

CMBI Credit Commentary

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

- *Quiet morning but recent new issues generally widened. CINDBK 4.8 PERP down to 99.75. Short-end IG, on the other hand, saw some buyers, i.e. HAOHUA/CDBALF/CNBG/CMINLE*
- *China Policy: Smaller-than-expected RRR cut shows PBOC's modest easing stance. The central bank said liquidity condition is already at a reasonably ample level, indicating limited room for RRR cut in 2Q22. See below.*
- *CSCHCN: the company has secured last regulatory approval (i.e. anti-trust) for its stakes sale to SOE SZCDG. Also the company fully redeemed onshore MTN of RMB600mn due 18 Apr'22. We maintain Buy on CSCHCNs. See below.*

❖ Trading desk comments 交易台市场观点

Last Thursday, China HY property space was quiet amid weak market sentiment. We saw market buying in some high quality names. COGARD curve was traded up 2-3pts, and CHINSC also up 1-2pts. CIFIHG/CENCHI/FUTLAN/ROADKG/TPHL rose 0.5-1pt. On the other hand, property names like PWRLNG/LOGPH/GZRFPR/RONXIN down 1-2pts.

In the financial sector, the new issued BNKEA closed at T+223 (vs Reoffer T+230) while once tightened to T+215. CINDBK saw limited sell flow and was generally traded quiet. In TMT sector, benchmark names like BABA/LENOVO/CONAMP widened 1-3bps while MEITUA tightened around 9bps.

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➤ Yesterday's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
GRNLHK 10.21 PERP	102.5	27.8	DAFAPG 12 3/8 07/30/22	15.7	-15.5
COGARD 6.15 09/17/25	77.3	3.7	RONXIN 8 3/4 10/25/22	36.9	-6.0
GRNLGR 6 3/4 03/03/24	70.4	3.5	RONXIN 8.95 01/22/23	27.2	-3.5
COGARD 5.4 05/27/25	77.3	3.5	RONXIN 8.1 06/09/23	26.4	-2.5
COGARD 6 1/2 04/08/24	84.3	3.1	REDSUN 9.7 04/16/23	35.9	-2.5

❖ Macro News Recap 宏观新闻回顾

Macro – U.S. stocks indexes ended lower last Thursday, as investors tracked the expiration of more than a \$1 trillion dollars in stock options ahead of the Easter holiday weekend. The S&P (-1.21%), Nasdaq (-2.14%), and Dow (-0.33%) closed lower. China's first-quarter GDP grew 4.8%, which is faster than expected despite the impact of Covid lockdowns in parts of the country in March, according to data released by the National Bureau of Statistics on Monday. The UST yield climbed up further on Thursday, with the 1/5/10/30 yield reaching 1.84/2.79/2.83/2.92% respectively.

❖ Desk analyst comments 分析员市场观点

➤ China Policy – Small RRR cut shows PBOC's modest easing stance

The RRR cut is smaller than expected, indicating the modest easing path in China's monetary policy amid the US Fed's policy tightening. We see limited room for additional RRR cuts and low possibility of LPR reduction in near term. The PBOC will use more structural policies to boost credit supply and lower financing costs especially for targeted sectors. Loan contract rates have downside room as credit supply increases while credit demand remains weak. The stock market has priced in the RRR cut and structural policies. The epidemic and Covid-zero policy dynamics is another important factor for the economy and market in future. We believe Shanghai may have seen its peak of Covid-19 new cases and the condition should significantly improve from this week. This may support a rebounding of related stocks in consumer service sectors in the short term. China will carefully study the lessons learned from the epidemic in Shanghai and review its Covid-zero policy, which should provide important implications for the market in 2Q22.

