

CMBI Credit Commentary

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

The Asset Asian G3 Bond Benchmark Review 2023

We hope you found our commentaries and ideas helpful. We seek to elevate our efforts and value-add further in the coming year. We highly appreciate your support to us in Sell-Side Analysts of the polls of [“The Asset Asian G3 Bond Benchmark Review 2024”](#). Thank you for your support!

- *Flows were light and skewed to better selling this morning. Asian IG space was unchanged to c2bps wider. GERSP launched a consent solicitation on GERSP 8.5 11/28/27, GERSP 8.5'27 rose 0.2pt post the announcement. See below.*
- *Chinese properties: Moderating decline in contracted sales. See below.*
- *China Economy - Credit growth remained weak. See below for comments from CMBI economic research.*

❖ Trading desk comments 交易台市场观点

Last Friday, HYUELE 29/33 widened 3-5bps. LGELEC '29/SHNHAN '34 widened 2-3bps. OCBCSP/SIASP 34s widened 1bp. In Chinese IGs, HAOHUA 27/30 widened 2-3bps. BABA '31/TENCNT '29 widened 3-4bps. In financials, GRWALL '26/ORIEAS '29 widened 1-6bps following Fitch's one notch downgrade. CCAMCL '29/HRINTH '30 widened 1-2bps. In EU AT1s, SOCGEN 7.875 Perp/BNP 8 Perp/BACR 4.375 Perp were 0.6-0.9pt lower. HSBC 6 Perp/UBS 9.25 Perp were down 0.2-0.5pt. In HK, CPREIT '30/LIHHK '26 were 0.5-0.8pt higher. The high coupon step-up perps such as NWDEVL 5.25 Perp/NWDEVL 4.125 Perp/NWDEVL 6.15 Perp were 0.8-1.7pts higher. Chinese properties performed mixed. ROADKG Perps/24-26s increased 0.9-1.6pts and closed 2.5-3.5pts higher WoW. CHIOLI 42/43 were 0.5-0.8pt higher. On the other hand, FTLNHD/FUTLAN 24-26s dropped 1.5-5.0pts and closed 3.6-6.3pts lower WoW. SHUION 24-26s declined 0.8-1.5pts. VNKRL 25/27/29 lowered 0.5-1.2pts. In Macau gaming, SANLTD '30/WYNMAC '29 were down 0.3-0.4pt. In Indonesia, ASRIJ '25/LPKRIJ '26 were 0.1-0.3pt higher. Indian renewables such as GRNKEN/RPVIN 26-28s were up 0.2pt. Elsewhere, media reported that Ares Management is in talks for a possible merger with GLP Capital Partners Ltd's operations outside China. GLPSP Perps moved 5.9-6.2pts higher, GLPSP '25/GLPCHI '26 were 0.7-1.0pt higher.

In LGFVs, the new HNYUZI 5.9 '27 closed 0.25pt higher from RO while the new WHREST 5.7 '27 was unchanged at par. CPDEV 25/26 were 0.1pt higher. In Shandong names, JNHTE '24/QDJZWD '25 were up 0.1-0.2pt. In the 5-6% LGFVs, CDCOMM/GZGETH 27s were 0.1pt higher. In SOE perps, CHPWCN 3.45 Perp/SPICPT 3.45 Perp were up 0.1pt. CHSCOI 3.4 Perp

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was 0.3pt lower. CTIH 6.4 Perp was down 0.1pt. In the high beta names, CWAHK '26 was 0.2pt higher. TIANFS '26 declined another 0.2pt and closed 1.6pts lower WoW.

❖ Last Trading Day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
GLPSP 4.5 PERP	65.8	6.2	FTLNHD 4 5/8 10/15/25	70.8	-5.0
GLPSP 4.6 PERP	65.0	5.9	FUTLAN 4.45 07/13/25	73.9	-4.7
NWDEVL 5 1/4 PERP	76.4	1.7	FTLNHD 4 1/2 05/02/26	62.5	-3.6
ROADKG 7.95 PERP	17.0	1.6	FTLNHD 4.8 12/15/24	86.4	-3.1
ROADKG 5.2 01/12/26	30.3	1.6	FUTLAN 6 08/12/24	96.4	-1.5

❖ Marco News Recap 宏观新闻回顾

Macro – S&P (-0.04%), Dow (-0.15%) and Nasdaq (+0.12%) were mixed on last Friday. US Jun'24 University of Michigan consumer sentiment was 65.6, lower than the expectation of 72.1. China May'24 unemployment rate was 5.0%, in line with the expectation. UST yield retreated on last Friday, 2/5/10/30 yield was 4.67%/4.22%/4.20%/4.34%.

