

## CMBI Credit Commentary

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

- *Asian IG space tightened 1-2bps this morning. New issues KDBs tightened 2-3bps. Flows on front-end IG names were continued to be two-way active. GLPSPs further down 0.25 to 2pts by mid-day post yesterday's 1.25-3.8pts drop.*
- **Opportunities from tender offers and repurchases** : Our picks are AACTECs, CPDEV 5.75 Perp, HRNITHs, GRWALL 3.95 Perp, NWDEVL Perps/NWSZF Perps, LEEMAN Perp, UPLLIN Perp. See below.
- **China Economy** – Deflation may gradually alleviate after credit loosening. CMBI maintains forecast on CPI growth at 0.6% for 2023 and 2% for 2024. The PPI is expected to drop 2.7% in 2023 and rise 1.3% in 2024. See below for comments from our economic research.

#### ❖ Trading desk comments 交易台市场观点

Yesterday, overnight UST 10yr yields tightened 7bps to 4.63%. We saw active flow on front end bank T2 (CN/SG/KR)/leasing/TMT/SOE with RM/PBs selling and onshore accounts buying. Chinese TMT/SOE benchmarks grinded 1-3bps tighter. In the high-beta TMTs, MEITUA/XIAOMI 30s tightened 3-6bps. In financials, BCHINA/ICBCAS 28-30s tightened 2-3bps. OCBCSP 24s/DBSSP 25s tightened 1-2bps. Chinese AT1s such as BCHINA/ICBCAS Perps grinded 0.1pt higher. AMC space was mixed. HRNITHs were unchanged to 0.25pt lower. Whilst CCAMCL/ORIEAS 30-31s were 3-5bps tighter. In the non-China space, the recent new BBLTB 28s/33s edged 2bps tighter. SUMIBK 28s/33s were 1-2bps tighter under better buying from PBs. HK IGs HKAA/HKLSP 28-33s tightened 1-3bps. In HK Corp perps, CKINF 4.2 Perp increased 1.9pts. CKPH 3.8 Perp/LIFUNG 5.25 Perp were 0.3-0.4pt higher. NWDEVL Perps were up 0.2pt. HK/Chinese properties were mixed. ROADKG 25s were 2.2pts higher. On the other hand, CSCHCNs stayed range-bound. CSCHCN 9 06/26/24 gained 2.1pts, whilst the rest of CSCHCN 24s declined 1-2pts. GEMDAL '24 and CHJMAO '29 lowered 1.8pts and 2.6pts, respectively. LNGFORs dropped 1.5-2.5pts. YLLGSP 24-26s were down 0.6-0.8pt. PINGREs were 0.4-0.7pt lower. In industrials, EHICAR 24/26 moved 1-1.5pts higher. AACTEC 26/31 were up 0.3-0.6pt. In Macau gaming names, MPEL/SANLTD 28-30s were 0.6-0.9pt lower. In Indian space, VEDLN 24-26s gained 0.5-0.7pt. AZUPOEs closed 0.5-1pt lower after gaining 2.5-3.5pts last Friday. Indonesian names LMRTSP/BUMAIJ 26s were 0.3-0.4pt higher. Elsewhere, GLPSP 25 closed 3.8pts lower while GLPCHI 24/26 fell 3.3-3.5pts. Fitch downgraded GLP Pte by two notches to BB from BBB-.

The LGFV/Perp spaces had a quiet session, and flows were mostly from Chinese AMs deploying cash in LGFVs/high-beta IG names. In LGFVs, the

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6-7% papers ZHAPIE 25s/JNHITE 23s were up 0.1-0.2pt. The higher-yielding names GSHIAV/GSELEC remained sought after. KMRLGP '24 was traded 0.6pt higher amid two-way flows. However, Chongqing names CQNANA 26s were down 0.2pt. Elsewhere, CPDEV 5.75 Perp was 1pt lower. SOE perps were stable while flows were light. CHCOMU 3.425 Perp/CHINEV 3.8 Perp were 0.2pt higher. HUANEN 3.08 Perp/CHSCOI 3.4 Perp were up 0.1pt. FRESHK 25-26s were 0.3pt higher. Insurer papers ZHONAN/SUNSHG 26s were 0.3-0.6pt higher.

