

2013.06.14

王卫 (Steve Wang)

+ (852) 3988-6925

steve.wang@bocigroup.com

吴琼 (Qiong Wu), CFA

+ (852) 3988-6926

qiong.wu@bocigroup.com

市场又现“夏日疲乏症”**Market weakness: Just another "Summer Blues"**

- 5月份以来市场出现的大幅下行代表了投资者又一次在夏天时节的退缩行为，尤其是在市场从年初至今已获不俗回报的背景下，但对于大多数中国企业来说，信用基本面保持未变。/ The significant market fall since May marks another summertime investor retrenchment after a strong YTD performance, but fundamentals for most of Chinese credits have remained intact.
- 美国国债收益率的急剧上扬是触发今年市场调整的导火索，而获利回吐以及新债供应压力是市场回落的基础。/ The sharply move-up of Treasury yields has served as the trigger for this year's downturn, while profit-taking and supply pressure have set up the basis for a correction.
- 在投资级和高收益级板块，短年期的中国企业债券的表现优于长年期的，而离岸人民币债则跑赢美元债，再次肯定了离岸人民币债相对美元债具有较小的波动性。/ Short-dated Chinese corporate bonds have outperformed long-dated ones in both IG and HY spaces, while offshore RMB bonds have outperformed USD ones, reaffirming the relatively lower volatility of offshore RMB bonds versus their USD peers.
- 对寻求整体回报的投资者，我们继续推荐短年期、收益高的债券，特别是离岸人民币债；而对寻找交易获利的投资者，流动性比较好，且利差被大幅加宽的中资国有企业美元债也有买入的机会。/ We continue to recommend short-dated, high yielding bonds, offshore RMB bonds in particular, for total return investors, and liquid Chinese SOE dollar bonds with much widened spreads for trading opportunities.
- 由于市场动荡引起的新债发行急剧放缓应是暂时的，企业发债之举在夏天过后将会再接再厉而至。/ The dramatic slow-down in new issuance due to the market turbulence is expected to be temporary, and borrowers will return in force after the summer.

The credit market's "summer blues" has returned. Since early May, the market has gone through some serious and speedy declines on both spread and price bases, echoing now with the popular "sell in May and go away" lyrics. The month of May, or the summer time for an extended stretch, has once again proved to be a hurdle in a year for investors to overcome.

At index level, the widely traded CDX NA IG has widened out by 15bps since the beginning of May, iTraxx Europe Crossover by 70bps, and iTraxx Asia ex-Japan by 35bps, respectively (see Fig. 1). EM and HY bonds again suffered the most, and Chinese corporate credits were no exception. Despite of the significant declines, however, this summer's trouble, in our view, may have not done yet as measured against the magnitude of market decline during the summer of 2012 or 2011.

Understand the summer decline

We view the current market correction is again technically driven. If there is a trigger to point to, the headlines of potential early tapering of U.S. QE could be blamed. This market worry has caused the recent fast rise in U.S. Treasury yields. For instance, the 10-year yield has jumped over 50bps since early May. The turbulence has not just swept the USD bond market but also impacted the offshore RMB bond market, reflecting broad-based risk-off moves in global financial market. For Chinese credits, we have not observed significant changes of their underlying fundamentals, and their re-