❖ Desk analyst comments 分析员市场观点

➤ GERSP: Launched a consent solicitation on GERSP 8.5 11/28/27

Golden Energy and Resources (GERSP) launched a consent solicitation on its GERSP 8.5 11/28/27. Consent fee of 0.3 will be given to holder who deliver consent by 28 Jun'24. The proposed amendment would allow the GERSP and its restricted subsidiaries to incur additional debts relating to the acquisition of 100% interest in Illawarra Coal Holdings Pty Ltd (IMC Acquisition), by a 70%-owned subsidiary of GERSP on 29 Feb'24. The purchase price for the IMC Acquisition comprises of an upfront cash of USD1.05bn, a deferred cash consideration of USD250mn payable in 2030, and a contingent price-linked cash consideration of up to USD350mn for five years from the date of completion without an annual cap. The IMC Acquisition is expected to be completed in 2H24, subject to the regulatory approvals.

The consent solicitation is to allow GERSP to incur additional debts of up to USD650mn to finance part of the acquisition consideration, and an additional amount of up to USD250mn for future operational requirement of IMC, as well as to modify certain terms under the fixed charge coverage ratio (FCCR) test such as the definition of permitted liens. The proposed amendments will also permit GERSP to incur additional debts that would be effectively senior to GERSP 8.5 11/28/27.

Moody's currently placed GERSP at negative outlook. Interest coverage of GERSP on a standalone basis below 1.5x (FY23 est.: 5.8x) or consolidated adjusted debt/EBITDA above 3.0x (FY23 est.: 1.2x) may trigger rating downgrade. Moody's estimated that the IMC Acquisition will increase the pro forma adjusted debt/EBITDA to 1.6x at Dec'23, assuming USD700mn debt will be raised for the upfront cash payment. Even if the proposed additional debts in total will be up to USD900mn, GERSP's adjusted debt/EBITDA should still be below the downgrade threshold of 3.0x, per our estimates.

Bond	GERSP 8.5 11/28/27
Outstanding amt	USD346.308mn
Consent fee	USD0.3
Expiration deadline	28 Jun'24

Settlement date On or about 2 Jul'24
Requisite consent Not less than a majority in aggregate principal amount

Price (ask) 102.09
YTM (ask, %) 7.80
Ratings (M/S/F) B1(Negative)/-/BB-(Stable)

Source: Bloomberg, Company filling.

➤ Chinese properties: Moderating decline in contracted sales

In May'24, 33 developers under our radar reported contracted sales totaled RMB196.7bn, dropped 36.1% yoy from RMB307.7bn in May'23. In 5M24, the cumulative contracted sales of these developers decreased 44.8% yoy to RMB870.1bn, the contracted sales decline further narrowed from -47.0% yoy in 4M24.

All developers under our radar posted yoy decreased cumulative contracted sales in 5M24 while 24 developers reported mom increased contracted sales in May'24 post [a series of supportive measures](#) launched in mid-May'24. In 5M24, GRNCH (RMB98.8bn) was the better performer with 9% yoy declines in contracted sales. The distressed developers continued to underperform. The contracted sales of COGARD (RMB21.7bn), CHINSC (RMB4.4bn) and KWGPRO (RMB4.7bn) fell 81%, 74% and 73% yoy in 5M24, respectively.

As per NBS, the newly constructed commercial residential housing sales declined 30.9 % yoy to RMB3,116.3bn, compared to -32.1% yoy in 4M24. In May'24, the sales prices of newly constructed commercial residential housing in tier-1,2 and 3 cities dropped 3.2%, 3.7% and 4.9% yoy, widened from -2.5%, -2.9% and -4.2% yoy in Apr'24. We see signs of moderating in the decline in new home sales though we expect the recovery of contracted sales to be slow given the weak outlook of resident's income growth. Besides, we continue to expect more supportive measures from governments, including further LPR cut in 2H24.