#### ❖ Last Trading Day's Top Movers

| Top Performers        | Price | Change | Top Underperformers   | Price | Change |
|-----------------------|-------|--------|-----------------------|-------|--------|
| ROADKG 6 09/04/25     | 49.0  | 2.2    | GLPSP 3 7/8 06/04/25  | 66.2  | -3.8   |
| CSCHCN 9 06/26/24     | 50.3  | 2.1    | GLPCHI 2.95 03/29/26  | 58.9  | -3.5   |
| CKINF 4.2 PERP        | 69.2  | 1.9    | GLPCHI 4.974 02/26/24 | 88.2  | -3.3   |
| EHICAR 7 3/4 11/14/24 | 80.6  | 1.5    | FAEACO 7 3/8 PERP     | 83.9  | -3.0   |
| EHICAR 7 09/21/26     | 62.4  | 1.0    | CHJMAO 4 1/4 07/23/29 | 62.6  | -2.6   |

#### ❖ Marco News Recap 宏观新闻回顾

**Macro** – S&P (+1.06%), Dow (+0.93%) and Nasdaq (+1.20%) rallied on Monday. The president of Philadelphia Fed said Fed should not create new pressures in the economy by increasing the cost of borrowing. PBOC injected the largest scale MLF in 2023 for RMB789bn to add liquidity to bank system. The UST yield curve moved higher yesterday, 2/5/10/30 yield reached 5.09%/4.72%/4.71%/4.87%, respectively.

#### ❖ Desk analyst comments 分析员市场观点

##### ➤ Opportunities from tender offers and repurchases

#### Our picks

YTD, Asia ex Australia, New Zealand and JP issuers had tender-offered and repurchased USD bonds totaled USD6.8bn in principal amount (excl. convertible bonds) vs USD15.6bn in 2022 (cUSD10.9bn over 10M22). The active early redemption (excluding call) over the past 2 years was attributable to “distressed bond/perp prices”, improving accessibility to cheaper onshore funding, as well as stronger USD amid rate hikes. Issuers with alternative funding channels early redeems bonds/perps at discount to deleverage, cut interest expenses and reduce forex exposure. The early redemptions could also improve P&L through the non-recurring gain from tender offers or repurchases at discount and saving in interest expenses. Some of the tender offers came along with concurrent new issues such as the partial tender offer and concurrent new issue of H&H could help lengthen issuers' debt maturity profiles. We expect tender offers and repurchases to continue to come, especially from issuers with access to cheaper alternative liquidity sources and their bonds/perps are trading at discount. We are particularly interested in perps with coupon reset and/or large step-up, as well as those with the call dates effectively to be the first “maturities” of the respective issuers. **Our picks are AACTECs, CPDEV 5.75 Perp, HRNITHs, GRWALL 3.95 Perp, NWDEVL Perps/NWSZF Perps, LEEMAN Perp, UPLLIN Perp.** See the [table 3 and 4](#) for tender offers and repurchases YTD.