- **The RRR cut is smaller than expected.** The PBOC announced to cut the RRR by 0.25ppt for most banks and by 0.5ppt for city & rural small banks. The central bank said the policy move would increase the liquidity supply by RMB530bn and lower banks' funding costs by RMB6.5bn. The weighted average RRR for banks would decline from 8.4% to 8.1% after the reduction.
- **PBOC indicates modest easing path with limited room for additional RRR & LPR cuts.** The smaller-than-expected RRR cut indicates the PBOC is reluctant to launch strong monetary easing. In the official announcement, the central bank said liquidity condition is already at a reasonably ample level, indicating limited room for RRR cut in future. The PBOC said it would focus on inflation dynamics to maintain domestic price stability as well as on advanced economies' monetary policy tightening to seek the internal-external balance. This indicates the central bank's concern about inflation uncertainty and US Fed's policy tightening, lowering the possibility of LPR cut in near term.

Please see CMBI Research's team full report <https://www.cmbi.com/article/6637.html?lang=en>

➤ **China South City: Regulatory approvals secured for stakes sale to SZCDG**

Further to our comments in the daily on 4 Apr'22, we understand that the last regulatory approval (i.e. anti-trust) required for China South City (CSC)'s stakes sale to SZCDG has been secured. Recalled that there are 3 regulatory approvals required: 1) NDRC; 2) MOC; and 3) Anti-trust. As per our discussions with CSC, the stakes sale has been proceeding smoothly, as reflected by recent sales of logistic asset sales (RMB1.7bn) to Shenzhen International Holdings, and 2 strategic cooperation agreements with SZ SOE/LGFV signed in Feb'22. That said, the completion of the stakes sale may experience a short delay from the end of Apr'22 as documentary procedures are affected by the recent pandemic outbreak and lock-down. Separately, China South City fully redeemed onshore MTN of RMB600mn due 18 Apr'22. We maintain Buy on CSCHCNs.

➤ **INDYIJ: Manageable impact from coal royalty rates hike**

Effective on 18 April 2022, Indonesian government raised coal royalty rates, from existing 13.5% to a) 14% - 28% for coal miners under first generation coal license CCoW that are subject to 45% profit tax; or b) 20% - 27% for coal miners renewed their license to IUPK and subject to 22% profit tax.

Our sensitivity shows, assuming Newcastle Benchmark remains at USD137/MT (same as 2021), Indika's EBITDA will lower by 20% - 30% yoy in 2022 having paid the highest royalty rate of 28%.

Nonetheless, Kideco's CCoW license will be up for IUPK renewal in March 2023. We estimate Indika's net profit will remain largely the same, as corporate profit tax saving under 22% profit tax, compared to 45% profit tax under CCoW, will sufficiently offset the higher royalty paid. We maintain Buy on INDYIJs, [see our note on 6 Apr 2022.](#)

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

Issuer	Size (mn)	Tenor	Coupon	Yield	Issue Rating (M/S/F)
Liangshan Development	USD204	3yr	6.5%	6.5%	-/-

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

Issuer	Currency	Size (mn)	Tenor	IPG	Issue Rating (M/S/F)
Continuum Green Energy	USD	400	3.5	-	-/BB-/-
Singapore Technologies Engineering	USD	-	-	-	Aaa/-/-
TSMC Arizona Corp	USD	-	5	T+120	Aa3/AA-
TSMC Arizona Corp.	USD	-	7	T+137.5	Aa3/AA-
TSMC Arizona Corp	USD	-	10	T+155	Aa3/AA-
TSMC Arizona Corp	USD	-	30	T+175	Aa3/AA-
Nanyang Commercial Bank	USD	-	AT1 PerpNC5	-	Ba2/-/-

➤ **Market conditions and color**

- Indonesia doubles royalty on coal sales to 27% at highest rate under new regulation
- **[SHDOIS]** raises RMB 1.5bn via offering of 180-day bills at 2.51%
- **[DEXICN]** PWC resigned and was replaced by Elite Partners on 14 Apr'22. Audited results will experience more delay. Separately, Dexin deposited funds for the repayment of DEXICN 11.875%'22 due 23 Apr'22
- **[XINAOG]** Xinao (Zhoushan) LNG 90% stake to be acquired by ENN Natural Gas for RMB8.55bn
- **[JINKE]** controlling shareholders sell 1% stake, according to stock exchange announcement on 15 Apr

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