2024 YTD Sales (in RMB mn)													
Company	CN Name	BBG Ticker	Jan	Feb	Mar	Apr	May	Trend	May'24 MoM Growth	May'24 YoY Growth	May'24 YTD Sales	May'24 YTD Sales Growth	
Greentown	绿城	GRNCH	12,000	12,900	28,300	22,300	23,300	↘	4%	1%	98,800	-9%	
China Overseas	中国海外发展	CHIOLI	10,504	8,491	41,211	21,795	19,700	↘	-10%	-3%	101,701	-31%	
Poly Real Estate	保利地产	POLYRE	20,323	15,624	27,036	33,024	35,314	↘	7%	1%	131,321	-33%	
China Resources Land	华润置地	CRHZCH	11,420	9,190	30,110	21,280	20,700	↘	-3%	-4%	92,700	-35%	
China Vanke	万科企业	VNKRLE	19,450	14,000	24,510	20,890	23,330	↘	12%	-9%	102,180	-39%	
Shimao	世茂房地产	SHIMAO	2,110	2,240	3,900	2,610	2,920	↘	12%	-7%	13,780	-42%	
Yuexiu Property	越秀地产	YUEXIU	6,545	3,815	11,341	8,312	10,078	↘	21%	-8%	40,091	-42%	
Future Land	新城控股	FUTLAN/FTLNHD	3,692	4,020	4,236	3,704	4,102	↘	11%	-2%	19,754	-45%	
Sunac China	融创中国	SUNAC	3,760	2,730	3,510	12,450	2,270	↘	-82%	-1%	24,720	-45%	
Radiance*	金辉控股*	JNHUIG/RDHGCL	1,450	610	1,840	870	1,430	↘	64%	-5%	6,200	-46%	
Longfor (Attributable)	龙湖集团	LNGFOR	4,660	3,680	7,440	6,230	5,980	↘	-4%	-6%	27,990	-48%	
Yanlord*	仁恒置地*	YLLGSP	1,480	2,060	990	1,870	2,950	↘	-58%	-2%	9,350	-49%	
Hopson	合生创展	HPDLF	1,286	630	1,978	1,510	1,665	↘	10%	-8%	7,069	-49%	
Greenland Holding*	绿地控股集团*	GRNLGR	4,500	4,000	5,500	3,800	6,130	↘	61%	-9%	23,930	-50%	
Times Property	时代中国控股	TPHL	532	841	685	1,055	1,005	↘	-5%	-9%	4,118	-51%	
CIFI Holdings*	旭辉集团	CIFIHG	3,720	2,240	4,180	3,980	3,340	↘	-16%	-2%	17,460	-52%	
Zhongliang	中梁控股	ZHLGHD	2,010	1,730	1,500	1,370	1,450	↘	6%	-5%	8,060	-55%	
China Jinmao	中国金茂	CHJMAO	6,400	4,150	6,970	6,500	7,220	↘	11%	-9%	31,240	-57%	
Guangzhou R&F	富力地产	GZRFPR	980	650	1,080	770	970	↘	26%	-7%	4,450	-58%	
Powerlong	宝龙地产	PWRLNG	1,121	1,177	1,548	1,134	1,208	↘	7%	-0%	6,188	-59%	
Gemdale	金地集团	GEMDAL	5,510	5,100	6,130	6,240	6,510	↘	4%	-1%	29,490	-59%	
Central China Real Estate	建业地产	CENCHI	710	680	440	750	950	↘	27%	-8%	3,530	-60%	
Jingrui Holdings	景瑞控股	JINGRU	206	112	170	167	131	↘	-22%	-7%	786	-62%	
Yuzhou Properties	禹洲地产	YUZHOU	803	503	902	802	703	↘	-12%	-9%	3,713	-62%	
Redsun	弘阳地产	REDSUN/HONGSL	982	862	831	702	723	↘	3%	-8%	4,100	-64%	
Zhenro Properties	正荣地产	ZHPRHK	619	471	554	591	596	↘	1%	-2%	2,831	-65%	
Ronshine China	融信中国	RONXIN	448	543	742	542	544	↘	0%	-3%	2,818	-65%	
Sino-Ocean*	远洋集团	SINOCE	1,200	820	2,300	2,800	2,440	↘	-13%	-2%	9,560	-67%	
Agile	雅居乐	AGILE	2,390	1,530	1,430	1,190	1,650	↘	39%	-1%	8,190	-67%	
Logan Property*	龙光地产*	LOGPH	800	760	400	520	790	↘	-52%	-8%	3,270	-73%	
KWG Property*	合景泰富集团	KWGPRO	830	620	1,070	970	1,180	↘	22%	-3%	4,670	-73%	
China SCE*	中骏集团控股*	CHINSC	850	820	1,010	630	1,110	↘	76%	-4%	4,420	-74%	
Country Garden (Attributable)	碧桂园	COGARD	5,490	3,720	4,300	3,850	4,290	↘	11%	-6%	21,650	-81%	

Note: * represents the data was collected from CRIC.

Source: Company fillings, CRIC.

