / 9999 HK) and Tencent (700 HK).
- **Sectors to benefit from China's policies:**
  1. **New Energy:** China will probably accelerate the development of wind and solar power generation to reduce its reliance on energy imports. The recent share price correction presents a chance to accumulate.
  2. **New-Energy Vehicles:** China may provide subsidy to rural households to purchase NEV. We prefer the leading NEV trio – XPeng (XPEV US / 9868 HK), Li Auto (LI US / 2015 HK), NIO (NIO US), as these pioneers have been creating new values for consumers.
- **Chinese Banks:** China may continue to loosen policy to stabilize property market and avoid systematic risks, which should alleviate concerns on banks' asset quality. Prefer SOE banks for their better fundamentals. Top pick is PSBC (1658 HK)

For more details, please refer to report: <https://www.cmbi.com/article/6419.html?lang=en>

➤ **Lenovo: Solid 9MFY2022 results, Moody's upgrade to Baa2/Stable**

Lenovo reported solid 9MFY2022 results, revenue +22%yoy and EBITDA +39% yoy to USD 54.9bn/USD 3.4bn. This was backed by strength in all revenue segments - IDG (PC business: 87% of revenue) +21% yoy, continued to maintain its No. 1 market share at 24.1%, against industry PC shipment growth of 15% in 2021.

Lenovo service revenue contribution (ISG & SSG) recorded strong growth as well +22%/+30% yoy. Economy of scale raised all segmental (IDG, ISG, SSG) EBIT margin to 8%/-1%/22%, from 7%/-2%/20% in 9MFY2021. Strong free cash flow continued at USD 1.7bn during 9MFY2022, bringing Lenovo to a small net cash position (USD 81mn), from a net debt of USD 870mn in FY2021. Moody's raised its rating to Baa2/Stable yesterday on the back of debt reduction and higher EBITDA. We expect S&P to follow soon following its BBB-/Pos outlook since July 2021, thanks to its lower leverage and growing service segment income.

We prefer short-dated LENOVO 5.875 '25 at T3+168bp, 107.5 mid over its long tenor notes. We also prefer LENOVO '30 (T10 +206bp) over XIAOMI '30 (T10 +186bp) among Chinese tech hardware.

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

Issuer	Size (mn)	Tenor	Coupon	Yield	Issue Rating (M/S/F)
No Offshore Asia New Issues Piced Today					

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

Issuer	Currency	Size (mn)	Tenor	IPG	Issue Rating (M/S/F)
No Offshore Asia New Issues Pipeline Today					

➤ **Onshore China conditions and color**

- Regarding onshore primary issuances, there were 88 credit bonds issued yesterday with an amount of RMB91bn. As for Month-to-date, 88 credit bonds were issued with a total amount of RMB91bn raised, representing a 52.3% yoy decrease.
- China Real Estate Association issues letters to assess situation on debt repayment, asset disposals and risk resolution for some developers
- **[AGILE]** deposits sufficient funds into designated bank account for full redemption of outstanding 6.7% senior notes due on 7 March 2022
- **[CITICS]** CITIC Securities' HKD 6.04bn H Share rights issue oversubscribed
- **[CQNANA]** its BBB- ratings withdrawn at company request, according to S&P
- **[LENOVO]** upgraded to Baa2; outlook revised to stable, according to Moody's

*CMB International Securities Limited*

*Fixed Income Department*

Tel: 852 3761 8867/ 852 3657 6291

[fis@cmbi.com.hk](mailto:fis@cmbi.com.hk)

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