

## CMBI Credit Commentary

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

- *Recent new issues BBLTB'28/33 further widened c2bps this morning. Asian IG benchmarks were mostly unchanged. HRINTH rose 1-1.5pts and other AMCs were stable. Besides, big four banks' AT1s/SOE perps were under better selling.*
- **LIFUNG:** *Launched a tender offer to repurchase up to USD172.5mn of LIFUNG 5 08/18/25. See below.*
- **China Economy – Tentative signs of stability with property as major drag.** *China's economy may gradually improve in next four quarters as the GDP growth is expected to reach 5.1% in 2023 and 4.8% in 2024. See below for comments from our economic research.*

#### ❖ Trading desk comments 交易台市场观点

Last Friday, overnight USTs widened 3-4bps. On the new issue front, BBLTB 5/10y papers were priced at T+98 and T+128 respectively. New BBLTBs widened 8-10bps amid quite active two-way flows. Another new issue KOSOPW 26s closed unchanged to 2bps tighter from its RO level CT2+57(CT3+90). China SOE/TMT benchmarks such as HAOHUA/TENCNT 30s edged 1-2bps tighter. In financials, Chinese bank T2s remained well-bid and tightened 2-5bps. AMC space was weaker. HRINTH curve was traded 0.25-0.5pts lower amid better selling flows. CCAMCLs were unchanged to 2bps wider with mixed flows on belly. Chinese AT1s such as ICBCAS/BOCOM AT1s were marked 0.125pt higher. European AT1s such as HSBC/STANLN Perps were better demanded by RMs/PBs. HK Corp perps were largely firm. LIFUNG '25 was traded 4.25pts higher. Before close, the company launched a tender offer, see below for more comments on Li & Fung. CKPH/CKINF Perps were indicated 0.3-0.7pt higher. Chinese properties were mixed. COGARD 24s/CHJMAO 26s gained 1.5-2.5pts. On the other hand, SINOCEs were traded down 2-3pts, after Sino-Ocean announced to suspend all offshore debt payments ahead of a holistic restructuring. FUTLANs/FTLNHDs lowered 0.75-1.25pts. Moody's affirmed Seazen's B1 rating and revised the outlook to negative from stable. LNGFORs were down 0.5-1pt. Fitch downgraded Longfor by one notch to BBB- with a negative outlook. GRNLGR 25s dropped 4pts. In industrials, FOSUNI/WESCHI 26s declined 0.5pt. Macau gaming papers such as SANLTDs were marked 0.5pt lower. In Indian space, VEDLN 24-26s were traded 0.75-1.75pts higher. Indonesian names LPKRIJs/LMRTSPs were marked 0.25-0.5pt lower. Elsewhere, GLPCHI 24s/26s were marked another 3.5-6pts higher.

In the LGFV space, we saw clients continued to react positively in response to the recent onshore news/chatters. The flows remained skewed to better buying from primarily Chinese RMs. There were also some profit taking flows in selected papers, but was well absorbed by the recent upbeat sentiment

PLEASE READ THE AUTHOR CERTIFICATION AND IMPORTANT DISCLOSURES ON LAST PAGE

**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

and the compression in yields. The front-end of LGFV papers such as CQLGST 24s were bid up 0.3pt with cash management demands. The 6% papers such as CDCOMM 24s/YWSOAO 25s were quoted 0.1-0.2pt higher. Elsewhere, SOE Perps were largely stable amid two-way active flows at low-6% ahead of FOMC week. CHSCOI 3.4 Perp/CRHZCH 3.375 Perp were quoted 0.1-0.2pt higher. Selected high-beta names such as FRESHK 25s/ZHONAN 26s were marked 0.3-0.5pt higher.