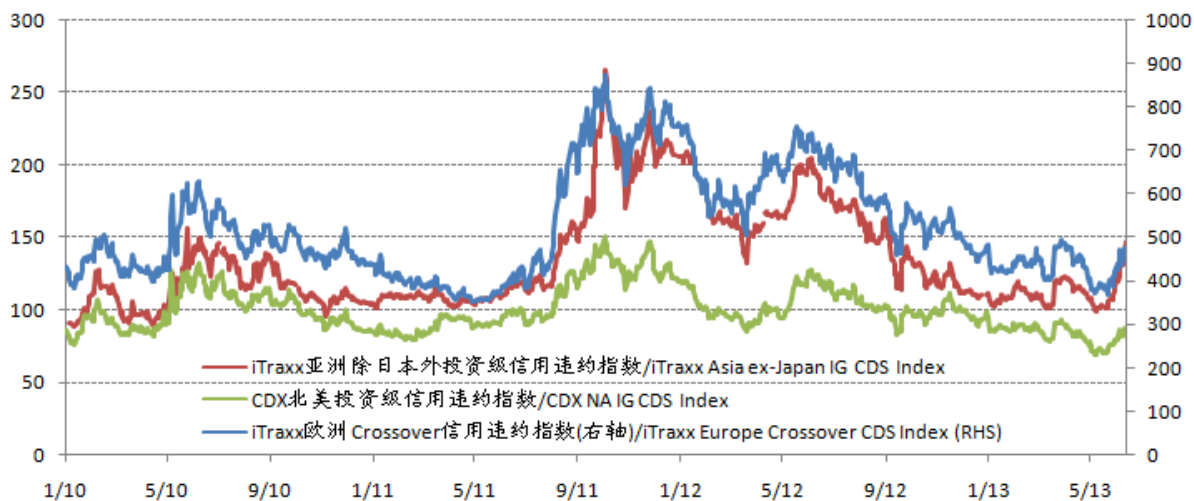
信用市场又现一波“夏日疲乏症”。自5月初以来，市场上债券利差与价格均大幅且迅速地走弱，与“5月卖出去休假”的流行说法不谋而合。5月份、或更长来讲的夏季再一次成为投资者需要面对的难关。

就信用指数的表现而言，自5月初以来，广泛交易的CDX北美投资级信用违约指数加宽了15基点，iTraxx欧洲Crossover信用违约指数加宽了70基点，iTraxx亚洲除日本以外投资级信用违约指数加宽了35基点（见图1）。新兴市场债和高收益债下跌幅度最多，中资企业债也不例外。然而，尽管市场跌幅不小，根据2011年和2012年夏季市场的下跌情况来看，我们认为今年夏天的麻烦或许还没有结束。

夏季债券下行的原因

我们认为现阶段的市场调整仍然是技术层面的。美联储量化宽松政策可能提前结束的头条新闻或是可归咎的导火索。市场对此的担心导致近期美国国债收益率的快速上升，例如10年期国债收益率自5月初以来上涨了50个基点。其震荡影响不仅限于美元债市场，也波及了离岸人民币债市场，反映了全球金融市场上投资者广泛减持风险的情况。就中国名字的债券而言，我们认为发行人的信用基本面并没有发生显著变化，因而近期债券的疲软是来自

图 1: 5年期信用违约指数历史图 (基点单位) / Fig. 1: Historical charts of 5Y CDS indices (in bps)



数据来源: 彭博、中银国际/Sources: Bloomberg, BOCI

cent weakness is therefore, in our opinion, a technically driven sentiment shifts, which would be temporary.

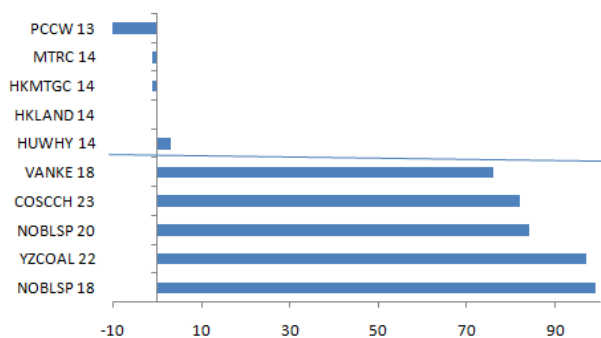
A few other factors may also contribute to the recent sell-off. Valuations were near historically highs in terms of both spreads and yields prior to the correction, while new issue supply amount was riding high (see Fig. 2). Profit-taking and supply indigestion were bound to happen. A trigger is all that is needed for the market to tip the balance and for investors to cash in the large YTD gains. Plus, the summer-time is always a weak liquidity period. The mixed policy signals and uncertainties on global growth strength may have also persuaded investors to stay cautious, adding up the volatility in the market.

A quick review on the sell-off in the Chinese credit space

First, the timeline of sell-off is interesting. It started with IG bonds in the USD space after US Treasury yields started to rise in early May. Some investors were forced to cut losses from their unhedged total return portfolios in mid-May. The sellings then spread to HY space and eventually to offshore RMB bonds. This time sequence reflects that HY bonds were indeed less sensitive to rising Treasury yields, while offshore RMB bonds were more resilient than USD bonds.

We summarize some of the best and worst performers from the IG USD bonds, the HY USD bonds and the offshore RMB bonds, respectively (see Fig. 3, Fig. 4 and Fig. 5).

