

CMBI Credit Commentary

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

- *New issue GZINFU'26 were weak and down c0.1pt this morning. Asian IG space was unchanged with two-way balanced flows. EHICAR announced the successful exchange offer, EHICARs rose 6-7pts in Mar'24 and were unchanged to 0.15pt higher this morning. See below.*
- **ADANIG:** *As per Adani Group, it had not received any notice from DOJ of the US in respect of the bribery allegation and it dismissed the Bloomberg article as a false report. We maintain buy on ADANIG 4.375'24. The Adani complex dropped 1.2-3.2pts yesterday and were unchanged to 1pt higher this morning.*
- **China Economy** - *Economic data beat with targeted policy easing ahead. CMBI maintains the forecast on China's GDP growth at 4.8% in 2024, compared to the 2Y CAGR of 4.1% in 2022-2023. See below for comments from CMBI economic research.*

❖ Trading desk comments 交易台市场观点

Asia IG space was under better buying yesterday. On the new issues, GZINFU priced a USD250mn 2-yr bond at par to yield 5.95%. SOCGEN priced a USD1bn PerpNC10.5 AT1 at par to yield 8.5%. The new SIASP '34 tightened another 3bps from last Fri close despite some profit taking at its tights. In KR, DAESSEC/HYUELE/HYUCAP/SAMTOT 26-29s were 1-3bps tighter. In Chinese IGs, HAOHUA 28-30s tightened 5-7bps. BABAs/TENCNTs were unchanged to 2bps tighter. The high beta TMTs such as LENOVO/MEITUA/WB 30s tightened 2-5bps. In financials, BOCAVI 28-33s were 1-3bps tighter. BNKEA 27-28s tightened 2-4bps and BNKEA Perps were up 0.2-0.3pt. In AT1s, BCHINA 3.6 Perp/ICBCAS 3.58 Perp were 0.1pt higher. The insurance names GRPCIN/SUNSHG 26s were up 0.1-0.2pt. KBANK 4 Perp/MQGAU 6.125 Perp closed 0.1-0.2pt. EU AT1s performed mixed. BACR Perps were 0.2-0.4pt higher. SOCGEN 8 Perp was up 0.1pt amid the pricing of its new issue. INTNED 8 Perp/STANLN 7.75 Perp/SWEDA 7.625 Perp were 0.1-0.3pt lower. In HK, CSIPRO '25 rose 2.4pts. PCPDC '26/NWDEVL '27 were 0.8-0.9pt higher. NWDEVL/HYSAN Perps closed 0.1-0.4pt higher. Chinese properties were mixed. RDHGCL '24, due on 20 Mar, moved another 16.9pts higher to high-80s. VNKRL '27/DALWAN '25 were up 0.5-0.6pt. However, GEMDAL '24 dropped 5.6pts on PB selling, after gaining 8pts over last week. SHUION 25-26s/LNGFOR '28 were down 0.7-0.9pt. Outside properties, HCELEC '26 increased 4.6pts. SFHOLD '30 was 2.5pts higher. In Macau gaming, SANLTDs were 0.3-1.3pts lower. In Indian space, ADSEZs/ADANEMs/ADTINs/ADGREGs were 1.2-3.2pts lower. AZUPOE 24/26 declined 0.5-1.4pts. Media reported an Adani Group entity and Azure Power Global were probed by US prosecutors over potential bribery investigations.

Glenn Ko, CFA 高志和
(852) 3657 6235
glennko@cmbi.com.hk

Cyrena Ng, CPA 吳蓓瑩
(852) 3900 0801
cyrenang@cmbi.com.hk

Jerry Wang 王世超
(852) 3761 8919
jerrywang@cmbi.com.hk

SOE perps were mixed while LGFVs were relatively quiet. CPDEVs held on well in cash prices despite small selling from PBs. BCDHGR '26/CPDEV '26/ZHHFGR '25 were 0.2-0.4pt higher. Elsewhere, FAEACO Perp moved 1.5pts higher. HACLSP Perp increased 0.3pt thanks to its yield pickup. CHSCOI 3.4 Perp/CHPWCN 3.08 Perp were 0.2pt higher. On the other hand, CTIH Perp was 0.2pt lower. SPICPT Perp was down 0.1pt. In Guangzhou LGFVs, GZINFU 5.95 '26 lowered 0.1pt from par. GZINFU 2.85 '26 and GZDZCD '25/GZGETH '27 were 0.1pt lower amid the pricing of GZINFU new issues. The quality LGFV names SCUXI/HZCONI 26s were down 0.1pt. Elsewhere, FRESHK 25/26 were 0.1-0.3pt higher.