#### ❖ Last Trading Day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
GLPCHI 2.95 03/29/26	68.5	5.8	GRNLGR 6 3/4 09/26/25	9.1	-4.1
LIFUNG 5 08/18/25	92.8	4.2	SINOCE 6 07/30/24	9.2	-2.8
GLPCHI 4.974 02/26/24	94.2	3.4	SINOCE 3 1/4 05/05/26	8.6	-2.3
COGARD 8 01/27/24	16.4	2.4	SINOCE 2.7 01/13/25	10.0	-1.9
VEDLN 9 1/4 04/23/26	62.4	1.7	TSIVMG 1.55 12/17/29	21.7	-1.8

#### ❖ Marco News Recap 宏观新闻回顾

**Macro** – S&P (-1.22%), Dow (-0.83%) and Nasdaq (-1.56%) retreated on last Friday and wiped out a week's increase. The US Michigan consumer confidence in Sep declined to 67.7 from 69.5 in Aug and was lower than the expectation of 69.1. China Aug unemployment rate was 5.2%, lower than the expectation of 5.3%. The US treasury yields rallied higher on Friday, 2/5/10/30 yield reached at 5.02%/4.45%/4.33%/4.42%, respectively.

#### ❖ Desk analyst comments 分析员市场观点

##### ➤ LIFUNG: Launched a tender offer to repurchase up to USD172.5mn of LIFUNG 5 08/18/25

Li & Fung launched a tender offer to repurchase up to USD172.5mn of LIFUNG 5 08/18/25 for cash. The outstanding amount of the notes is USD522.5mn. The early tender consideration is USD94 with an early deadline on 28 Sep. The subsequent tender consideration is USD91, and expiration date will be 16 Oct. If the maximum acceptance amount is exceeded prior to the early deadline, no notes that are tendered after the early deadline will be accepted for purchase, and any notes tendered on or prior to the early deadline and accepted for purchase will be accepted on a prorated basis.

Back in Nov'22, Li & Fung planned to repurchase up to USD250mn of the same notes at USD87.5, and USD77.5mn were repurchased. The current tender, if the maximum amount of USD172.5mn is reached, will fulfill the USD250mn "plan" set last year. As at Jun'23, Li & Fung had USD767mn cash on hand, that would allow Li & Fung to fund the tender offer using internal cash.

Bond	LIFUNG 5 08/18/25
Outstanding amt	USD522.485mn
Maximum acceptance amt	USD172.485mn
Early tender consideration	USD94
Early deadline	28 Sep
Subsequent tender consideration	USD91
Expiration date	16 Oct
Px (ask)	94.0
YTM (ask,%)	8.5

Source: Company filling.

## ➤ China Economy – Tentative signs of stability with property as major drag

China's economy showed tentative signs of stabilisation in August as retail sales, industrial output and service activity rebounded noticeably and beat expectations. Other evidences included better-than-expected new loans, less YoY declines of exports & imports and easing deflationary pressure. However, real estate sector remained major drag on the economy as property sales and development investment further tumbled. The policymakers showed a more pro-growth stance from July with cuts in stock trading tax, LPR, down-payment ratios & interest rates for first-home and second-home mortgages, existing mortgage rates and RRR. But it needs more policy support and longer time to restore confidence and sustain growth momentum. The PBOC may continue to expand credit supply with additional cuts on deposit rates, LPRs & RRR while municipal governments will further loosen property policies in next several quarters. The central bank may use special lending facility to support policy banks to make special low cost loans to the inner-city renewal projects. Meanwhile, the MoF may raise broad fiscal deficit ratio for next year to support the growth. The latest policy easing cycle may become the strongest one since 2017. China's economy may gradually improve in next four quarters as the GDP growth is expected to reach 5.1% in 2023 and 4.8% in 2024.

**Property sector remained in deep contraction with mild improvement in second-hand housing market sentiment.** The gross floor area (GFA) sold and the GFA started for commodity buildings respectively dropped 7.1% and 24.4% YoY (all in YoY terms unless specified) in 8M23 after decreasing 6.5% and 24.5% in 7M23. Property development investment further declined 8.8% in 8M23 after dropping 8.5% in 7M23. 30 major cities continued to see declining recovery ratio of commercial housing unit sales compared to the same period in 2019. But the recovery ratio of second-hand housing unit sales in 11 major cities improved in August and the first half of September, probably thanks to the latest property policy and credit supply loosening. Breaking down the funding source for property development investment, deposit & advance payment and individual mortgage fund both further dropped 7.3% and 4.3% in 8M23 after falling 3.8% and 1% respectively in 7M23. Meanwhile, domestic loan fund further declined 12.8% in 8M23 after dropping 11.5% in 7M23. Potential housing supply has shrunk more significantly than housing demand as the rebalance has started in most cities with excess supply. The significant shrinkage of land-related fiscal system increased local government contingent debt risk and brought downside pressure on local government expenditures. Looking forward, housing sales may see tentative stabilization in September or October due as policymakers continue to loosen property policy and credit supply and service business recovery improves employment condition. However, the confidence of property developers may remain low as land sales and property development investment should recover even more slowly.