Table 1: YTM/YTC of our picks

| Security Name       | Amt Out<br>(USD mn) | Ask<br>Price | YTM<br>(Ask) | YTC<br>(Ask) | Next call<br>date | Coupon<br>step-up (bps) |
|---------------------|---------------------|--------------|--------------|--------------|-------------------|-------------------------|
| AACTEC 2 ½ 06/02/26 | 231.25              | 86.1         | 8.7          | 9.0          | 2/5/2026          | -                       |
| AACTEC 3 ¾ 06/02/31 | 292.12              | 72.2         | 8.8          | 9.1          | 2/3/2031          | -                       |
| AACTEC 3 11/27/24   | 276.82              | 95.4         | 7.4          | 57.3         | 27/11/2023        | -                       |
| CPDEV 5.75 PERP     | 500                 | 79.7         | 14.7         | 30.2         | 11/14/2024        | 400                     |
| GRWALL 3.95 PERP    | 400                 | 93.3         | 11.9         | 13.8         | 31/7/2024         | 500                     |
| HRINTH 3 ¾ 05/29/24 | 900                 | 97.6         | 7.9          | -            | -                 | -                       |
| HRINTH 4 ¼ PERP     | 250                 | 87.0         | 11.7         | 12.3         | 30/9/2025         | 300                     |
| HRINTH 5 ½ 01/16/25 | 1400                | 96.0         | 9.0          | -            | -                 | -                       |
| LEEMAN 5 ½ PERP     | 216.75              | 90.4         | 13.7         | 25.4         | 29/5/2024         | 500                     |
| NWDEVL 4 ¼ PERP     | 1200                | 52.9         | 14.2         | 21.6         | 10/3/2028         | 300                     |
| NWDEVL 6.15 PERP    | 500                 | 76.8         | 13.1         | 27.6         | 16/3/2025         | 300                     |
| NWSZF 5 ¾ PERP      | 1020                | 98.8         | 12.8         | 12.2         | 31/1/2024         | 500                     |
| UPLLIN 5 ¼ PERP     | 400                 | 75.9         | 10.6         | 28.5         | 27/2/2025         | 25                      |

Source: Bloomberg.

Click [here](#) for full report

#### ➤ China Economy – Deflation may gradually alleviate after credit loosening

China's CPI growth slightly edged down from 0.1% in Aug to 0% in Sep, which fell short of market expectation at 0.2%. The slowdown of food and energy prices is the major drag of softened CPI. Core CPI remained unchanged at 0.8% as consumer demand slowly improved. The YoY decline of China's PPI continued to narrow thanks to rallying raw material prices especially in mining and energy sector. The PBOC was concerned about the deflation as the Monetary Policy Committee said in September to facilitate a rebound of price ahead. The deflation increased real-term interest rates and debt burden of the real sector. It also had negative impact on durable consumption and business capex. Looking forward, we see a gradual alleviation of deflation as CPI may mildly pick up while PPI may continue to narrow the YoY declines thanks to credit loosening, gradual demand improvement and base effect ahead. We maintain forecast on CPI growth at 0.6% for 2023 and 2% for 2024. The PPI is expected to drop 2.7% in 2023 and rise 1.3% in 2024. The shrinkage of producer deflation points to a probable gradual improvement of industrial earnings ahead.

**CPI growth dropped to zero due to the drag of food price and slowdown in energy price.** CPI came in short of expectation, edging down to 0% YoY in Sep after rising 0.1% in Aug. In sequential terms, CPI moderated to 0.2% from 0.3% in Aug. The retracted CPI YoY growth is mainly driven by the food price due to a higher year-ago base. Food CPI noticeably dropped 3.2% YoY from 1.7%, as the pork price dropped 22% YoY in Sep from 17.9% drop in Aug. Pork sequential growth moderated from 11.4% MoM to 0.2% in Sep. As number of live pigs in stock and breeding sows is still elevated, we expect the drag from pork price food CPI will not end just yet. The surge in energy price slowed down as vehicle fuel narrowed its YoY decline from 4.5% to 1.1% while public utility price expanded 0.5% after rising 0.3%. MoM growth of vehicle fuel moderated from 4.8% to 2.3%. Core CPI growth remained unchanged at 0.8%. Demand in durables, which had the greatest impact on production output, was still weak as CPI in transport vehicles, home appliances and telecom equipment stayed soft. Services CPI growth stayed unchanged in Sep at 1.3% YoY although its MoM growth slowed from 0.1% in Aug to -0.1% in Sep, after two months of robust growth during the summer holiday. MoM growth of tourism further deteriorated to -3.4% from -1.1%. Employment condition remained challenging as housing rent fell into contraction.