❖ Last Trading Day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
RDHGCL 7.8 03/20/24	89.0	16.9	GEMDAL 4.95 08/12/24	78.2	-5.6
HCELEC 4.65 12/29/26	44.2	4.6	ADGREG 6.7 03/12/42	96.3	-3.2
SFHOLD 2 7/8 02/20/30	87.9	2.5	ADSEZ 5 08/02/41	78.9	-2.6
CSIPRO 5.45 07/21/25	89.8	2.4	ADANEM 3.867 07/22/31	81.3	-2.3
FAEACO 7 3/8 PERP	96.6	1.5	ADSEZ 3.828 02/02/32	80.3	-2.2

❖ Marco News Recap 宏观新闻回顾

Macro – S&P (+0.63%), Dow (+0.20%) and Nasdaq (+0.82%) rebounded on Monday. China Jan'24 unemployment rate was 5.3%, higher than the expectation of 5.1%. Eurozone Feb'24 CPI was +2.6% yoy, same with the market expectation. UST yields rallied higher on Monday, 2/5/10/30 yield reached 4.73%/4.36%/4.34%/4.46%.

❖ Desk analyst comments 分析员市场观点

➤ EHICAR: The successful exchange offer helps resolve maturities up to 2026

eHi announced that holders of USD336.9mn or 88.31% in o/s principal amount of EHICAR 7.75 11/14/24 tendered for the partial exchange into new 3.5-yr bonds. The tendered amount is well above the minimum acceptance level of 70%. Recalled that the upfront cash payment for the partial exchange is 20pts. The new bonds will have a minimum coupon rate of 12% and a re-offer price of 95.5. The successful exchange will notably lengthen eHi's maturity profile and reduce its near-term refinancing pressure. We expect eHi's credit profile to improve considerably over the next 2-3 years given the strong recovery of its operating performance and the uses of operating lease model starting from 2Q23. This helps reduce its cash outflow for fleet expansion. Hence, we maintain buy on EHICARs and expect the new EHICAR to be priced offer attractive carry (c13.3%) with catalysts to outperform given the improving credit profile and potential re-IPO. EHICARs rose 6-7pts in Mar'24 and were unchanged to 0.15pt higher this morning.

As we discussed in our daily on [7 Mar'24](#) and [11 Mar'24](#), the partial exchange will not only substantially relieve eHi's near-term refinancing pressure, but also an important step to secure longer-term onshore funding. We understand that eHi is in discussions for new 3-yr onshore syndicated loans of RMB700mn-1bn. The funding cost will be similar to that of the maturing onshore syndicated loans (LPR+0.35%) of which the last amortization will be fully settled with internal resources by Apr'24. The successful partial exchange of EHICAR 7.75 11/14/24 will secure the final commitment of the loan facilities. The next major maturities of eHi will therefore be pushed to 2026 (i.e. the final amortization of the new onshore 3-yr syndicated loans and EHICAR 7 09/21/26). By then, we expect eHi's credit profile to notably improve from the current level given the positive cash inflow from its recovering operations.

Moreover, eHi is planning the re-IPO in the US. While eHi does not have any concrete plan in terms of size and timetable, the IPO, if successful goes ahead, will further strengthen its liquidity profile, access to capital markets and data transparency. The IPO could be a catalyst for its bonds to outperform.

➤ **China Economy - Economic data beat with targeted policy easing ahead**

Economic data in 2M24 came in mostly above expectations as exports, fixed investment and industrial output exhibited a solid rebound. Retail sales also improved in comparison with the 2Y CAGR in the past two years. This February has one working day more than last February, which may have contributed over 1.5ppt to the output growth in the first two months. However, property sector remained a severe drag as housing sales further slumped and developers' debt risk continued to erode market confidence. While the possibility of comprehensive strong policy stimulus remains low, China may launch targeted policy support to boost housing demand and relieve debt risk. Higher-tier cities may continue to loosen restrictions on home purchase and the hukou system. The PBOC is likely to maintain a moderate easing of monetary policy with additional RRR cuts by 50bps in total, LPRs cut by 10bps and structurally targeted mortgage rate cut by 20bps in the next three quarters. The central bank may also lower deposit rates to protect banks' NIMs. Meanwhile, China may enhance its credit and fiscal support to tech innovation and industrial upgrading for high-quality development. The MoF may provide more tax credits and fiscal subsidies for R&D expenses and equipment upgrading to facilitate the substitution of imports by domestic-made products. We maintain our forecast on China's GDP growth at 4.8% in 2024, compared to the 2Y CAGR of 4.1% in 2022-2023.

