

CMBI Credit Commentary

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

- *BABA '31 once hit down to T10+180bps on news of Ma Yun being arrested, but gradually recovered to 169/161 level. Recent new issue GRWALL 25 stabilized at 97.25/98.25 after Great Wall International management's call this morning.*
- **GRWALL:** *Greatwall International, guarantor of 2025 notes, cited good turnaround of FY2021 results (Net profit: RMB 676mn vs RMB 41mn in 2020) and strong bank support, to dispel some concerns on its parent Greatwall AMC delay in FY2021 results, which is due to discrepancy in assessing value of certain operating projects. We do not view this as another Huarong saga, and should present buying opportunity for front-end of GRWALL curve.*
- *China's PMI slumped sharply in April as the Covid-zero lockdowns hurt demand and disrupted supply chains. CMBI research team believes the worst time is over but economic resumption needs some time in 2H22. 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 交易台市场观点

Last Friday, Chinese HY property space strongly rebounded, following the positive takeaways from the Beijing's Politburo meeting. PWRLNG curve rose 4-7pts after its post earnings call held on Friday morning. TPHL also traded up 3-4pts, and CIFIHG/LOGPH/COGARD up around 2pts. Other property names like CHINSC/SHIMAO/KWGPRO up around 1pt.

Chinese IG market also saw strong buying flows with benchmark names generally tightened. In TMT sector, longer-end benchmark names like BABA/TENCNT/WB saw market buying and tightened 4-10bps, on the back of some positive regulatory headlines from the Politburo meeting. In the financial sector, GRWALL curve down 2-3pts after its delay of FY2021 results. Trading range of the newly issued KOEWPW was T+95 to T+92, and it closed at wide side at the end of day.

CMBI Fixed Income
fis@cmbi.com.hk

➤ Yesterday's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
KWGPRO 6 09/15/22	69.3	12.0	DAFAPG 12 3/8 07/30/22	12.3	-2.6
PWRLNG 7 1/8 11/08/22	58.6	8.9	HAOHUA 4 3/4 06/19/49	92.3	-1.7
PWRLNG 6.95 07/23/23	47.9	8.3	HAOHUA 5 1/2 03/14/48	103.4	-1.5
TPHL 6 3/4 07/08/25	45.3	4.9	XIAOMI 4.1 07/14/51	74.4	-1.4
PWRLNG 6 1/4 08/10/24	42.0	4.5	GRWALL 3 7/8 08/31/27	96.0	-1.4

❖ Macro News Recap 宏观新闻回顾

Macro – U.S. stock market ended higher on Monday, following the largest single-session decline in more than two years on Friday. Investors looked to add some beaten down tech names heading into an active week highlighted by the Federal Reserve's interest rate decision on Wednesday. The S&P (+0.57%), Nasdaq (+1.63%), and Dow (+0.26%) closed higher. However, economic activity data from around the world continues to indicate a pullback as central banks tighten policy amid surging inflation pressures. Supply chains remain snarled by Covid disruptions and China struggles to manage its recent pandemic resurgence. Treasury yield further advanced, with the 1/5/10/30 yield reaching 2.10/3.01/2.99/3.07% respectively.

❖ Desk analyst comments 分析员市场观点

➤ China Economy – A sharp slump in April amid Covid-zero lockdowns

China's PMI slumped sharply in April as the Covid-zero lockdowns in Shanghai and other cities hurt demand and disrupted supply chains. New orders, business expectations, export orders, imports, material purchase, supply delivery and employment condition all deteriorated, while material costs remained high with some mild declines. We believe the worst time is over as the epidemic condition gradually improves and the policy support becomes stronger. The pace of improvement may be slow in next two months as China still struggles to seek a balance between Covid-zero control and economic resumption in near term. The second half year should see a stronger resumption as the country is better prepared for reopening and the balance further tilts towards the growth.