**PPI continued to narrow its YoY declines although the growth of energy and commodity prices softened.** PPI declined 2.5% YoY in Sep after dropping 3% YoY in Aug, which has been in contraction for a year. PPI in

coal mining, oil & gas mining, ferrous metal respectively dropped 15.6%, 3.3% and 5% in Sep after decreasing 16.2%, 10.6% and 6.6% in Aug. Meanwhile, PPI in non-ferrous metal picked up 2.7% after rising 1.4%. From the MoM perspective, PPI continued to increase 0.4% in Sep after rising 0.2% in Aug. The MoM growth of crude oil & gas and petroleum eased to 4.1% and 3.1% from 5.6% and 5.4%. Prices of non-metal mineral products, rubber & electronics, metal products and medicines declined 0.8%, 0.3%, 0.1% and 0.1% MoM in Sep. The moving trend of PPI growth is highly related to the inventory cycle as the shrinkage of PPI decline as well as the expansion of PMI indicate an alleviation of de-stocking in most manufacturing industries.

**We expect a mild reflation in CPI and PPI with continuous credit loosening, gradual demand improvement and base effect ahead.** The PBOC showed its concern about deflation by vowing to boost the price rebound. We expect the central bank to maintain easing liquidity and credit policy with additional cuts in RRR, LPRs and deposit rates in next three quarters to facilitate credit expansion. Fiscal policy will be more proactive as the central government has allowed provincial governments to issue special bonds to repay the matured hidden debts. China's economy may gradually improve with an alleviation of deflation in the future. We maintain the forecast for CPI growth at 0.6% in 2023 and 2% in 2024. The PPI is projected to drop 2.7% in 2023 before rising 1.3% in 2024.

Click [here](#) for full report

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

| Issuer/Guarantor       | Size (USD mn) | Tenor    | Coupon               | Priced     | Issue Rating (M/S/F) |
|------------------------|---------------|----------|----------------------|------------|----------------------|
| Korea Development Bank | 300           | 3yr      | 6.045%               | SOFR+70    | Aa2/AA/AA-           |
| Korea Development Bank | 700/500/500   | 3/5/10yr | 5.375%/5.375%/5.625% | T+55/75/94 | Aa2/AA/AA-           |

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

| Issuer/Guarantor | Currency | Size (USD mn) | Tenor | Pricing | Issue Rating (M/S/F) |
|------------------|----------|---------------|-------|---------|----------------------|
| Hana Bank        | USD      | -             | 5yr   | T+125   | Aa3/A+/-             |

#### ➤ News and market color

- Regarding onshore primary issuances, there were 80 credit bonds issued yesterday with an amount of RMB68bn. As for Month-to-date, 368 credit bonds were issued with a total amount of RMB384bn raised, representing a 4.9% yoy decrease
- [EVERRE]** China Evergrande NEV further delays circulars on share issue to NWTN to on or before 31 Dec'23
- [GCLNE]** GCL New Energy announced to early redeem all outstanding due Jan'24 senior notes with USD67.8mn outstanding amount on 31 Oct
- [GEMDAL]** Gemdale's chairman resigned due to personal reason, CEO acceded as new chairman
- [GLPSP]** Fitch downgraded GLP Pte to BB from BBB- and placed stable outlook as delayed deleveraging via asset monetization leads to deterioration in interest coverage and debt structure

- **[ICICI]** Fitch affirmed ICICI Bank's BB+ rating and placed stable outlook
- **[KAISAG]** Kaisa Group's winding-up petition hearing, strike-out application adjourned to 6 Feb'24
- **[LMRTSP]** LMIRT announced the extension of cSGD322mn loans by three years
- **[SHDOIS]** Shandong Iron and Steel issued RMB1bn extendable 2+N-year MTNs at 4.80% coupon rate to repay debts
- **[YUNAEN]** Yunnan Provincial Energy Investment proposed to offer RMB2bn one-year bills
- **[ZJCOMG]** Zhenjiang Transportation Industry proposed to offer RMB4bn corporate bonds and scheduled early redemption of outstanding RMB25mn 2021 MTNs on 31 Oct'23

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