

CMBI Credit Commentary

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

- *Markets were quiet this morning. Few flows on CN/HK spaces before CNY. SEA renewables INCLEN/GRNKENS rose 0.1 to 0.3pt. Other active SEA names VEDLN/IDASAL were unchanged to down 0.1pt.*
- **China Economy** - *Deflation may last longer than expected. CMBI revises down the forecasts on China's CPI, PPI and nominal GDP growth rates in 2024 from 1%, 0.2% and 5.5% to 0.7%, -0.3% and 5.1%. See below for comments from CMBI economic research.*
- **YUZHOU:** *Yuzhou announced restructuring plan via schemes of arrangement and bondholders of c30% offshore bonds back the plan. YUZHOUs were unchanged to +0.7pt this morning.*

❖ Trading desk comments 交易台市场观点

Yesterday, overnight UST yield was unchanged to 3bps wider. Market flows were two-way skewed to better buying. Recent new issues KDB'27/29 was unchanged to 1bp tighter while HKINTL'26 was unchanged. Chinese SOE/TMT benchmarks HAOHUA/BABA/TENCNT were unchanged to 1bp wider. High-beta LENOVO/MEITUA/WB'30 were unchanged to 2bps wider while WB'24 widened 7bps. In financials, HRINTHs edged up c0.2pt higher (4-7bps tighter). CCAMCL/ORIEAS were relatively stable. Chinese AT1s BOCOM 3.8 Perp/BCHINA 3.6 Perp rose c0.1pt while others were unchanged. Active EU AT1s HSBC 8 Perp/BARC 9.625 Perp/UBS 7 Perp moved -0.1 to 0.1pt. Chinese properties were weak. VNKRL/LNGFOR/CHJMAO/FTLNHD down 0.1 to 1.4pts despite further relaxation on home purchase restrictions in high-tier cities. CSCHCNs retreated 1 to 2.9pts. DALWANs, on the other hand, were 0.1 to 0.5pt higher on the back of the news of disposal of Wanda Plaza in Hohhot and ADIA investment in Zhuhai Wanda Commercial Management. Industrial names FOSUNIs were 0.1 to 2.1pts higher. The company relaunched the sale of Peak Reinsurance for a potential valuation of cUSD1bn. AACTEC/EHICAR were unchanged. Macau gaming names were mixed. MGMCHI/STCITY/WYNMAC moved -0.5 to 0.6pt. In SEA space. UPLLINs were down another 0.2 to 0.6pt post S&P's downgrade. Renewable names GRNKEN/ADANIG were unchanged to 0.2pt higher. Indonesian names IDASALs down 0.1 to 0.4pt.

LGFV/SOE Perps space was quiet ahead of the CNY holiday. The recent new issues GZDZCD'25/FANGYA'27 /SYSTIO'27/QDHTCO'27 were unchanged to 0.1pt higher. High-yielding LGFVs CPDEV/CNSHAN/KMRLGP were stable to 0.2pt higher. The active region names SHGUOH/QDJZWD/NJYZSO moved -0.2 to +0.2pt. In SOE Perp, HUADIA 3.375 Perps rose 0.1pt, CHPWCN/CHSCOI Perps edged 0.1 to 0.3pt up.

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❖ Last Trading Day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
FOSUNI 5.05 01/27/27	81.8	2.1	CSCHCN 9 10/09/24	41.9	-2.9
LASUDE 5 07/28/26	59.3	1.7	CSCHCN 9 12/11/24	40.7	-2.5
VEDLN 9 1/4 04/23/26	83.4	1.5	VNKRLE 3.975 11/09/27	58.6	-1.4
VEDLN 13 7/8 01/21/27	92.2	1.4	CSCHCN 9 06/26/24	45.8	-1.3
VEDLN 13 7/8 12/09/28	87.1	1.2	CSCHCN 9 04/12/24	50.9	-1.2

❖ Marco News Recap 宏观新闻回顾

Macro – S&P (+0.06%), Dow (+0.13%) and Nasdaq (+0.24%) continue to rally higher on Thursday, Dow and S&P reached historical highs. The latest US initial jobless claim was +218k, lower than the expectation of 221k. UST yields edged up yesterday, 2/5/10/30 yield reached at 4.46%/4.12%/4.15%/4.36%, respectively.

❖ Desk analyst comments 分析员市场观点

➤ China Economy - Deflation may last longer than expected

China's CPI in Jan dropped 0.8% YoY, the largest decline since the global financial crisis in 2009. The deterioration was due to the Lunar New Year (LNY) mismatch. Pork price remained anomalously lethargic, with signs of relief on the supply side. Core CPI exhibited one of the few bright spots with a robust MoM increase of 0.3%. PPI narrowed its YoY decline thanks to the base effect while continuing to decline in sequential terms due to weak downstream demand and overcapacity pressure. China may suffer a longer deflation cycle than we expected given headwinds from weak consumer demand and continued policy support to the supply side. We revise down our forecasts on China's CPI, PPI and nominal GDP growth rates in 2024 from 1%, 0.2% and 5.5% to 0.7%, -0.3% and 5.1%. The PBOC may further cut LPRs by 10 or 20 bps in Feb amid the deflation pressure. The central bank is also expected to commit RMB1-1.5trn PSL loans for "three major projects". The fiscal policy will be more expansionary with expected broad fiscal deficit ratio at over 7.1% in 2024 from 6.4% in 2023.

