

CMBI Credit Commentary

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

- *IG widened 4-8bps this morning, against rising UST yield last Friday. New Issue GRWALL 4.25 '25 gave back gain and trading at 163/158 vs Reoffer T2+165.5. Long-end TENCNT/BABA/SINOPE '30/'31 saw selling.*
- **China Policy:** *CMBI Research believes Renminbi depreciation will increase capital outflow pressure and stock market volatility in the near-term. Yet it is also a pro-growth signal by the Chinese policymaker, which can pave way for further policy easing ahead. See below.*
- **Future Retail:** *Reliance Industries officially called off the acquisition of Future Retail after secured creditors voted against the scheme of arrangement. FRETAI'25 moved 30pts lower to 18/19 over the past few days.*

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❖ Trading desk comments 交易台市场观点

Last Friday, Chinese HY property space generally underperformed amid weak market sentiment. While high cash price CIFIHG/COGARD turned around and closed flat to 0.5pt higher, we saw CHINSC/GRNLGR/TPHL/ROADKG fall 1-2pts. Other property names like LOGPH/PWRLNG/SINOCE also down around 0.5pt. The industrial space remained lacklustre with EHICAR down 1-2pts.

Chinese IG market was mixed and quiet. SOE sector was generally stable and SINOPE/CGALUM slightly tightened 1-3bps. New Issue GRWALL '25 closed at 155/153, tightened 10bps from RO T2+165.5. NANYAN PERP closed at 99.75/99.95 with some retail interest.

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➤ Yesterday's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
KWGPRO 5.2 09/21/22	55.8	3.1	JIAYUA 12 1/2 07/21/23	35.1	-4.0
AGILE 6.05 10/13/25	38.8	1.8	AGILE 5 1/2 04/21/25	36.5	-1.6
SINHL 10 1/2 06/18/22	4.1	1.4	ROADKG 5.9 03/05/25	76.8	-1.6
REDPRO 9.9 02/17/24	24.2	1.4	TPHL 5 3/4 01/14/27	38.9	-1.5
GZDZCD 3 3/4 03/30/26	99.4	1.4	GRNLGR 6 3/4 03/03/24	64.4	-1.5

❖ Macro News Recap 宏观新闻回顾

Macro – U.S. stock market ended lower last Friday, as investors repositioned amid hawkish remarks from central bank officials and slowing economic growth signals. The S&P (-2.82%), Nasdaq (-2.55%), and Dow (-2.77%) closed lower. Federal Reserve Chairman Jerome Powell told a panel at the International Monetary Fund's spring meetings in Washington that there was a case for "front loading" rate hikes, adding that a 50 basis point move would be on the table." Treasury yield tested 3% technical threshold, with the 1/5/10/30 yield reaching 2.06/2.94/2.90/2.95% respectively.

❖ Desk analyst comments 分析员市场观点

➤ China Policy – RMB depreciation as the pro-growth signal

USD/RMB spot rates rose 1.7% in the past three trading days, marking the end of strong renminbi and the start of a cycle of weakness. We believe the renminbi depreciation should be considered as the pro-growth signal from the policymaker, which should pave the way for further policy easing ahead. Based on the Sino-US growth divergence and interest spread dynamics, renminbi should have moderate downside room (over 8%) against US dollar in this weakness cycle. In the near term, renminbi depreciation may mildly increase capital outflow pressure and stock market volatility. As the depreciation is in place, however, capital inflows should rebound as renminbi assets become cheaper and stronger policy easing supports economic prospect. In the medium to long term, interest spreads, exchange rates and stock market performance are all driven by the economic prospect.

