

CMBI Credit Commentary**Fixed Income Daily Market Update 固定收益部市场日报**

- *Market sentiment recovered this morning post China relaxed real estate policies. AMCs were better buying that HRINTH curve rallied 1-2pts and CCAMCLs tightened 3-5bps. IG benchmark names were 1-3 tighter. Short-term LGFVs with better yielding were also better buying. **COGARD** further delayed the voting deadline on 16BiYuan05 to 1 Sep. See below.*
- **Seazen** - *Too much downside priced in. Prefer longer-dated FUTLANs/FTLNHDs. FUTLANs/FTLNHDs rose 2-7pts this morning. See below.*
- **China Policy** – *New stimulus policy with stronger commitment to growth. See below for comments from our economic research.*

❖ Trading desk comments 交易台市场观点

UST 2-yr yield tightened 3bps to 4.85% overnight. Yesterday, Asia ex-JP IG space was traded on a constructive tone. In financials, AMCs continued to have a firm session with short covering flows. GRWALL curve was traded 0.5-1.5pts higher despite FY22 annual results were still not released. HRINTH performed mixed with better selling on its perp and better buying on the front end. HRINTH 4.25 Perp was quoted 0.75pt lower. Chinese TMT/SOE benchmarks such as TENCNT/HAOHUA papers were unchanged to 2bps tighter. In Korea space, DAESEC 26s tightened 3bps. HK IGs such as CKHH/HKLSP 33s edged 5-6bps tighter. HK Corp perps performed mixed. NWDEVL 4.8 Perp/NWDEVL 6.25 Perp were marked 1.5-2.5pts higher. Whilst LIFUNG/HYSAN/NANFUN/CKINF Perps were marked 0.5-1pt lower. HK/Chinese properties moved higher. SHUION '25/HPDLF '24/YLLGSP '26 were marked 3.5-5.5pts higher. FUTLANs/FTLNHDs notably jumped 3.75-6.75pts. DALWAN 23-25s gained 4.5pts. LNGFORs/VNKRLEs/CHJMAOs were traded up 1.5-4pts. CHINSCs were among the exceptions to be quoted 0.5-1.5pts lower. In industrials, FOSUNI 25-26s were traded 4.5pts higher. HILOHO/WESCHI 24s were bid up 1.75-2.75pts. Macau gaming names such as WYNMACs/SANLTDs/STCITYs were marked 0.5-1pt higher. In Indian space, VEDLNs were traded 1.75-3.75pts lower. Indonesian space was muted. Elsewhere, GLPCHI 24s/25s were quoted 1pts lower.

LGFVs were relatively stable with light flows ahead of month-end. The high-yielding names were sought-after. Chongqing/Shandong names remained active. CQLGSTs/CQNANAs were indicated 0.1-0.2pt higher. SHUGRP '24 was marked 0.5pt higher. CPDEV 25/Perp were traded another 1.25-2.25pts higher. KMRLGP '24 was bid up 0.5pt. Elsewhere, SOE perps were better bid with support from RMs. HUADIA 3.375 Perp/CHPWCN 4.25 Perp were quoted 0.2pt higher. Selected high-beta

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names such as FRESHK '25 were marked 0.75pts higher. ZHONAN/SUNSHG papers were well bid.

➤ Last trading day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
FUTLAN 6 08/12/24	54.0	6.8	VEDLN 6 1/8 08/09/24	60.2	-3.8
FTLNHD 4.8 12/15/24	43.2	5.8	VEDLN 9 1/4 04/23/26	57.5	-2.3
YLLGSP 5 1/8 05/20/26	61.2	5.6	VEDLN 13 7/8 01/21/24	86.3	-1.8
HPDLF 7 05/18/24	79.6	5.3	VEDLN 8.95 03/11/25	65.7	-1.6
FTLNHD 4 1/2 05/02/26	27.8	4.8	CHINSC 7 3/8 04/09/24	11.3	-1.4

➤ Macro News Recap 宏观新闻回顾

Macro – S&P (-0.16%), Dow (-0.48%) and Nasdaq (+0.11%) were mixed on Thursday post consecutive rally since last week. US Jul'23 core PCE index was +4.2% yoy, increased from +4.1% yoy in Jun'23 and was same with market expectation. The latest US initial jobless claim was +228k, down from +232k in last week and lower than market expectation of +235k. US treasury yields retreated yesterday, 2/5/10/30 yield reached at 4.85%/4.23%/4.09%/4.20%, respectively.

