

CMBI Credit Commentary

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

- *Markets continued to be quiet this morning. IG benchmarks overall widened 1-2bps. LGFV flows were two-way balanced while the space was less active than previous days amid weak sentiment.*
- **China Macro Monitor** – *Growth remains tepid with further policy easing ahead. See below for comments from our economic research.*
- **COGARD:** *Media reported the bondholders of COGARD 4.2 02/06/26 and COGARD 4.8 08/06/30 were yet to receive coupons due 7 Aug'23; Country Garden denied the news that a Foshan deputy mayor-led working group has stationed in the company. COGARD'24 down 5.75pts and other COGARs were unchanged to down 1.75pts this morning.*

❖ **Trading desk comments** 交易平台市场观点

Asia ex-JP IG spreads closed largely unchanged yesterday, despite UST curve tightened 10-15bps post the lower-than-expected NFP data on last Friday. In HK space, HKLSP/AIA/HKAA/HKE were under small buying. On TMT benchmarks, TENCNT/BABA were under small selling but closed unchanged. The high-beta TMTs such as MEITUA/LENOVO 30s were 1-4bps tighter. In financials, Chinese leasing papers such as the front-end of BOCAVIs closed 1bp tighter with active two-way flows. Chinese bank T2s such as BOCHK 31s/CCB 30s were better bid. In AMC space, HRINTH 27s-30s were under better selling but the HRINTH curve closed unchanged. The long-end of CCAMCLs were also better offered. Elsewhere, HSBC/STANLN AT1s remained sought-after by PBs. Thai bank AT1s such as KBANK/BBLTB Perps were traded with active two-way mixed flows among RMs/PBs. Chinese properties remained lackluster. CSCHCNs dropped 2.5-3pts. LNGFORs were down 1-2pts. FUTLANs/FTLNHDs/COGARs declined 0.75-2.25pts. ROADKG 7 Perp fell 4pts to close at low-20s, while rest of the curve lowered 1pt. In industrials, FOSUNI '25/WESCHI '26 were traded down 0.5-1pt. Macau gaming such as SANLTDs/MPELs were marked 0.5pt lower. In Indian space, VEDLNs lowered 1-1.5pts across the curve with some profit taking. In Indonesia, LMRTSP '24/LPKRIJ '26 were indicated 0.5-0.75pt higher.

In LGFV/Perp spaces, flows remained largely driven by position fine-tuning needs. There was some short covering flows in the high yielding LGFV papers as sentiment was kept afloat. Shandong/Chongqing high-yielding papers such as SHGUOH/SHDOIS 23-25s and CQNANA 26s were marked 0.125-0.25pt higher. Nonetheless, the front-end 23s LGFV papers as well as c23 SOE Perps at low yields were better-offered. In HK perps, CKPH 3.5 Perp/NWDEV 4.8 Perp/PEAKRN 5.35 Perp remained better offered by PBs and were traded 0.3-0.5pt lower. FWDGRP 8.045 Perp/LEEMAN 5.5 Perp

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were 0.5-0.75pt lower. BNKEA 5.875 Perp, however, was marked 0.9pt higher.

❖ Last Trading Day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
CMINLE 2 3/4 08/12/30	82.0	1.2	ROADKG 7 PERP	20.6	-3.9
LNGFOR 3 3/8 04/13/27	72.1	0.9	CSCHCN 9 10/09/24	56.5	-3.0
BNKEA 5 7/8 PERP	93.3	0.9	CSCHCN 9 12/11/24	55.8	-2.4
LMRTSP 7 1/4 06/19/24	65.4	0.8	FTLNHD 4 5/8 10/15/25	40.5	-2.3
TAISEM 0 3/4 09/28/25	90.6	0.7	COGARD 5 1/8 01/17/25	14.5	-2.0

❖ Marco News Recap 宏观新闻回顾

Macro – S&P (+0.90%), Dow (+1.16%) and Nasdaq (+0.61%) rebounded. China Jul'23 import/export (USD denominated) declined -12.4%/-14.5%, compared with -6.8%/-12.4% yoy in Jun'23 and lower than the market expectation of -5.6%/-9.8% yoy. The US treasury yields were mixed yesterday that long-term yields rallied higher, 2/5/10/30 yield reached at 4.76%/4.16%/4.09%/4.27%, respectively.