Property market remained a severe drag on economy, confidence and financial stability. The gross floor area (GFA) sold and the GFA started for commodity buildings respectively dropped 20.5% and 29.7% in 2M24 after decreasing 8.5% and 20.4% in 2023. Property development investment declined 9% in 2M24 after dropping 9.6% in 2023. The recovery ratio of housing sales in 30 major cities compared to the same period in 2019 dipped to 49.9% in 2M24 and 41.1% in the first half of Mar. Second-hand housing sales saw a solid rebound in 2M24 as the recovery ratio in 11 selective cities rose from 74.1% in 2022 to 96.4% in 2023 and over 100% in YTD 2024. Property developers' debt risk continued to erode market confidence about China's economy and financial system. We expect additional loosening of property policies in the next three quarters to boost housing demand and relieve debt risk. Higher-tier cities may further loosen their restrictions on home purchase and the hukou system. The PBOC may launch targeted cuts in mortgage rates and down-payment ratios especially for first-home and second-home buyers. We expect GFA sold for commodity buildings to drop 5% in 2024 after decreasing 8.5% in 2023.

Retail sales gently eased amid less favorable base effect. Retail sales growth slowed down to 5.5% in 2M24 from 7.2% in 2023. Food-related consumption including catering services, food, beverage and alcohol & tobacco products showed robust growth in 2M24, increasing 12.5%, 9%, 6.9% and 13.7% in 2M24 after rising 20.4%, 5.2%, 3.2% and 10.6% in 2023. Property-related consumption also rebounded as furniture, home appliance and construction & decoration materials increased 4.6%, 5.7% and 2.1% in 2M24 after rising 2.8%, 0.5% and -7.5% in 2023, thanks to the recovery in second-hand housing sales. Durable goods including autos and telecom equip also saw a sharp rebound, growing 8.7% and 16.2% in 2M24 from 5.9% and 7% in 2023. Clothing, gold, silver & jewellery, cultural & office products and petroleum products notably declined. Looking forward, consumption may mildly improve in 2024 structurally especially in recreational, experimental and self-pleasing consumption. We expect retail sales to grow 5.3% in 2024 after rising 7.2% in 2023.

Service activity slowed down while industrial output accelerated. The YoY growth of service output index declined from 8.1% in 2023 to 5.8% in 2M24, yet higher than the 2Y CAGR of 3.9% in 2022-2023. VAIO (value-added industrial output) came in above market expectation at 7% growth in 2M24, compared to 4.6% in 2023. VAIO in chemical products, rubber & plastic products, transportation equip excluding autos and computers, telecom & electronic equip saw solid growth at 10%, 13.1%, 11% and 14.6% in 2M24. Auto production remained strong at 9.8% in 2M24, in-line with the growth in exports. Industrial production showed surprising resilience even though the manufacturing PMI has been in contraction since early 2023. Looking forward, service and industrial

output may moderately improve in 2024 thanks to a recovery in service consumption, an end of the de-stocking cycle and alleviation of deflation.

FAI growth edged up thanks to expanding manufacturing and narrowing decline of property investments.

FAI rose 4.2% in 2M24, slightly higher than 4% in 2023. The investment growth in manufacturing sector accelerated to 9.4% from 8.2%, thanks to the continuous policy support on industrial upgrade and manufacturing advancement, while the decline of property development investment narrowed from 12.4% to 9% in 2M24. Infrastructure investment eased to 9% in 2M24 from 10.7%. Suspension of infrastructure projects in 12 debt-laden provinces and fiscal restraints of local governments from declining land sales may weigh on future infrastructure investment dominated by local SOEs. Looking forward, we expect FAI to accelerate from 3% in 2023 to 4.2% in 2024, with growth in manufacturing and infrastructure sectors to reach 6.5% and 7.8% in 2024 after rising 6.5% and 8.2% in 2023, while the decline of property investment to moderate to 7% in 2024 from 9.6% in 2023.