- **RMB depreciation is the pro-growth signal from the policymaker.** The weakening of renminbi has significantly lagged behind the economic slowdown cycle as well as the bust of renminbi assets. One possible reason is the policymaker's preference for strong renminbi in the past few months with the intension to facilitate renminbi internationalization and the concerns about capital outflow risk amid the Russia-Ukraine conflict. But the orientation towards strong renminbi has eroded the independence of domestic monetary policy and restrained the room of domestic policy easing. Due to the sharp slump of China economy in March and April, China faces increasing pressure to further loosen its monetary policy. The depreciation of renminbi can not only support exports, but also more importantly, create more room for domestic policy easing. Therefore, renminbi depreciation is the pro-growth signal from the policymaker, paving the way for further policy easing in 2Q22.
- **Renminbi has moderate downside room against US dollar in this weakness cycle.** In the past few months, renminbi exchange rates seemed too strong compared to the economic fundamentals and Sino-US interest spreads. The Sino-US spreads in 1oY T-bonds have turned negative recently as China's GDP growth should have declined to be below the US GDP growth in March and April. In 2Q22, the monetary policy divergence in the two countries should further increase. The above factors imply moderate downside room

for renminbi ahead. We expect renminbi may depreciate over 8% against US dollar in this weakness cycle. In the medium term, the US economy will decline from the peak while China economy should gradually stabilize and resume from the bottom. This prospect may provide some buffer for renminbi exchange rates in the medium term.

- **Capital outflow and stock volatility may mildly increase in early stage of depreciation, but things will improve in late stage.** In early stage, the start of depreciation may evoke investors' expectations of further depreciation in future. This will mildly increase capital outflow pressure and stock market volatility. But things will change in late stage. As the depreciation is basically in place, renminbi assets become cheaper and economic prospect gradually improves amid stronger policy easing. Capital inflows will rebound. In the medium to long term, interest spreads, exchange rates and stock market are all driven by the economic prospect especially for large economies.
- **China should adopt floating exchange rates to absorb external shocks and use independent monetary policy to support domestic economy.** Only the economic prospect improves, can interest spreads, exchange rates, capital flows and financial markets truly stabilize. For renminbi internationalization, it is a process of natural competition and market selection and renminbi exchange rate is not the decisive factor. China's economic prospect, Chinese companies' bargaining power in global supply chain, renminbi's convertibility freedom, China's financial market competitiveness and openness and the yield and safety of renminbi assets are more important factors for renminbi internationalization. Take 2018 and 2019 for example, despite a depreciation over 10% of renminbi against US dollar, the market share of renminbi settlement in China's foreign receipt rose from 16.6% in 2017 to 26.2% in 2019. There were many reasons, including the decline in the proportion of trade with the US, the decrease of the security of US dollar settlement (US financial sanction risk) and the acceleration of China's financial market opening.

Please see CMBI Research's full report <https://www.cmbi.com/article/6674.html?lang=en>

➤ 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)
Korea East West Power	USD	-	5	-	Aa2/AA/AA-

➤ **Market conditions and color**

- Regarding onshore primary issuances, there were 114 credit bonds issued last Friday with an amount of RMB124bn. As for Month-to-date, 1259 credit bonds were issued with a total amount of RMB1,317bn raised, representing a 11.7% yoy decrease.
- Indonesia will ban cooking oil, raw palm oil exports from 28 April.
- **[DALWAN]** Zhuhai Wanda Commercial Management Group re-files HK IPO application on 22 Apr'22 after the IPO application expired on 21 Apr'22.
- **[GRNLHK]** Greenland Hong Kong announced it completes auditing process of FY21 results, and auditor Deloitte agree on results - its audited FY21 annual results remain unchanged with its prior unaudited results release.
- **[JINGRU]** expects to complete auditing process for FY21 annual results by 6 May.
- **[KWGPRO]** KWG expects pledge of Hong Kong project with Logan to raise HKD8bn–9bn in loans - REDD
- **[LPKRIJ]** Lippo Karawaci increases stake (USD 25.4mn) in Siloam Hospitals to 57.9%.
- **[RSMACA]** proposes up to RMB300mn A-share repurchase.
- **[TPHL]** announced remittance of all necessary funds to trustee for repayment of 5.75%, 5.3% senior notes due April 2022 before maturity dates.

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