❖ Desk analyst comments 分析员市场观点

➤ China Macro Monitor – Growth remains tepid with further policy easing ahead

Economic activity: China's growth momentum remained tepid in July as the high-frequency economic activity index saw a slight MoM decline. Property and exports remained two major drags on the economy. The recovery rates of housing sales further declined as household confidence about future income and housing price remained low. Exports of goods may have continued to slump as global manufacturing activity continued to shrink with the de-stocking cycle. The bright spots of China's economy were in infrastructure investment and some service sectors. Prices of some construction materials rebounded probably thanks to a pick-up of infrastructure investment. Meanwhile, passenger and tourist flow continued to improve, pointing to continuous recovery in some service activities. We expect a slight pick-up of value added industrial output (VAIO), service output index and retail sales with a further deterioration of housing sales, fixed asset investment (FAI) in July. The GDP is expected to grow 4.4% in 3Q23 and 5.3% in 4Q23 with the growth for 2023 at 5.1%.

Inflation trend: China's CPI may have seen a YoY decline in July as consumer demand remained weak and pork price further decreased amid the de-stocking cycle. The CPI may gradually improve from August as consumption slowly recovers and pork price gradually stabilizes. We expect the CPI to rise 0.6% in 2023. The PPI should have narrowed its YoY declines in July thanks to base effect as well as a pick-up in commodity prices. Input material price in global manufacturing rebounded and labor cost continued to rise especially in advanced economies. China's de-stocking cycle may be close to the end as it is generally synchronized with the PPI cycle. Chinese enterprises increased material purchase and inventory sharply after China's economy reopening as the material purchase volume index jumped from 47.1% in 4Q22 to 52.5% in 1Q23. As aggregate demand deteriorated from this March, China faced an abrupt de-stocking cycle with severe deflation in 2Q23. The PPI should narrow its YoY declines in 2H23. We expect the PPI to drop 2.7% in 2023.

Economic policy: China has further loosened monetary policy and property policy in July with possible additional policy easing in future. The liquidity condition further eased as the PBOC guided banks to increase credit supply to real sector and to roll over the debts of property developers and local government financing vehicles. More cities loosened property policies with less restrictions on home purchase and lower down-

payment ratios & mortgage rates for first-home and second-home buyers. Looking forward, the central bank may further cut RRR, deposit rates and LPRs to boost economic growth momentum. Meanwhile, the policymakers may continue to loosen property policies to stabilize the housing market. The YoY growth of total social financing balance is expected to rebound from 3Q23.

RMB Exchange Rate: Renminbi further weakened against US dollar in 2Q23 as US economy beat expectations and China growth was weaker than expected. Renminbi mildly rebounded in July as investors thought July Fed rate hike could be last. Looking forward, renminbi may mildly rebound against US dollar in 2H23-1H24 as China's economy gradually stabilizes and US economy gradually slows down. We expect US\$/RMB spot rates to reach 7.07 at end-2023 and 7.00 at end-2024.

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➤ Offshore Asia New Issues (Priced)

Issuer/Guarantor	Size (USD mn)	Tenor	Coupon	Priced	Issue Rating (M/S/F)
ANZ New Zealand	1000	5yr	5.355%	T+120	A1/AA-/A+
HSBC Holdings Plc	2300/700	4NC3	5.887%/SOFR	T+145/ SOFR+157	A3/A-/A+
Yunnan Provincial Energy (SBLC by PSBC Kunming Branch)	70	3yr	5.75%	5.75%	-/-/-

➤ 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 58 credit bonds issued yesterday with an amount of RMB39bn. As for Month-to-date, 328 credit bonds were issued with a total amount of RMB235bn raised, representing a 36.3% yoy decrease
- China tier-2 city Nanjing announced new measures to boost real estate industry including giving subsidies to new home buyers
- [APLNIJ]** Media reported that Agung Podomoro Land 1H23 property presales decline 45.5% yoy to IDR600bn (cUSD39.6mn) while its FY23 target is IDR2tn (cUSD132mn)
- [COGARD]** Media reported the bondholders of COGARD 4.2 02/06/26 and COGARD 4.8 08/06/30 [were yet](#) to receive coupon due 7 Aug'23; Country Garden denied the news that a Foshan deputy mayor-led working group has stationed in the company
- [GEELY]** Zhejiang Geely issued RMB2bn three-year MTNs at coupon rate of 3.36%
- [GRNCH]** Greentown issued RMB1bn three-year MTNs at coupon rate of 4.3%

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