

CMBI Credit Commentary

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

- *Asian IG space tightened 1-3bps with better buying flows. China benchmark ChemChina, ORIEAS were well bid. Adani complex down 0.5-3pts post US prosecutors' investigation on potential bribery of Adani Group.*
- **BCLMHK:** *announced USD10bn MTN programme. We change the buy recommendation on BCLMHK Float 24-25 to BCLMHK Float 26-27 on valuation. See below.*
- **China Policy** - *Credit growth dipped amid weak demand. CMBI expects outstanding social financing growth may mildly rise from 9.5% at end-2023 to 10% at end-2024. See below for comments from CMBI economic research.*

❖ Trading desk comments 交易台市场观点

Last Friday, on the new issues, SHUGRP priced a USD180mn 3-yr bond at par to yield 7.2%. The new SIASP '34 performed well and tightened around 15bps to T+95 area from RO (T+110). In KR, HYNMTR/HYUELE/SAMTOT 27-29s edged 1-2bps tighter. In Chinese IGs, HAOHUA 29-30s tightened 2-3bps. The long-end of TENCNTs/BABAs were 1-4bps tighter. The BBB TMTs such as MEITUA/XIAOMI/WB 30s were also 1-3bps tighter. In financials, the Chinese AMCs/leasing names such as BOCAVI '29/ORIEAS '27 were unchanged to 2bps tighter. In AT1s, ICBCAS 3.58 Perp/CHOHIN 5.5 Perp/NANYAN 6.5 Perp were unchanged to 0.2pt higher under buying from cross-border RMs. EU AT1s were better offered by Asian PBs, but the bids remained largely supportive. BACR 9.625 Perp/UBS 9.25 Perp/INTNED 3.875 Perp were down 0.1-0.4pt. In HK, NWDEVL/HYSAN Perps were up 0.3-1.0pt, whilst HYSAN '35/CPREIT '30/LASUDE '26 were down 0.4-0.7pt. Chinese properties were also mixed. RDHGCL 7.8 03/20/24, maturing on coming Wed, moved 13.6pts higher to low-70s. YLLGSP '26 was up 0.6pt. On the other hand, VNKRL 25-29s were 1.2-1.4pts lower but closed c2pts higher WoW. GEMDAL '24/LNGFOR 27-32s/SHUION 24-26s were down 0.5-1.0pt. Elsewhere, BTSD 24/26 were up 0.2-0.5pt. H&H announced the redemption of BTSD 5.625 10/24/2024 (o/s USD53.352mn) on 25 Mar and the CNH issuance. SFHOLD '30 declined 2.6pts. Macau gaming names were quiet. STCITYs/WYNMACs were 0.1-0.3pt lower. In Indian space, ADSEZ '29/ADANEM '30 were down 0.3pt. Indonesian name LMRTSP 24/26 were up 0.1-0.3pt and closed 0.8-1.3pts higher WoW.

The high-beta names/LGFVs/SOE perps were firm. CPDEV '25/BCDHGR '26 were unchanged to 0.2pt higher. GZINFU '26/GZDZCD '25/GZGETH '27 were up 0.1-0.2pt amid the pricing of GZINFU new issues. FANGYA '24 moved 0.9pt higher. WHREST '24 was up 0.5pt. Shandong names SHGUOH '26/JNHTE '24 were up 0.1pt. In SOE perps, SPICPT 3.45 Perp was up 0.1pt whilst CHSCOI 3.4 Perp was down 0.3pt. Elsewhere, CWAHK '26 increased 0.4pt and closed 1.3pts higher WoW. GRPCIN '26 was up 0.1pt.

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❖ Last Trading Day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
RDHGCL 7.8 03/20/24	72.0	13.6	SFHOLD 2 7/8 02/20/30	85.4	-2.6
NWDEVL 5 1/4 PERP	70.7	1.0	VNKRLE 3 1/2 11/12/29	43.1	-1.4
NWDEVL 4 1/8 PERP	57.9	0.9	VNKRLE 3.15 05/12/25	71.2	-1.3
FANGYA 1.98 11/10/24	97.5	0.9	VNKRLE 3.975 11/09/27	47.6	-1.2
TAISEM 1 3/8 09/28/30	81.3	0.8	SHUION 5 1/2 03/03/25	68.2	-1.0

❖ Marco News Recap 宏观新闻回顾

Macro – S&P (-0.65%), Dow (-0.49%) and Nasdaq (-0.96%) retreated on last Friday. US Michigan consumer sentiment in Mar'24 dropped to 76.5 from 76.9 in Feb'24 and was lower than the expectation of 77.1. UST yields rallied higher on last Friday, 2/5/10/30 yield reached 4.72%/4.33%/4.31%/4.43%.