图 3: 5月8日以来5支分别表现最好及表现最差的中资投资级美元债(基于债券利差, 单位基点) / Fig. 3: Performance of Chinese IG USD bonds since May 8: 5 best vs. 5 worst in spread term (in bps).

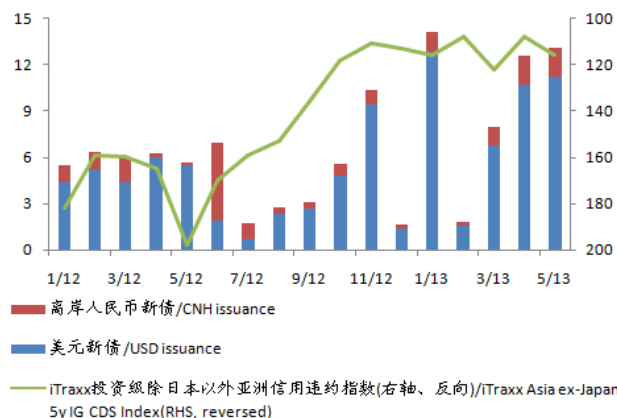


数据来源: 彭博、中银国际/Sources: Bloomberg, BOCI

技术面调整引发的市场情绪转向, 这将会是暂时的。

一些其它因素也促成了近期的回调。市场调整前, 债券利差和收益率的估值均接近历史高位, 而新债发行高涨(见图2)。获利回吐与新债供给难于吸收必然会发生。市场仅需要导火索以打破平衡并推动投资者收获年初至今的丰厚收益。此外, 夏天时节通常市场流动性不佳。不一的政策信号和全球经济增长力度的不确定性也促使投资者保持审慎, 增加了市场的波动性。

图 2: 中国/香港美元和离岸人民币新债发行(十亿美元)与 iTraxx 除日本以外亚洲信用违约指数(单位基点) / Fig. 2: China/HK USD and offshore RMB bond new issuance (\$bn) vs. iTraxx Asia ex-Japan CDS index (in bps)



数据来源: 彭博、中银国际/Sources: Bloomberg, BOCI

中资债下行情况的简短回顾

首先, 债券下跌的时序很有意思。5月初, 美国国债收益率上涨之后, 投资级美元债开始出现疲软。5月中旬, 一些寻求整体回报的投资者被迫出仓, 削减其未对冲利率的资产组合的损失。之后卖盘蔓延至高收益债, 最终波及离岸人民币债券。该时序反映出高收益债的确较上涨的国债收益率更加不敏感, 而离岸人民币债比美元债更坚挺。

我们汇总了表现最好和最差的投资级别美元债、高收益美元债和离岸人民币债(见图3、图4和图5)

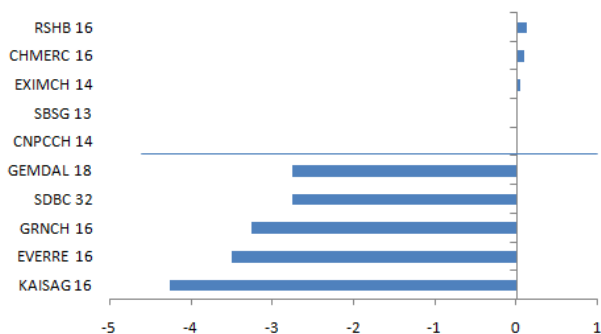
总的来说, 短年期债券的表现优于长年期债券。在投资级板块, 只有一少部分期限短于1年的投资级别债券未受影响, 例如港铁2014年到期债和香港

In general, short-dated bonds outperformed long-dated ones. In IG, only a handful of bonds with tenors within 1 year, such as MTRC 14 and HKMTGC 14, have managed to stay above water. Long-dated bonds suffered the most. Some of the highest-rated Chinese corporate credits, such as China's big-3 oil companies saw price declines by 15-17pts for their 30-year bonds. In spread terms, the worst performers include Cosco 23, Noble Group 18&20 and Yanzhou Coal 22. All have widened out by over 70bps and are in cyclical industries.

In the USD HY space, most names fell by 3-10pts in prices. An interesting aspect is that some of the more liquid names got hit the hardest, including Country Garden, Kaisa and Longfor, which were among the 5 worst performers with price declines by 8-12pts from their respective high prints (see Fig. 4). It is possible that the more liquid names got sold first in the process of the overall market becoming less liquid, while fundamentals for most of the credits were intact.