❖ Desk analyst comments 分析员市场观点

➤ Seazen - Too much downside priced in

Prefer longer-dated FUTLANs/FTLNHDs

FUTLANs and FTLNHDs rebounded 6-9pts this week but still 16-20pts lower than the levels before the collateral damage resulting from COGARD. Seazen (Seazen Group, 1030 HK and Seazen Holdings, 601155 CH) has much more manageable offshore maturities than their peers like COGARD. To illustrate, the total o/s USD bonds of the Seazen complex is USD1.8bn, compared with USD10.8bn of CORARD (including 2 HKD CBs), and is even smaller than that of smaller developers such as Road King which has o/s USD bonds of USD1.9bn and 3 perps of USD900mn, as well as Shui On Land which has o/s USD bonds of USD1.9bn. Seazen's next offshore maturity will be the 364-day FTLNHD 7.95 05/20/24 of USD100mn which was "issued" to refinance another 364-day paper due in Jun'23. Additionally, Seazen's maturing investment properties (IPs) have been providing the much needed financial flexibility in the tight credit environment. At cash prices of 20-50, we believe the bonds priced in too much default risk and consider the bonds offer attractive risk-return profile. We prefer longer-dated, lower cash price FUTLANs/FTLNHDs.

	O/S (USD mn)	Maturity	Coupon	Offer price	YTM (%)
FUTLAN 6 08/12/24	250.0	8/12/2024	6%	50.3	98.8%
FUTLAN 4.45 07/13/25	300.0	7/13/2025	4.45%	30.5	85%
FTLNHD 7.95 05/20/24	100.00	5/20/2024	7.95%	23.62	374%
FTLNHD 4.8 12/15/24	450.00	12/15/2024	4.8%	37.02	105%
FTLNHD 4 5/8 10/15/25	300.00	10/15/2025	4.625%	28.32	80%
FTLNHD 4 1/2 05/02/26	404.00	5/2/2026	4.5%	26.09	68%

Source: Bloomberg.

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➤ COGARD: Further delay the voting deadline on 16BiYuan05 to 1 Sep

Country Garden further extended the voting deadline on 16BiYuan05 to 1 Sep from 31 Aug. The notes with principal amount of cRMB3.9bn will be due on 2 Sep. At the same time, the 30-day grace period of the two USD bond coupons COGARD missed will expire on 5 Sep. Offshore bondholders are worried that COGARD will prioritize onshore creditors to offshore. Concerning the current liquidity position as well as proximate deadlines of onshore principal and offshore coupon interest payment dues it is facing in coming few days, a holistic restructuring looks imminent as we discussed in our daily yesterday. Furthermore, Moody's downgraded COGARD by 3 notches to Ca from Caa1 last night and maintains negative outlook. The rating downgrade reflects its tight liquidity and heightened default risk.

➤ **China Policy – New stimulus policy with stronger commitment to growth**

The PBOC and banking regulator jointly announced to lower down-payment ratios and interest rates for first-home and second-home mortgages, paving the way for a possible stabilization of housing sales in core larger cities in 4Q23. The authorities also guided banks to moderately decrease interest rates of existing first-home mortgages. But the downside room for weighted average rates for existing mortgages may be limited within 25bps as the central bank cared much about banks' NIMs. To offset the impact of loan rate cut, banks had already been guided to decrease their term deposit rates by 10-25bps. Meanwhile, the MoF moderately raised children and elder care tax deductions for households to boost consumption. The actual impact should be limited. The new stimulus policies indicates the policymakers' stronger commitment to boosting economic growth as they may continue to launch supportive policies till the market confidence and business sentiment restores.

To noticeably lower down-payment ratio and mortgage rates for first-home and second-home purchases. The authorities set the minimum down-payment ratios for first-home and second-home mortgages respectively at 20% and 30%, paving the way for reductions to down-payment ratios in bigger cities. Currently, the minimum down-payment ratios for first-home mortgages were at 30%-35% in tier-one cities and a few core tier-two cities and 20% in most other cities. The minimum ratios for second-home mortgages were at 70%-80% in tier-one cities and 30%-40% in other cities. Therefore, down-payment ratios especially in larger cities have downside room in future. Meanwhile, the authorities kept the minimum rates for first-home mortgages unchanged at LPR minus 20bps, while lowered the minimum rates for second-home mortgages from 5Y LPR plus 60bps to 5Y LPR plus 20bps. It indicates a decline of second-home mortgage rates from 4.8% to 4.4% in most cities. In addition, the authorities allowed local governments to set their own down-payment thresholds and mortgage rate floors. Based on existing policy, cities with housing price declines for three consecutive months could set their first-home mortgage rates below the national minimum rates. According to PBOC's statistics, 100 out of 343 cities have lowered the floor for new mortgage rates or removed the minimum rates required. We believe the above policies will noticeably boost the upgrading demand in tier-one and tier-two cities as housing sales may see preliminary stabilization in September-October.