❖ Desk analyst comments 分析员市场观点

➤ BCLMHK: USD10bn MTN programme

On 15 Mar'24, Bocom Leasing Management Hong Kong (BCLMHK) announced MTN programme of USD10bn which is expected to be effective on or around 18 Mar'24. The new MTNs may be issued by BCLMHK with the benefit of a keepwell and asset purchase deed provided by Bank of Communications Financial Leasing Co., Ltd. (BCFL). BCFL is BCLMHK's onshore indirect parent and 100% owned by Bank of Communications (BOCOM). The issuance structure is same with previous MTN programme with a cap of USD60bn.

BCLMHK has offshore USD bonds of USD1.7bn and USD950mn due 2024 and 2025, respectively. The new MTN programme will help to refinance part of its maturities. On the other hand, BOCOM's USD bonds have cross default clauses with any of its subsidiaries, including BCFL and BCLMHK, with a threshold of USD25mn. Hence, we expect a strong implicit supports for BCLMHK by BOCOM.

Meanwhile, short-dated BCLMHKs tightened c40-50bps since Jan'24, outperformed long-dated BCLMHKs. We changed the buy recommendations on BCLMHK Float 24-25 to neutral on valuation. Instead, we initiate buy recommendations on BCLMHK Float 26-27 for better risk-return profiles. We continue to see BCLMHKs yield pick-up plays in Chinese financial leasing space, as well as leverage plays on BOCOM. BCLMHKs offer 38-64bps pick up over BOCOMs.

Security Name	ISIN	Amt Out	Ask Price	YTM (Ask)	Spread (Ask)
BCLMHK Float 09/05/24	XS2049472959	400	100.7	5.3	40.0
BCLMHK Float 12/10/24	XS2082777405	600	100.9	5.5	40.0
BCLMHK 1 ½ 06/18/24	XS2351320366	500	98.8	5.9	43.3
BCLMHK 2 ¾ 09/05/24	XS2044889595	200	98.7	5.5	5.1
BCLMHK Float 07/14/25	XS2176772205	450	101.1	6.4	55.0
BCLMHK Float 03/02/25	XS2123955952	500	100.8	5.8	50.0
BCLMHK Float 12/20/26	XS2735690492	240	100.0	6.3	108.0
BCLMHK Float 03/04/27	XS2777783437	135	100.2	6.2	90.0
BCLMHK Float 02/26/27	XS2774289206	150	99.8	6.3	110.0

Source: Bloomberg.

➤ China Policy - Credit growth dipped amid weak demand

China's outstanding social financing growth plunged to a five-month low in Feb due to weak demand as well as CNY holiday effect. Credit supply in the household sector remarkably contracted while corporate sector growth mildly moderated. Loans to non-bank financial institutions saw the largest growth since July 2015 as the A-share market rebounded with support from the "national team". For 2M24, both social financing flow and new RMB loans slowed down amid weak demand from the private sector and a lagging pace in government bond issuance. Looking forward, we think China needs further credit policy loosening and fiscal policy expansion to boost credit growth. Higher-tier cities may further loosen property policies ahead. Meanwhile, the cabinet may guide governments to accelerate bond issuance and fiscal expenditure to boost real demand. The PBOC may further lower RRR, LPRs and mortgage rates for first-home and second-home buyers in 2H24. We expect outstanding social financing growth may mildly rise from 9.5% at end-2023 to 10% at end-2024.

