

CMBI Credit Commentary

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

- *We saw buyer in CSIPRO Perp, amid seller in HY properties. AT1s had a soft opening down 0.125pt, following weak equity market in US/HK.*
- **POWINV:** *announced to withdraw its redemption of POWINV 5.8 Perp on 1st call date on 21 May 2022 due to technical issue caused by Covid. However, company has prepared sufficient funds for redemption, it is considering Buy-back on or before 17 May 2022 at 100. POWINV 5.8 Perp jumped 2.5pts to 103, thanks to its high interest coupon and high likelihood to be called at a later date.*
- **China Economy:** *April Export weakened to 3.9% yoy (March: 14.7%yoy) due to domestic supply disruption and some softening overseas demand. April imports was flat yoy (March: -0.1%yoy) due to softer domestic demand and business expectation from covid lockdown. Poor import data points to further weakening of RMB. See below.*

❖ Trading desk comments 交易平台市场观点

Last Friday, Chinese HY property space was skewed to better selling and generally dropped 1-3pts. In higher quality names, we saw CIFIHG dropped 1-2pts and COGARD dropped around 1pt on rumor of freezing of escrow account in Fuzhou. KWGPRO was traded down 2-4pts after Moody's withdrew the KWGPRO's Caa1 rating. At the same time, S&P withdrew TPHL's B+ rating. ZHPRHK also down 0.5-1pt. The Macau gaming sector was also weak with WYNMAC down 1pt.

Chinese IG market also performed weak with benchmark names generally widened 3-5bps. In financial sector, GRWALL'22 and recent new issue '24 rose 0.5pt from recent low.

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

CMBI Fixed Income
fis@cmbi.com.hk

➤ Yesterday's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
JIAYUA 11 02/17/24	36.3	4.8	KWGPRO 6 09/15/22	63.2	-4.8
JIAYUA 12 10/30/22	42.7	4.0	KWGPRO 7.4 03/05/24	34.5	-4.6
HLBCNH 11 03/24/23	38.5	2.4	REDSUN 10 1/2 10/03/22	44.0	-3.8
ZHLGHD 12 04/17/23	25.7	1.8	KWGPRO 5 7/8 11/10/24	32.6	-3.8
AGILE 5 1/8 08/14/22	70.3	1.4	KWGPRO 5.95 08/10/25	30.6	-3.7

❖ Macro News Recap 宏观新闻回顾

Macro – U.S. stocks closed sharply lower yesterday, taking the S&P 500 below the 4,000-point level for the first time in more than a year, as investors sailed into a wall of worry linked to a slowdown in China, surging inflation and an aggressive Federal Reserve in the U.S. and a worrying escalation in Russia's war on Ukraine in Europe. The S&P (-3.20%), Nasdaq (-4.29%), and Dow (-1.99%) all plunged. Bond price slightly outperformed amid retreat in risk asset. Treasury yield pulled back, with the 1/5/10/30 yield reaching 1.99/2.95/3.05/3.19% respectively.

❖ Desk analyst comments 分析员市场观点

➤ China Economy – Exports & imports further slowed

China's exports further slowed in April as the epidemic & lockdowns disrupted domestic supply and overseas demand started to soften. China's imports slowed more significantly as domestic demand & business confidence deteriorated dramatically. Trade surplus increased due to the "recession effect", implying further weakening of renminbi with more policy easing ahead. The foreign trade figures were in line with expectations, with limited impact on Chinese stock market. The Chinese stocks became attractive from the valuation perspective. But investor confidence remained weak as they are concerned about two uncertainties. One is when China could get out of the epidemic and start to focus on economic resumption. The other is when the US inflation could significantly decline and how the US policy tightening cycle will evolve.