Offshore RMB bonds have fared better than their USD peers. As shown in Fig. 5, the worst performers in offshore RMB bonds fell less than 5pts in price terms. Offshore RMB bonds have consistently demonstrated a lower volatility over its still limited history. This owes to both the overall short-duration nature of this market (mostly 3-year or shorter) and the market convention of trading in dollar prices instead of spreads. The limited capacity to short bonds and the dominant role of real money investors in this market (Asian investors are the main players) also contributed to the relatively low volatility.

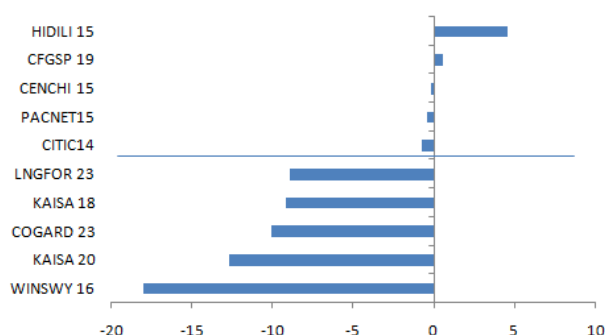
图 5: 5月8日以来5支分别表现最好及表现最差的中资离岸人民币债(基于债券价格)/Fig. 5: Performance of Chinese offshore RMB bonds since May 8: 5 best vs. 5 worst in price term.



数据来源: 彭博、中银国际/Sources: Bloomberg, BOCI

按揭证券 2014 年到期债。长年期债券价格下跌最为严重。一些高评级中国名字(如三大油公司)的 30 年期债券价格下降了 15 至 17 个点。从利差的角度,表现最差的债券包括中远 2023 年到期债、来宝 2018 年和 2020 年到期债及兖州煤业 2022 年到期债。这些债券的利差均加宽超过 70 个基点,且都处于周期性行业。

图 4: 5月8日以来5支分别表现最好及表现最差的中资高收益美元债(基于债券价格)/Fig. 4: Performance of Chinese HY USD bonds since May 8: 5 best vs. 5 worst in price term.



数据来源: 彭博、中银国际/Sources: Bloomberg, BOCI

在美元高收益债方面,多数债券价格下滑 3 至 10 个点。有趣的是,一些流动性较好的企业债跌幅最多。碧桂园、佳兆业和龙湖地产均在 5 个表现最差的债券之列,分别从各自的价格高位下降 8 至 12 个点(见图 4)。虽然这些债券的信用基本面没有发生变化,但是流动性较好的企业债很可能在整个市场流动性减弱的情况下被第一时间卖出。

离岸人民币债的表现优于美元债。如图 5 所示,表现最差的离岸人民币债跌幅小于 5 点。在离岸人民币债有限的历史中,其波动性一贯较低。这归功于离岸人民币债的久期短(大多为 3 年期或更短),且以债券价格而非利差交易的市场惯例。市场卖空债券受限及市场以现金投资者主导(主要为亚洲投资者)也有助于该市场的低波动性。

外汇因素可能也支持了人民币债。美元债受信用质量、流动性和利率变动的影 响,而人民币债除此之外还受外汇市场的影响。尽管对人民币汇率未来走势有一些争议,但今年人民币持续走强,还是让一些投资者考虑投资。

The FX factor may have also supported the RMB bonds. USD bonds are affected by moves in credit quality, liquidity and interest rates, while RMB bonds are also affected by the FX market. Although the future direction of RMB exchange rate is debatable for some, the continued strength that RMB has exhibited this year remains a consideration for others to invest in this market.

Secondary trading recommendation

It's time to take a contrarian view again. Before we recommend investors to buy on the cheap, a quick assessment on where the bottom might help our timing.

So far, the overall magnitude of sell-off in the Chinese bond universe has far less severe than that in the previous downturns (see Fig. 1 & Fig. 6). Taking Agile bonds as an example, Agile 13s fell over 50pts during the 2008 financial crisis and Agile 16s fell over 20pts in the fall of 2011 when European debt crisis dominated the global headlines, but Agile 16s has only slipped 3pts during the recent correction. Although we don't see the current market environment is at comparably worsened situation as to the previous downturns, we acknowledge the ongoing weakness in the market and expect selling pressures to last a little longer.