Social financing flow notably dropped as bond and loan financing slowed down amid weak demand and CNY holiday effect. Social financing flow dipped 51.9% YoY (all in YoY terms unless otherwise specified) to RMB1.5trn in Feb from RMB6.5trn in Jan as outstanding SF growth decelerated from 9.5% to 9%. Bond financing was the primary cause as corporate bond & government bond financing plunged 55.2% and 26.1% in Feb. We expect the pace of government bond financing to pick up in the next two quarters given more fiscal support this year. New RMB loans to the real sector also notably dropped 46.3% to RMB977.3bn in Feb. On shadow financing, new entrusted loans continued to fall while trust loans notably increased YoY. Undiscounted banks' acceptance financing contracted by RMB368.8bn after rising RMB563.3bn in Feb. For 2M24, social financing flow dropped 12% as RMB loans, banks' acceptance and government bond financing dropped 13.8%, 32.7% and 27%, while corporate bonds increased by 24.4%. 10Y CGB yield plunged to historic lows around 2.3% as economic prospects further weakened. M2 growth remained flat at 8.7% in Feb while M1 growth dipped to 1.2% as business activity remained weak.

New RMB loans came in below expectations due to largest household borrowing contraction. New RMB loans came in lower than expected at RMB1.45trn in Feb, dragging growth of outstanding RMB loans from 10.4% to 10.1%, the slowest pace since early 2000s. New loans to households remarkably dropped to RMB-590.7bn, which was the largest contraction in history. New short-term loans fell by RMB486.8bn in Feb as people repaid consumer debt with year-end bonus amid weak income prospects while new medium- and long-term loans reached RMB-103.8bn, as property sales remained depressed in Feb. New loans to the corporate sector dropped 2.5% YoY to RMB1.57trn. New loans to non-bank financial institutions saw a remarkable increase by RMB404.5bn, the largest increase since July 2015 as the A-share market rebounded amid the support from the "national team".

China needs additional credit policy loosening and fiscal policy support as credit growth may mildly rebound this year. China may need to further loosen credit policy to boost credit demand. Higher-tier cities may further loosen property policies in the next few months. The cabinet may guide governments to accelerate their bond issuance and fiscal expenditure to boost aggregate demand. The PBOC may further cut RRR by 50bps in total, LPRs by 10bps and lower mortgage rates moderately for first-home and second-home buyers. Credit growth may mildly rebound this year as outstanding SF growth may rise from 9.5% at end-2023 to 10% at end-2024. We maintain our forecast on GDP growth at 4.8% for 2024.

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➤ Offshore Asia New Issues (Priced)

Issuer/Guarantor ⁸	Size (USD mn)	Tenor	Coupon	Priced	Issue Rating (M/S/F)
Shuifa Group	180	3yr	7.2%	7.2%	Baa2/-/-

➤ Offshore Asia New Issues (Pipeline)

Issuer/Guarantor	Currency	Size (USD mn)	Tenor	Pricing	Issue Rating (M/S/F)
CIMIC Group Ltd	USD	-	10yr	T+312.5	Baa3/BBB-/-
Guangzhou Industrial	USD	-	2yr	6.3%	-/-/A-
India Vehicle Finance	USD	-	6.5yr	6.15%	-/-/BBB-

➤ News and market color

- Regarding onshore primary issuances, there were 101 credit bonds issued yesterday with an amount of RMB151bn. As for month-to-date, 1,149 credit bonds were issued with a total amount of RMB1,132bn raised, representing a 12.4% yoy increase
- **[ADEIN]** Adani Group plans to invest more than USD14.5bn across in FY25; The company was probed by US prosecutors over potential bribery in India
- **[BTSDF]** H&H International expects FY23 net profit to drop up to 9% yoy; The company announced to redeem USD53.35mn BTSDF 5.625 10/24/24 on 25 Mar'24
- **[FUTLAN]** Seazen Group expects FY23 net profit to rose 3.5 times to RMB800mn to RMB1bn, compared with RMB280mn in FY22. The increase attributes to the gain from disposals of equity interests in assets and subsidiaries
- **[GEMDAL]** Gemdale announced the appointments of Xu Jiajun as chairman
- **[LNGFOR]** Longfor Group acquired Xi'an land plot for RMB330mn in Feb'24
- **[LVGEM]** LVGEM (China) expects FY23 loss to widen to RMB2.1bn from RMB297mn in FY22
- **[VNKRL]** S&P placed China Vanke on CreditWatch Negative on weakening sales and financing prospects; China Vanke affiliate SCPG signed agreement with Shenzhen Metro Group over subscription of units of CICC-SCPG Consumption Infrastructure REIT
- **[XINHUZ]** S&P downgraded Xinhu Zhongbao to B- and placed negative outlook
- **[ZHLGHD]** Zhongliang Holdings expects FY23 loss to widen to RMB4-4.6bn from RMB1.3bn in FY22

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