China needs additional monetary and fiscal support, especially on the demand side. The economic data in 2M24 continued to show a divergence with solid recovery in exports, industrial production and FAI compared to mediocre consumption and a deteriorating property sector. While we expect a mild recovery in economy, the continuous slump of property sector and weakness of consumption with deflation pressure are fuelling the market concern about the possibility of Japanimation in the next decade. China needs additional monetary and fiscal support especially on the consumer side. However, there is no policy signal on consumption stimulus. While the possibility of comprehensive strong policy stimulus remains low, China may launch targeted policy support to boost housing demand and relieve debt risk. Higher-tier cities may continue to loosen restrictions on home purchase and the hukou system. The PBOC is likely to maintain a moderate easing of monetary policy with additional RRR cuts by 50bps in total, LPRs cut by 10bps and structurally targeted mortgage rate cut by 20 bps in the next three quarters. The central bank may also lower deposit rates to protect banks' NIMs. Meanwhile, China may enhance its credit and fiscal support to tech innovation and industrial upgrading for the high-quality development. The MoF may provide more tax credits and fiscal subsidies for R&D expenses and equipment upgrading to facilitate the substitution of imports by domestic-made products. We maintain our forecast on China's GDP growth at 4.8% in 2024, compared to the 2Y CAGR of 4.1% in 2022-2023.

Click [here](#) for full report

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

Issuer/Guarantor	Size (USD mn)	Tenor	Coupon	Priced	Issue Rating (M/S/F)
CIMIC Group Ltd	650	10yr	7.0%	T+275	Baa3/BBB-/-
Guangzhou Industrial Investment	250	2yr	5.95%	5.95%	-/-/A-
India Vehicle Finance	300	6.5yr	5.85%	5.85%	-/-/BBB-

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

Issuer/Guarantor	Currency	Size (USD mn)	Tenor	Pricing	Issue Rating (M/S/F)
Bank of the Philippines Islands	USD	-	5yr	T+140	Baa2/-/-

➤ News and market color

- Regarding onshore primary issuances, there were 111 credit bonds issued yesterday with an amount of RMB104bn. As for month-to-date, 1,261 credit bonds were issued with a total amount of RMB1,243bn raised, representing a 2.2% yoy increase
- **[AZUPOE]** Azure Power Global chairman resigned
- **[CTFE]** Media reported that Chow Tai Fook Enterprise mandated three banks for up to HKD4.4bn syndicated loan to refi due-April facility
- **[DALWAN]** Dalian Wanda Commercial Management scheduled redemption of RMB260mn 21Dalianwanda MTN001 notes on 25 Mar
- **[GEMDAL]** Gemdale scheduled redemption of RMB1.5bn 21JindiMTN003 notes on 25 Mar
- **[GLPCHI]** GLP China scheduled redemption of RMB1.5bn 21GLP05 bonds on 25 Mar
- **[GZRFPR]** Guangzhou R&F Properties' shareholders approve sale of London property to Cheung Chung Kiu in EGM
- **[SINOCE]** Sino-Ocean Group expects FY23 loss to widen to RMB20-30bn from RMB19bn in FY22
- **[YXREIT]** Moody's downgraded Yuexiu REIT's ratings to Ba2 and maintained negative outlook
- **[ZHLGHD]** Zhongliang expects offshore restructuring to become effective on 20 Mar'24

Fixed Income Department

Tel: 852 3657 6235/ 852 3900 0801

fis@cmbi.com.hk

CMB International Global Markets Limited ("CMBIGM") is a wholly owned subsidiary of CMB International Capital Corporation Limited (a wholly owned subsidiary of China Merchants Bank)

Author Certification

The author who is primary responsible for the content of this research report, in whole or in part, certifies that with respect to the securities or issuer that the author covered in this report: (1) all of the views expressed accurately reflect his or her personal views about the subject securities or issuer; and (2) no part of his or her compensation was, is, or will be, directly or indirectly, related to the specific views expressed by that author in this report.

Besides, the author confirms that neither the author nor his/her associates (as defined in the code of conduct issued by The Hong Kong Securities and Futures Commission) (1) have dealt in or traded in the stock(s) covered in this research report within 30 calendar days prior to the date of issue of this report; (2) will deal in or trade in the stock(s) covered in this research report 3 business days after the date of issue of this report; (3) serve as an officer of any of the Hong Kong listed companies covered in this report; and (4) have any financial interests in the Hong Kong listed companies covered in this report.

Important Disclosures

CMBIGM or its affiliate(s) have investment banking relationship with the issuers covered in this report in preceding 12 months.