We expect this year's "summer blues" to extend into early-to-mid July. This is based on both our estimate that past market corrections on average lasted for about 2 months and the fact that semi-annual earning reporting will kick off in July. Solid interim results from Chinese companies, particularly Chinese property developers as we anticipate, could serve as a catalyst to lift investor sentiments.

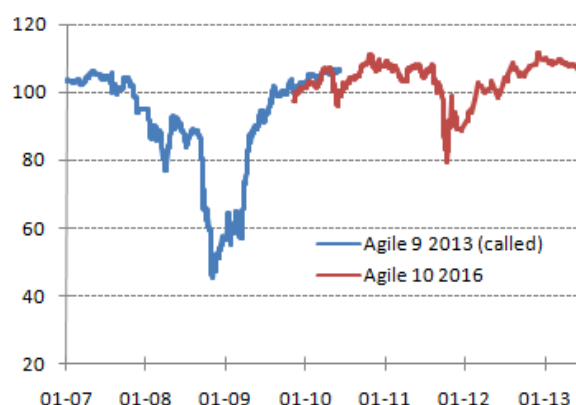
Our investment themes continue to be short duration, RMB exposure and high yield. We continue to see rising duration risk going towards the year-end, and we expect to see RMB remain solid against other major currencies, and high yield bonds still offer attractive return. On these themes, we like bonds of 5 years or shorter in general and short dated high-yielding RMB bonds are the top choices. In the USD bond space, high-yielding and short date Chinese property bonds are also good choices. For total return investors, we avoid long dated IG bonds, although liquid ones in the Chinese SOE space may offer trading op-

二级市场交易推荐

我们需要再次逆向思考。在推荐投资者趁低吸纳之前，很快地评估市场谷底在何处有助于确定何时入市。

迄今为止，中资债券的整体下行幅度远远不及之前的低潮期时的下行幅度（见图 1 和图 6）。以雅居乐债为例，在 2008 年金融危机时，2013 年到期债价格下跌超过 50 个点，而在 2011 年末欧债危机占据全球头条报道时，2016 年到期债价格下跌超过 20 个点。但是在最近的回调期，2016 年到期的债券价格仅下滑了 3 个点。我们认为虽然现在的市场环境远好于之前的低潮期，但是现时的市场疲软仍将持续一段时间，卖盘的压力仍在。

图 6: Agile 9 2013 和 Agile 10 2016 的价格历史图
 /Fig. 6: Price history of Agile 9 2013 and Agile 10 2016



数据来源：彭博、中银国际/Sources: Bloomberg, BOCI

我们预计今年的“夏日疲乏症”持续到 7 月初或者中旬。据我们测算，过去市场回调平均持续两个月，而企业将于 7 月开始公布中期业绩。我们估计，中资企业尤其是房地产商的坚实中期业绩将会成为提振投资者情绪的催化剂。

投资策略上，我们侧重那些久期短、人民币债及高收益债。我们认为至年底仍有上行的久期风险，人民币相对其它主要货币相对稳定，而高收益债仍提供吸引人的收益。基于这些观点，我们青睐 5 年期或者更短期限的债券，及短期高收益人民币债。在美元债方面，高收益且短期的中国房地产债也值得考量。对追求高收益的投资者来说，我们避免长期

portunities at much widened spreads.

Impact on the new issue market

New issuance from Chinese companies in both USD and offshore RMB bond markets has slowed significantly during the first 2 weeks of June with only 1 Chinese issuer tapping the USD bond market for a total of \$400mm. The combination of a down market and a seasonal slowdown during the summer makes many issuers to step away from the market for the time being. Yet we expect this summer slowdown to be temporary and seasonal, and the new issue market will be back in force in August and forward.

The financing cost has remained attractive for Chinese issuers, despite of much elevated spread and yield. For investment-grade issuers, Treasury yields remained at relatively low levels in absolute terms. For example, 5- and 10-year Treasury yields are about 50bps and 80bps higher than the lowest prints of 0.54% and 1.38%, respectively, but still 135bps and 160bps lower than the high prints of 2.40% and 3.73% in 2011, respectively.