➤ China Economy - Credit growth remained weak

China's social financing flow marginally improved in May thanks to the acceleration of government bond issuance. But credit demand in the private sector continued to deteriorate as property sales remained subdued, deflation pressure persisted and private business confidence was weak. M1 notably contracted due to the ban on hidden interest payment on checking account, which led to the sharp decline of corporates deposits. Meanwhile, fiscal reserves have accumulated markedly, as we expect infrastructure investments to pick up in the near term. Credit growth remained low due to elevated real-term interest rates, weak private business and consumer confidence. New mortgage rates may have further room for downside after the PBOC has abolished the floor limit. The PBOC may further cut LPRs by 10- 20bps to relieve the debt service burden for the private sector. The central bank may also reduce deposit rates to protect banks' NIMs. Meanwhile, the central bank would continue to guide banks to expand credit supply to boost economic growth and defy deflation pressure. We expect credit growth may mildly rebound in 2H24-1H25.

Social financing growth slightly rebounded as government bond issuance accelerated. The growth of outstanding social financing (SF) edged up to 8.4% YoY(all in YoY terms unless otherwise specified) in May from 8.3% in Apr. The SF flow rebounded by 32.7% to RMB2.1tn in May, compared to -RMB65.8bn in Apr. As we expected, government bond issuance notably increased by 120% to RMB1.2tn, compared to -RMB92.7bn in Apr, as ultra-long special CGB started in May on top of CGB and LGB. Infrastructure investment may get boosted thanks to the accumulation of fiscal reserve. On the other hand, non-government sector remained subdued in credit demand. New RMB loans under SF dropped 32.9% to RMB819.7bn in May. Corporate bond issuance notably slowed down to RMB28.5bn compared to RMB170.7bn in Apr, above its year-ago level at -RMB214.4bn. Shadow financing continued to contract as new entrusted loans and undiscounted banks' acceptance saw a negative flow in May while trust loans declined by 26%. The decline of M1 growth further slumped to -4.2% from -1.4% due to the ban on hidden interest payment on checking account, which led to the sharp decline of corporates deposits. The policy would mitigate the pressure on banks' NIM while creating distortions on monetary data. We expect the effect of the policy would marginally diminish and the gap between M1 and M2 growth would narrow while both of their growth should stay muted in the near term due to weak property sales and business activities.

Credit demand in non-government sector continued to deteriorate. Growth of outstanding RMB loans hit a new record low at 9.3% in May from 9.6%. The weaker-than-expected new RMB loans dipped 30.1% to RMB950bn in May, compared to RMB730bn in Apr. Although marginally recovered from RMB516.6bn contraction in Apr, new loans to households significantly dropped 79% to RMB75.7bn with new short-term loans down 88% and new M&L loans down 70%. Consumer demand stayed lethargic while property sales has yet to show any material improvement following the policy easing. The growing spread between new and existing mortgage rates would trigger more early payments, weighing on future M&L loans growth. New loans to the corporate sector declined 13.5% to RMB740bn, compared to RMB860bn in Apr. Short-term loans continued to drop RMB120bn after decreasing RMB410bn while M&L loans dipped 35% to RMB500bn, compared to RMB410bn in Apr. More than half of the new corporate loans were driven by bill financing, remarkably rising 750% to RMB357.2bn, compared to RMB838.1bn in Apr.

The PBOC may further cut interest rates to boost credit demand. Credit growth has remained low due to elevated real-term interest rates and weak private business and consumer confidence. The PBOC may further cut LPRs by 10-20 bps to relieve debt service burden of consumers and private business. The central bank may also reduce deposit rates to protect banks' NIMs. Meanwhile, the central bank may guide banks to expand credit supply to boost economic growth and defy deflation pressure. We expect credit growth may gradually rebound in 2H24-1H25.

Click [here](#) for full report

➤ **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					

➤ **News and market color**

- Regarding onshore primary issuances, there were 73 credit bonds issued yesterday with an amount of RMB74bn. As for month-to-date, 782 credit bonds were issued with a total amount of RMB797bn raised, representing a 6.8% yoy decrease
- **[CHINSC]** China SCE onshore unit got three-year extension for RMB506mn 20Zhongjun02
- **[CHOHIN]** Chong Hing Bank announced to redeem in full USD400mn CHOHIN 5.7 PERP AT1 on 15 Jul'24
- **[DAESEC]** Media reported that Mirae Asset Securities is in talks to sell Seoul office valued at cUSD217mn to Woori Asset Management
- **[FOSUNI]** Media reported that Fosun plans to sell minority stake in UK soccer club Wolverhampton
- **[GEMDAL]** Gemdale announced to distribute RMB88.9mn cash dividends to shareholders for FY23
- **[ROADKG]** Media reported that Road King bondholder group was working with PJT Partners to seek improvements to tender/term-out consent deal
- **[VNKRL]** S&P affirmed China Vanke BB+ rating and placed the rating on negative outlook; China Vanke secured RMB4.1bn loans from PSBC; China Vanke announced to call RMB2.3bn 21Wanke05 on 25 Jul'24

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