- **Exports further slowed as the epidemic & lockdowns disrupted domestic supply and overseas demand started to soften.** China's exports of goods rose 3.9% YoY in April, down from the YoY growth of 14.7% in March. While export price index should have maintained a growth above 10%, export volume may have dropped by over 6% in April. Breaking down items, exports of anti-virus products, medicines and home-economy-related products slowed due to base effect and demand slowdown amid economic reopening. As outings activity gradually returned to normal, exports of clothing and personal care goods picked up. Looking forward, China's exports should further slow as domestic supply chain continues to be restrained by the epidemic control and overseas demand gradually softens.
- **Imports weakened more significantly as domestic demand & business expectation sharply deteriorated by the epidemic shock.** China's imports showed a zero YoY growth in April after slightly declining 0.1% YoY in March. With a significant commodity inflation, import volume should have dropped by over 10% YoY in April. Breaking down items, import volume of iron ore, steel products, plastics, integrated circuits, machine tool, airplane, auto and beauty cosmetics significantly declined amid weak demand. But import volume of soybean and crude oil noticeably picked up in April as the Ukraine crisis made China focus on grain and energy supply security.

- **Foreign trade figures imply further weakening of renminbi with more policy easing ahead.** China's trade surplus increased by 25% YoY to US\$51.1bn in April as imports weakened more significantly than exports. This was in line with the shrinkage of Sino-US interest rate spreads, as domestic economy was weaker than overseas economy. The economic fundamental divergence definitely points to further weakening of renminbi and more policy easing ahead.
- **Chinese stocks' valuation became attractive, but investor confidence remained weak in short term.** The valuation of A shares and HK stocks became attractive after sharp slumps. But investor confidence remained weak in the short term as they are concerned about two uncertainties. One is when China could get out of the epidemic and start to focus on economic resumption. The other is when the US inflation could significantly decline and how the US policy tightening cycle will evolve. We may need some time to see a decline of the two uncertainties in the market.

Please see CMBI research team's full report [here](#)

➤ 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)
China Construction Bank	USD	-	3	CT3+90	A1/-/-
China Construction Bank	CNH	-	2	3.850%	-/-/-
Orient Securities	USD	-	-	-	Baa2/-/-
Changsha Jinxia New District City Development (SBLC by Bank of Changsha)	USD	-	3	4.3%	-/-/-

➤ Market conditions and color

- Regarding onshore primary issuances, there were 20 credit bonds issued yesterday with an amount of RMB17bn. As for Month-to-date, 164 credit bonds were issued with a total amount of RMB155bn raised, representing a 24.3% yoy increase.
- China Properties says HK bourse wants winding-up plea pulled before trading resumption
- **[COGARD]** said the freeze of its Fuzhou escrow accounts has been lifted by the relevant regulator, Cailian Press reported
- **[GEELY]** Geely to acquire 34% stake in Renault Korea for USD209mn

- **[HRINTH]** China Huarong Asset Management's 70% equity transfer of Huarong Consumer Finance to Bank of Ningbo approved by CBIRC
- **[JINGRU]** further delays release of audited FY21 earnings due to Covid-19 curbs, expects to release on 17 June
- **[LENOVO]** among Chinese companies retreating from Russia amid supplier pressure
- **[SHNSUN]** Shinsun Holdings (Group) auditor Ernst & Young issues disclaimer of opinion in FY21 annual results
- **[SUNSHI]** Yango Group plans to dispose 100% stake in Hangzhou Gaoguang Real Estate for up to RMB 5.7bn (USD 855mn). The buyer is Hangzhou Binjiang Real Estate Group according to Shenzhen stock exchange announcement
- **[VANKE]** Vanke Shenzhen Metro in talks to acquire Sunac project
- **[VEDLN]** Vedanta Ltd won the auction to acquire bankrupt Athena Chhattisgarh Power for USD85mn under liquidation, outbidding Jindal Steel & Power (JSPL), the Economic Times reported
- **[WHARF]** announces USD7bn MTN programme
- **[YESTAR]** says negotiations with Getein Biotech (600387.CH) over possible share subscription still in progress

CMB International Securities Limited

Fixed Income Department

Tel: 852 3761 8867/ 852 3657 6291

fis@cmbi.com.hk

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