- **PMIs slumped to the lowest levels in more than two years.** PMI in manufacturing declined from 49.5% in March to 47.4% in April. The indexes in construction and service respectively dropped from 58.1% and 46.7% in March to 52.7% and 40% in April. The PMIs in April were still higher than the levels in February 2020 when the whole country was in lockdowns. But they dropped to the lowest levels in more than two years as Shanghai is the financial, business and foreign trade hub for China and the Yangtze River Delta region accounted for 25% and 37% in China's GDP and foreign trade flow.
- **The worst time is over but economic resumption needs some time.** China economy has seen the second downturn cycle since 2H21 due to the property deleveraging, tough regulation in some sectors and the epidemic resurgence. The epidemic and lockdowns in Shanghai and other cities possibly sent China's GDP growth to below 3% in April. We believe the worst time is over as the epidemic condition gradually improves from May and the recent politburo meeting signals stronger policy support to boost the growth. But the economic resumption needs some time as China still struggles to seek a balance between Covid-zero control and economic resumption. The second half year should see a stronger resumption as the country is better prepared for reopening and the balance further tilts towards the growth.

- **The April slump was widespread in demand, confidence, foreign trade, supply chains and employment condition.** Demand significantly deteriorated as new order index in manufacturing, construction and service respectively declined from 48.8%, 51.2% and 44.7% in March to 42.6%, 45.3% and 36% in April. Confidence further weakened as business expectations in the three sectors dropped from 55.7%, 60.3% and 53.6% in March to 53.3%, 57% and 53% in April. Foreign trade activity also slumped as export order index and import index respectively decreased from 47.2% and 46.9% in March to 41.6% and 42.9% in April. The supply delivery became far slower as the related indexes in manufacturing and service declined sharply from 46.5% and 45.2% in March to 37.2% and 42.8% in April. The employment indexes in manufacturing, construction and service respectively dropped from 48.6%, 50.1% and 46.6% in March to 47.2%, 43.1% and 45.8% in April.
- **Material costs & ex-factory prices remained high with mild declines.** Material cost indexes in manufacturing, construction & service declined from 66.1%, 61.4% and 54.9% in March to 64.2%, 60.3% and 52.6% in April. Ex-factory price indexes in the three sectors decreased from 56.7%, 54.4% and 50.6% in March to 54.4%, 53.2% and 48.1% in April. The epidemic and lockdowns have a mixed impact on the inflation as they hurt demand and disrupt supply as the same time. The impact should vary by sector. The April gauge in material costs and ex-factory prices points to a slowdown of PPI and service inflation in April.

Please see CMBI Research Team's [full report](#).

➤ Offshore Asia New Issues (Priced)

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

➤ Offshore Asia New Issues (Pipeline)

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

➤ Market conditions and color

- **[COGARD]** further repurchases senior notes originally due 2022, 2023, of USD9mn and USD1mn, respectively
- **[EHOUSE]** expects to publish FY21 audited results by 15 July
- **[LOGPH]** expects to publish FY21 annual results on or before 12 May
- **[RISSUN]** to receive up to RMB800mn loans from controlling shareholder, second largest shareholder

- **[SDGOLD]** to redeem entire USD100mn 5.3% guaranteed perps on 29 May

CMB International Securities Limited

Fixed Income Department

Tel: 852 3761 8867/ 852 3657 6291

fis@cmbi.com.hk

CMB International Securities Limited ("CMBIS") is a wholly owned subsidiary of CMB International Capital Corporation Limited (a wholly owned subsidiary of China Merchants Bank)

Author Certification

The author who is primary responsible for the content of this research report, in whole or in part, certifies that with respect to the securities or issuer that the author covered in this report: (1) all of the views expressed accurately reflect his or her personal views about the subject securities or issuer; and (2) no part of his or her compensation was, is, or will be, directly or indirectly, related to the specific views expressed by that author in this report.

Besides, the author confirms that neither the author nor his/her associates (as defined in the code of conduct issued by The Hong Kong Securities and Futures Commission) (1) have dealt in or traded in the stock(s) covered in this research report within 30 calendar days prior to the date of issue of this report; (2) will deal in or trade in the stock(s) covered in this research report 3 business days after the date of issue of this report; (3) serve as an officer of any of the Hong Kong listed companies covered in this report; and (4) have any financial interests in the Hong Kong listed companies covered in this report.