**Retail sales moderately recovered amid high energy price and robust summer demand.** Retail sales came in above the market expectation by rising 4.6% in August after climbing 2.5% in July. Its 2Y CAGR increased to 5% in August, up from 2.6% in July. Looking into the details, retail sales recovered almost across the board as catering service, petroleum product and auto continued to surge with their 2Y CAGRs respectively rose from 6.8%, 6.5% and 3.9% in July to 10.4%, 11.4% and 8.2% in August. Housing-related durables remained weak as construction & decoration materials and home appliance respectively dropped 11.4% and 2.9% with their 2Y CAGR at -10.3% and 0.2%. Furniture picked up 4.8% after rising 0.1%, but its 2Y CAGR remained negative at -1.9%. Staples moderately improved as the 2Y CAGRs of food, beverage and medicine respectively rose to 6.3%, 3.3% and 6.4% from 5.8%, 3% and 5.7% in July while alcohol & tobacco product dropped to 6.1% from 7.4% in July. Recovery of telecom equip eased as the 2Y CAGR edged down to 1.7% in August from 3.9% in July. Looking forward, retail sales may maintain mild to moderate recovery as employment and confidence slowly improve. We maintain our forecast for the retail sales growth in 2023 at 7.5%.

**Service activity and industrial output both resurged.** Service output index and VAI0 growth both came in above the market expectation. They respectively rose 6.8% and 4.5% in August after growing 5.7% and 3.7% in July, thanks to a recovering consumer demand and narrowing export decline. In terms of 2Y CAGRs, VAI0 and service output index respectively increased to 4.3% and 4.3% from 3.1% and 3.7% in July. In service sector,

lodging and dining, internet & IT service and transportation saw higher YoY growth and transportation, lodging and dining, and telecom service had good sentiment. In manufacturing sector, auto sector continued to be the highlight in the economy with elevated 11.7% YoY growth in 8M23 amid strong export and domestic performance. Output in chemical products, rubber & plastic product, ferrous & non-ferrous metal smelting & pressing, and electronic equipment saw robust growth while textile, nonmetal mineral products, medicine, metal product and general & special purpose equip remained weak as domestic and foreign demand remained weak. Looking forward, we may see a gradual recovery of service sector and VAIO as domestic consumer demand continues to improve and exports further narrow the declines.

**FAI slightly rebounded although property investment remained sluggish.** FAI picked up 2% in August after rising 1.2% in July. Property sector remained sluggish as property development investment fell by 10.9% after declining 12.2% in July. The liquidity condition of most private developers remained restricted as some of them started to rollover the domestic debt and reorganized their foreign debt. With loosening property policies, we expect the property developers may have a short period of relief benefiting from a gradual recovery in housing market. The YoY growth of FAI in manufacturing rebounded to 7.1% growth from 4.3% in July. Looking forward, chemical product, auto and electrical material & equipment may maintain strong FAI growth as the energy transition and smart technology revolution boosts business capex in those sectors. However, most other manufacturing industries are likely to see a gradual slowdown of FAI due to continuous slowdown in demand growth as well as uncertainty in domestic policy and geopolitics. Infrastructure YoY growth mildly recovered at 6.2% growth in August from 5.3% as local government expanded the fiscal support amid an acceleration in local government bond issuance. The YoY growth of FAI in public utility, transportation, storage & post service, and railway transportation remained elevated while fixed investment in public facility management and health & social welfare remained weak. Looking forward, we expect infrastructure investment may continue to expand since the new trend in credit data showed government is picking up debt to offset the deficit of private credit demand. We maintain our forecast on the FAI growth in 2023 at 3.8%.