In the HY space, many of the secondary bonds remain trading near or above par, which means the initial bond buyers have not lost principles and the bond issuers have not seen higher financing costs from the previous issuance. So, when the market stabilizes at a new balance of spread and yield, borrowers will return. Fundamentally, Chinese companies, especially Chinese property developers, are expected to progress to better financial conditions over the year and they would continue to see improving positions to entice bond buyers.

的投资级别债券, 虽然其中流动性较好的中国国企债的利差大幅加宽或提供一些交易的机会。

对新债发行市场的影响

6月的前两周里, 中资企业在美元市场和离岸人民币市场的债券发行已明显放缓, 仅有1支债券在美元债市场发行, 发行金额为4亿美元。夏季的市场下滑和季节性发行放缓使得许多发行人暂时离市。我们认为今夏市场的低行也将是暂时和季节性的, 新债发行在8月之后会再接再厉而至。

尽管利差加宽及利率上升, 目前的融资成本对中资发行人依具吸引力。对于投资级发行群体, 美国债的收益率仍处在相对低的水平。比如, 虽然目前5年期和10年期国债收益率比今年最低点的0.54%和1.38%收益率分别高出50基点和80基点, 但比2011年时的高点2.4%和3.73%的收益率仍分别低了135基点和160基点。

在高收益债板块, 许多债券在二级市场的交易价格仍高于或接近于票面价值, 这意味着最初的买家没有赔本钱, 而且债券发行人也没有自最后一次发行以来支付较高的融资成本。由此, 当利差和收益率达到新的平衡点后, 发行人将会重新入市。从基本上说, 中资企业, 尤其是中国房地产商, 在今年应会不断看到财务状况的改善, 而他们不断改善的地位将会继续吸引债券买家。

DISCLOSURE

The views expressed in this report accurately reflect the personal views of the analysts. Each analyst declares that neither he/she nor his/her associate serves as an officer of nor has any financial interests in relation to the listed corporation reviewed by the analyst. None of the listed corporations reviewed or any third party has provided or agreed to provide any compensation or other benefits in connection with this report to any of the analysts, BOCI Research Limited and BOCI Group. Member companies of BOCI Group confirm that they, whether individually or as a group (i) do not own 1% or more financial interests in any of the listed corporations reviewed; (ii) are involved in making a market in the securities of MTR Corp Ltd, Hutchison Whampoa Ltd and PetroChina Co Ltd; (iii) do not have any individual employed by or associated with any member companies of BOCI Group serving as an officer of any of the listed corporation reviewed; and (iv) have investment banking relationship with Yanzhou Coal Mining Co Ltd, COSCO Pacific Ltd, Hutchison Whampoa Ltd, Country Garden Holdings Co Ltd, Evergrande Real Estate Group Ltd, Greentown China Holdings Ltd, China National Petroleum Corp and Export-Import Bank of China within the preceding 12 months.

This disclosure statement is made pursuant to paragraph 16 of the “Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission” and is updated as of 13 June 2013. Waiver has been obtained by BOC International Holdings Limited from the Securities and Futures Commission of Hong Kong to disclose any interest the Bank of China Group may have in this research report.

DISCLAIMER



This report was originally prepared and issued by BOCI Research Limited for distribution to their professional, accredited and institutional investor customers. It is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation or which would subject BOCI Research Limited, BOC International Holdings Limited and its subsidiaries and affiliates (collectively "BOCI Group") to any registration or licensing requirement within such jurisdictions. None of the material, nor its contents, nor any copy of it, may be altered in any way, transmitted to, copied or distributed to any other party, without the prior express written permission of BOCI Group. All trademarks, service marks and logos used in this report are trademarks or service marks or registered trademarks or service marks of BOCI Group.

The information, tools and material presented in this report are provided to you for information purposes only and shall not be used or considered as an offer or the solicitation of an offer to sell or to buy or subscribe for securities or other financial instruments. BOCI Group may not have taken any steps to ensure that the securities referred to in this report are suitable for any particular investor. The contents of this report do not constitute investment advice to any person and such person shall not be treated as a customer of BOCI Group by virtue of receiving this report.