To moderately lower existing mortgage interest rates for first-home buyers. The authorities announced to lower interest rates of existing mortgages for first-home buyers. However, the existing mortgage interest rates after the adjustment should not be lower than the historical minimum interest rates when banks made those mortgage loans. This special requirement would limit the downside room of existing mortgage interest rates as the central bank tried her best to protect banks' NIMs. We estimate weighted average rates of existing mortgages may drop by 25bps at most with most contribution from lower tier cities. To alleviate the pressure on banks' NIMs, the PBOC had already guided banks to lower their term deposit rates by 10-25bps, which could basically offset the negative impact of mortgage interest rate cut on banks' NIMs.

To raise children and elder care tax deductions for households. The Ministry of Finance (MoF) announced to adopt higher additional deductions for individual income tax. Standards for special deductions for children's education and baby care were hiked by RMB1,000 (US\$137.2) per month to RMB2,000 (US\$274.4), while those for tending to elders was raised from RMB2,000 (US\$274.4) to RMB3,000 (US\$411.6). The deductions

will ease financial burdens for families to raise children and care for the elderly and showed the government's stance to boost consumption. Based on our estimation, the higher tax deductions would increase households' disposable income by 0.1%-0.2% and boost China's GDP growth by 0.03-0.06ppt.

To signal stronger commitment to boosting economic growth ahead. The new stimulus policy indicates Chinese policymakers' stronger commitment to boost economic growth in next several quarters as investor and business confidence remained weak. We expect China may continue to launch supportive policies till the market confidence and business sentiment restores.

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➤ **Offshore Asia New Issues (Priced)**

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

➤ **Offshore Asia New Issues (Pipeline)**

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

➤ **Market conditions and color**

- Regarding onshore primary issuances, there were 68 credit bonds issued yesterday with an amount of RMB41bn. As for Month-to-date, 2,215 credit bonds were issued with a total amount of RMB1,915bn raised, representing a 7.5% yoy increase
- Guangzhou and Shenzhen government have relaxed mortgage restrictions to lower the down payment for buyers who had repaid its previous mortgages to stimulate the real estate market
- **[ADEIN]** Adani Enterprises issued a statement rejecting a report published by Organised Crime and Corruption Reporting Project (OCCRP)
- **[COGARD]** Moody's downgraded COGARD's corporate family rating (CFR) to Ca from Caa1 and its senior unsecured rating to C from Caa2; COGARD further extended the voting deadline of the maturity extension proposal on onshore bond 16BiYuan05 to 1 Sep night from Thursday 10pm and the notes will be due on 2 Sep
- **[EHOUSE]** E-House (China) Enterprise delays circular on proposed HKD483mn rights issue to on or before 30 Nov
- **[LNGFOR]** Longfor Group has raised RMB1.1bn (USD150.9mn) via an offering of three-year CBICL-guaranteed MTNs at a coupon rate of 3.50%

- **[NWSZF]** NWS Holdings announced that Chow Tai Fook Enterprises intends to maintain the listing status of NWS on the HKEx after the close of the HKD9.15/share conditional voluntary general cash offer
- **[QDCCIZ]** Qingdao City Construction Investment received Shanghai bourse approval over RMB3.45bn corporate bond offering
- **[SHARAO]** Shangrao City Construction Investment Development proposed to offer RMB2.5bn (USD 344.4mn) short-term corporate bonds via a private placement
- **[SHIMAO]** Shimao 1H23 revenue down 11.5% yoy to RMB30.4bn and losses increased to RMB7.3bn from RMB5.5bn in 1H22
- **[SINOCE]** Sino-Ocean Group said to take advantage of new 15-day grace period to pay 2 Sep, 10% installment on just restructured RMB2bn bonds
- **[VNKRLE]** China Vanke said it plans to apply for offshore bank loans to repay a part of totaled USD1.5bn of its three offshore bonds due in 2024

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