**The current policy easing cycle may last longer than the previous ones as the policy effectiveness on economic growth declines.** The recent policy moves indicate an important change of policy stance in China as policymakers have made stronger commitment to restoring confidence and growth momentum. China launched two rounds of strong stimulus in the past two decades with one in 2008-2009 and the other in 2015-2016. After the stimulus, the economy experienced a recovery cycle for 1.5-2 years and then continued with the structural slowdown trend. The latest policy cycle is likely to become the strongest one since 2017. But the policy effectiveness on economic growth declines with more aging population, less labor supply, weaker market-oriented incentive and greater geopolitical uncertainty. That means the current policy easing cycle may last longer than the previous ones if the policymakers continue to seek growth at around 5% in next two years.

Click [here](#) for full report

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

Issuer/Guarantor	Size (USD mn)	Tenor	Coupon	Priced	Issue Rating (M/S/F)
Urumqi Gaoxin Investment and Development Group	90	3yr	7.5%	7.5%	-/-/-

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

Issuer/Guarantor	Currency	Size (USD mn)	Tenor	Pricing	Issue Rating (M/S/F)
------------------	----------	---------------	-------	---------	----------------------

FWD Group	USD	-	10yr	T+290	Baa2/-/BBB
Hyundai Capital America	USD	-	3yr	SOFR Equiv	Baa1/BBB+/-
Hyundai Capital America	USD	-	3/5/7yr	T+145/185/210	Baa1/BBB+/-
LG Energy	USD	-	3/5yr	T+140/170	Baa1/BBB+/-
National Australia Bank	USD	-	5yr	SOFR+100	Aa3/AA-/-

➤ **News and market color**

- Regarding onshore primary issuances, there were 69 credit bonds issued last Friday with an amount of RMB48bn. As for Month-to-date, 809 credit bonds were issued with a total amount of RMB735bn raised, representing a 14.7% yoy increase
- **[CHIGRA]** Media reported that China Grand Auto was applying for a loan to help fund the possible 30 Oct call of its USD261.04mn CHGRAU 9.109 PERP
- **[CHNAAR]** China Aircraft Leasing bought back USD50.72mn CHNAAR 5.5 03/08/24 and USD0.4mn CHNAAR 4.85 12/23/24 via tender offer
- **[CIFIHG]** Media reported that CIFI failed to get consent for improved repayment plan for RMB1.875bn 3.9% due-2025 bonds puttable, but got a two-month payment grace period
- **[DALWAN]** Media reported that Dalian Wanda will release information memoranda for the sale of Infront in the coming weeks
- **[FRESHK]** Far East Horizon repurchased USD50.024mn of FRESHK 2.625 03/03/24 in open market
- **[FUTLAN]** Moody's downgraded senior unsecured bonds guaranteed by Seazen Group to B2 from B1 and revised the rating outlook of Seazen Group to negative from stable
- **[GLPSP]** Media reported that GLP expects to launch an IPO in US for its fund management business GLP Capital in 2024
- **[LNGFOR]** Fitch downgraded Longfor Group one notch to BBB- and placed negative outlook
- **[MONMIN]** Mongolian Mining Corp announced to defer the 1 Oct'23 payment of USD142.5mn distribution on perps
- **[RISSUN]** RiseSun Real Estate Development announced a consent solicitation to extend its 9.5% senior notes due in 2023 and 2024 for 4.5 years
- **[ROADKG]** Moody's downgraded Road King to B2 and placed negative outlook
- **[SHIMAO]** Shimao Property unit's eight onshore bonds resumed trading from 18 Sep
- **[SINOCE]** Moody's downgraded Sino-Ocean's CFR to Ca and placed negative outlook
- **[VEDLN]** Vedanta committee of directors' meet scheduled for 21 September to consider proposal to issue NCDs
- **[ZHFFGR]** Zhuhai Huafa Properties proposed to offer up to RMB2bn MTNs to repay debts

Fixed Income Department

Tel: 852 3657 6235/ 852 3900 0801

[fis@cmbi.com.hk](mailto: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

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.