Important Disclosures

There are risks involved in transacting in any securities. The information contained in this report may not be suitable for the purposes of all investors. CMBIS does not provide individually tailored investment advice. This report has been prepared without regard to the individual investment objectives, financial position or special requirements. Past performance has no indication of future performance, and actual events may differ materially from that which is contained in the report. The value of, and returns from, any investments are uncertain and are not guaranteed and may fluctuate as a result of their dependence on the performance of underlying assets or other variable market factors. CMBIS recommends that investors should independently evaluate particular investments and strategies, and encourages investors to consult with a professional financial advisor in order to make their own investment decisions.

This report or any information contained herein, have been prepared by the CMBIS, solely for the purpose of supplying information to the clients of CMBIS and/or its affiliate(s) to whom it is distributed. This report is not and should not be construed as an offer or solicitation to buy or sell any security or any interest in securities or enter into any transaction. Neither CMBIS nor any of its affiliates, shareholders, agents, consultants, directors, officers or employees shall be liable for any loss, damage or expense whatsoever, whether direct or consequential, incurred in relying on the information contained in this report. Anyone making use of the information contained in this report does so entirely at their own risk.

The information and contents contained in this report are based on the analyses and interpretations of information believed to be publicly available and reliable. CMBIS has exerted every effort in its capacity to ensure, but not to guarantee, their accuracy, completeness, timeliness or correctness. CMBIS provides the information, advices and forecasts on an "AS IS" basis. The information and contents are subject to change without notice. CMBIS may issue other publications having information and/or conclusions different from this report. These publications reflect different assumption, point-of-view and analytical methods when compiling. CMBIS may make investment decisions or take proprietary positions that are inconsistent with the recommendations or views in this report.

CMBIS may have a position, make markets or act as principal or engage in transactions in securities of companies referred to in this report for itself and/or on behalf of its clients from time to time. Investors should assume that CMBIS does or seeks to have investment banking or other business relationships with the companies in this report. As a result, recipients should be aware that CMBIS may have a conflict of interest that could affect the objectivity of this report and CMBIS will not assume any responsibility in respect thereof. This report is for the use of intended recipients only and this publication, may not be reproduced, reprinted, sold, redistributed or published in whole or in part for any purpose without prior written consent of CMBIS.

Additional information on recommended securities is available upon request.

Disclaimer

CMBIS or its affiliate(s) have investment banking relationship with the issuers covered in this report in preceding 12 months.

For recipients of this document in the United Kingdom

This report has been provided only to persons (I) falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended from time to time) ("The Order") or (II) are persons falling within Article 49(2) (a) to (d) ("High Net Worth Companies, Unincorporated Associations, etc.") of the Order, and may not be provided to any other person without the prior written consent of CMBIS.

For recipients of this document in the United States

CMBIS is not a registered broker-dealer in the United States. As a result, CMBIS is not subject to U.S. rules regarding the preparation of research reports and the independence of research analysts. The research analyst who is primary responsible for the content of this research report is not registered or qualified as a research analyst with the Financial Industry Regulatory Authority ("FINRA"). The analyst is not subject to applicable restrictions under FINRA Rules intended to ensure that the

analyst is not affected by potential conflicts of interest that could bear upon the reliability of the research report. This report is intended for distribution in the United States solely to "major US institutional investors", as defined in Rule 15a-6 under the US, Securities Exchange Act of 1934, as amended, and may not be furnished to any other person in the United States. Each major US institutional investor that receives a copy of this report by its acceptance hereof represents and agrees that it shall not distribute or provide this report to any other person. Any U.S. recipient of this report wishing to effect any transaction to buy or sell securities based on the information provided in this report should do so only through a U.S.-registered broker-dealer.

For recipients of this document in Singapore

This report is distributed in Singapore by CMBI (Singapore) Pte. Limited (CMBISG) (Company Regn. No. 201731928D), an Exempt Financial Adviser as defined in the Financial Advisers Act (Cap. 110) of Singapore and regulated by the Monetary Authority of Singapore. CMBISG may distribute reports produced by its respective foreign entities, affiliates or other foreign research houses pursuant to an arrangement under Regulation 32C of the Financial Advisers Regulations. Where the report is distributed in Singapore to a person who is not an Accredited Investor, Expert Investor or an Institutional Investor, as defined in the Securities and Futures Act (Cap. 289) of Singapore, CMBISG accepts legal responsibility for the contents of the report to such persons only to the extent required by law. Singapore recipients should contact CMBISG at +65 6350 4400 for matters arising from, or in connection with the report.