Information and opinions presented in this report have been obtained or derived from sources believed by BOCI Group to be reliable, but BOCI Group makes no representation as to their accuracy or completeness and BOCI Group accepts no liability for loss arising from the use of the material presented in this report unless such liability arises under specific statutes or regulations. This report is not to be relied upon in substitution for the exercise of independent judgment. BOCI Group may have issued other reports that are inconsistent with, and reach different conclusions from, the information presented in this report. The reports reflect the different assumptions, views and analytical methods of the analysts who prepared them. For the avoidance of doubt, views expressed in this report do not necessarily represent those of BOCI Group.

This report may provide the addresses of, or contain hyperlinks to, various websites. To the extent that this report refers to material outside BOCI Group's own website, BOCI Group has not reviewed the linked sites and takes no responsibility for the content contained therein. Such address or hyperlink (including addresses or hyperlinks to BOCI Group's own website material) is provided solely for your convenience and information and the content of the linked sites does not in any way form part of this report. Accessing such websites shall be at your own risk.

BOCI Group may, to the extent permitted by law, participate or invest in financing transactions with the issuer(s) of the securities referred to in this report, perform services for or solicit business from such issuers, and/or have a position or effect transactions in the securities or other financial instruments thereon. BOCI Group may, to the extent permitted by law, act upon or use the information or opinions presented herein, or the research or analysis on which they are based, before the material is published. BOCI Group and the analysts preparing this report (each an "analyst" and collectively the "analysts") may have relationships with, financial interests in or business relationships with any or all of the companies mentioned in this report (each a "listed corporation" and collectively the "listed corporations"). See "Disclosure".

Information, opinions and estimates are provided on an "as in" basis without warranty of any kind and may be changed at any time without prior notice. Nothing in this report constitutes investment, legal, accounting or tax advice nor a representation that any investment or strategy is suitable or appropriate to your individual circumstances. Nothing in this report constitutes a personal recommendation to you.

This report has been prepared and issued by BOCI Research Limited. This information is confidential and is intended solely for the use of its recipient. This report is distributed in Hong Kong by BOCI Research Limited and BOCI Securities Limited; in Singapore by BOC International (Singapore) Pte. Ltd. This report and any information, material and contents herein are intended for general circulation only and do not take into account the specific investment objectives, financial situation or particular needs or any particular person. This report and any information, material and contents herein are intended for general circulation only and do not take into account the specific investment objectives, financial situation or particular needs or any particular person. The investment(s) mentioned in this report may not be suitable for all investors and a person receiving or reading this report should seek advice from a financial adviser regarding the suitability of such investment(s), taking into account the specific investment objectives, financial situation or particular needs of that person, before making a commitment to purchase any of such investment(s). The suitability of any particular investment or strategy whether opined on, described in or referred to in this report or otherwise will depend on a person's individual circumstances and objectives and should be confirmed by such person with his advisers independently before adoption or implementation thereof (either as is or is varied).

Without prejudice to any of the foregoing disclaimers, to the extent that the reader is an accredited or expert investor as defined in Regulation 2 of the Financial Advisers Regulations ("FAR") of the Financial Advisers Act (Cap. 110) of Singapore ("FAA"), BOC International (Singapore) Pte Ltd is in any event exempted (i) by Regulation 34 of the FAR from the requirement to have a reasonable basis for making any recommendation as mandated under Section 27 of the FAA, and (ii) by Regulation 35 of the FAR from the requirements in Section 36 of the FAA mandating disclosure of any interests in securities mentioned in this report, or in their acquisition or disposal, that it or its associated or connected persons may have. The recipient of the analysis or report should contact BOCI in Singapore if they have any queries as to the report/analysis. Copyright 2013 BOCI Research Limited, BOC International Holdings Limited and its subsidiaries and affiliates. All rights reserved.

20/F, Bank of China Tower
1 Garden Road
Hong Kong
Tel: (852) 2867 6333
Fax: (852) 2147 9513

Toll free numbers to Hong Kong:

China North: 10800 8521065

China South: 10800 1521065

Singapore: 800 852 3392

BOCI Securities Limited

20/F, Bank of China Tower
1 Garden Road
Hong Kong
Tel: (852) 2867 6333
Fax: (852) 2147 9513

BOC International (Singapore) Pte. Ltd.

Reg. No. 199303046Z

4 Battery Road
4/F Bank of China Building
Singapore 049908
Tel: (65) 6412 8856 / 6412 8630
Fax: (65) 6534 3996 / 6532 3371