CPI further deteriorated due to the LNY mismatch while pork price remained lethargic. CPI widened its YoY decline from -0.3% in Dec to -0.8% in Jan, worse than the market expectation of -0.5%. The YoY CPI decline was mainly due to a higher base caused by the LNY in Jan 2023, especially for food price, which dropped 5.9% in Jan from -3.7% in Dec 2023. In sequential terms, CPI recovered to 0.3% growth after rising 0.1%. Specifically, food CPI eased to 0.4% MoM from 0.9%, showing much weaker seasonality compared to an average 2.4% MoM in Jan from 2013 to 2022. Pork price dropped 0.2% MoM after decreasing 1% in Dec, with its YoY decline contracting to -17.3% from -26.1%, pointing to a very weak demand when pork price typically exhibited strong seasonality approaching the LNY. Pork price may remain a headwind of reflation in 1H24 as the de-capacity process on the supply side may take longer than we expected. However, we see positive signs including the mild drops in feed production and the number of live hogs and breeding sows.

Core CPI growth dropped to 0.4% YoY, one of the lowest since Mar 2021, while its MoM growth was robust, at 0.3% from 0.1%. CPI in tourism and home service respectively picked up 4.2% and 2.7% MoM in Jan, in line with its seasonality. Home equipment stayed flat at 0.6% MoM, while vehicles and telecom equipment dropped 0.1% and 0.3% MoM, showing an overall weak demand in durable goods. CPI MoM growth in other services remained subdued including telecom, postal and education services. Rent has been dropping since Sep,

with a 0.1% MoM decline in Jan, indicating a deteriorating employment situation. Overall the MoM growth of headline CPI showed much weaker seasonality dragged by food price, albeit solid core CPI growth. In 2013, 2016 and 2021 with similar LNY dates, the Jan MoM growth rates of CPI, core CPI and pork on average were 0.8%, 0.1% and 4.4%, compared to 0.3%, 0.3% and -0.2% respectively in Jan 2024.

PPI narrowed its YoY decline while continuing to drop in sequential terms. PPI declined 2.5% YoY in Jan after decreasing 2.7% YoY in Dec, contracting for the 16th consecutive month. The slightly-above-expectation PPI was mainly driven by a smaller base last year. The MoM growth of PPI edged up to -0.2% from -0.3% in Dec, showing a still sluggish demand considering a moderate rebound in crude oil price. PPI in oil & gas mining recovered to 3.1% YoY growth while non-ferrous metals picked up 0.6% from 0.4%. Coal mining and ferrous metals remained in contraction at -16% and -2.9% from -16.5% and -1.9%. From the MoM perspective, ferrous and non-ferrous metals saw the biggest growth of 0.4% and 0.3% in Jan from 0.8% and -0.3%. The declines of crude oil & gas and petroleum moderated to -0.8% and -1.7% from -6.6% and -3%. PPI in durables and capital goods remained weak with enduring deflation.

PBOC is expected to lower LPRs in Feb amid deflation pressure. China may suffer a longer deflation cycle than we expected as the pork price and weak consumer demand continue to weigh on CPI. Deflation itself and the accompanied expectation may lead the economy into the dangerous “deflation-spiral” as it would increase debt burden, restrain capex and durable consumption, and hurt business earnings. Considering Japan’s experience in the two lost decades, a preliminary and maybe aggressive monetary policy is vital to address the deflation pressure, and the time is ticking. The PBOC will maintain accommodative liquidity and credit policy with possible 10 or 20 bps of LPR cuts in Feb. We expect additional cuts in RRR, deposit rates and LPRs in 2H24. The central bank is also expected to commit RMB1-1.5trn PSL loans for “three major projects”. The fiscal policy will be more expansionary with expected broad fiscal deficit ratio at over 7.1% in 2024 from 6.4% in 2023.

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➤ Offshore Asia New Issues (Priced)

Issuer/Guarantor	Size (USD mn)	Tenor	Coupon	Priced	Issue Rating (M/S/F)
Turkiye Government	3000	10yr	7.625%	7.875%	B3/-/B

➤ 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 2 credit bonds issued yesterday with an amount of RMB451mn. As for month-to-date, 371 credit bonds were issued with a total amount of RMB394bn raised, representing a 92% yoy increase
- [ABMMIJ]** Moody's affirmed ABM Investama's B1 ratings and maintained stable outlook
- [BABA]** Media reported that Alibaba halts planned Hong Kong IPO of its logistics arm Cainiao

- **[DALWAN]** Dalian Wanda Commercial Management Group exited from Hohhot Wanda Plaza Investment
- **[IDASAL]** Media reported that Mineral Industry Indonesia is seeking bids for up to USD2bn loan
- **[RAKUTN]** Rakuten Group announces early tender offer results for USD due-2024 notes that principal of validly tendered RAKUTN 10.25 11/30/24, RAKUTN 3.546 11/27/24 was USD599.4mn, USD366.4mn
- **[YUZHOU]** Yuzhou announced restructuring plan via schemes of arrangement and bondholders of c30% offshore bonds back the plan

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