There are risks involved in transacting in any securities. The information contained in this report may not be suitable for the purposes of all investors. CMBIGM does not provide individually tailored investment advice. This report has been prepared without regard to the individual investment objectives, financial position or special requirements. Past performance has no indication of future performance, and actual events may differ materially from that which is contained in the report. The value of, and returns from, any investments are uncertain and are not guaranteed and may fluctuate as a result of their dependence on the performance of underlying assets or other variable market factors. CMBIGM recommends that investors should independently evaluate particular investments and strategies, and encourages investors to consult with a professional financial advisor in order to make their own investment decisions.

This report or any information contained herein, have been prepared by the CMBIGM, solely for the purpose of supplying information to the clients of CMBIGM and/or its affiliate(s) to whom it is distributed. This report is not and should not be construed as an offer or solicitation to buy or sell any security or any interest in securities or enter into any transaction. Neither CMBIGM nor any of its affiliates, shareholders, agents, consultants, directors, officers or employees shall be liable for any loss, damage or expense whatsoever, whether direct or consequential, incurred in relying on the information contained in this report. Anyone making use of the information contained in this report does so entirely at their own risk.

The information and contents contained in this report are based on the analyses and interpretations of information believed to be publicly available and reliable. CMBIGM has exerted every effort in its capacity to ensure, but not to guarantee, their accuracy, completeness, timeliness or correctness. CMBIGM provides the information, advices and forecasts on an "AS IS" basis. The information and contents are subject to change without notice. CMBIGM may issue other publications

having information and/ or conclusions different from this report. These publications reflect different assumption, point-of-view and analytical methods when compiling. CMBIGM may make investment decisions or take proprietary positions that are inconsistent with the recommendations or views in this report.

CMBIGM may have a position, make markets or act as principal or engage in transactions in securities of companies referred to in this report for itself and/or on behalf of its clients from time to time. Investors should assume that CMBIGM does or seeks to have investment banking or other business relationships with the companies in this report. As a result, recipients should be aware that CMBIGM may have a conflict of interest that could affect the objectivity of this report and CMBIGM will not assume any responsibility in respect thereof. This report is for the use of intended recipients only and this publication, may not be reproduced, reprinted, sold, redistributed or published in whole or in part for any purpose without prior written consent of CMBIGM.

Additional information on recommended securities is available upon request.

Disclaimer:

For recipients of this document in the United Kingdom

This report has been provided only to persons (I) falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended from time to time) ("The Order") or (II) are persons falling within Article 49(2) (a) to (d) ("High Net Worth Companies, Unincorporated Associations, etc.") of the Order, and may not be provided to any other person without the prior written consent of CMBIGM.

For recipients of this document in the United States

CMBIGM is not a registered broker-dealer in the United States. As a result, CMBIGM is not subject to U.S. rules regarding the preparation of research reports and the independence of research analysts. The research analyst who is primary responsible for the content of this research report is not registered or qualified as a research analyst with the Financial Industry Regulatory Authority ("FINRA"). The analyst is not subject to applicable restrictions under FINRA Rules intended to ensure that the analyst is not affected by potential conflicts of interest that could bear upon the reliability of the research report. This report is intended for distribution in the United States solely to "major US institutional investors", as defined in Rule 15a-6 under the US, Securities Exchange Act of 1934, as amended, and may not be furnished to any other person in the United States. Each major US institutional investor that receives a copy of this report by its acceptance hereof represents and agrees that it shall not distribute or provide this report to any other person. Any U.S. recipient of this report wishing to effect any transaction to buy or sell securities based on the information provided in this report should do so only through a U.S.-registered broker-dealer.

For recipients of this document in Singapore

This report is distributed in Singapore by CMBI (Singapore) Pte. Limited (CMBISG) (Company Regn. No. 201731928D), an Exempt Financial Adviser as defined in the Financial Advisers Act (Cap. 110) of Singapore and regulated by the Monetary Authority of Singapore. CMBISG may distribute reports produced by its respective foreign entities, affiliates or other foreign research houses pursuant to an arrangement under Regulation 32C of the Financial Advisers Regulations. Where the report is distributed in Singapore to a person who is not an Accredited Investor, Expert Investor or an Institutional Investor, as defined in the Securities and Futures Act (Cap. 289) of Singapore, CMBISG accepts legal responsibility for the contents of the report to such persons only to the extent required by law. Singapore recipients should contact CMBISG at +65 6350 4400 for matters arising from, or in connection with the report.