

CMBI Credit Commentary

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

- *High-beta TMT MEITUA/XIAOMI/WB tightened c15bps post Meituan's upgrade. XINAOG curve was 10-20bps tighter after the USD150mn tender offer. VNKELRs rose 0.5-2pts, LNGFOR/FUTLANs were unchanged to 4pts higher after PBOC showed supports for onshore issuance. Real estate related LGFVs were upbeat, CPDEV increased 1.5-2pts.*
- *NWSZF: issued 3-yr Panda bonds of RMB2bn to repay offshore debts. NWSZFs were unchanged this morning.*
- **China Economy** – *Exports deteriorated while imports improved. CMBI expects exports and imports of goods to drop 3.8% and 3.6% in 2023 and increase 3% and 4% in 2024. See below for comments from our economic research.*

❖ Trading desk comments 交易台市场观点

Yesterday, overnight UST yield widened 4-10bps across the curve. Asia ex JP IG spreads were unchanged to 2bps wider. On the primary front, EBIKOR priced a USD500mn 5yr FRN at SOFR+88. KOROIL priced a USD300mn 3yr fixed-rate bond at T+80, and a USD500mn 3yr FRN at SOFR+108. The new KOROIL fixed/floating rate 26s widened 7bps and 2bps from the RO levels, respectively. On the secondary front, Chinese SOEs were under better selling. HAOHUA widened by 2bps. Chinese TMT benchmarks TENCNT/BABA 30-31s were unchanged to 1bp wider. The BBB TMTs MEITUA/WB 30s opened 5-10bps wider but retraced the intraday widening to close only 2-3bps wider than the last EOD. In financials, the new BOCAVI 28s widened 7bps to T+130/128 following the retap of USD150mn at T+130. Chinese leasing/bank T2s were under better selling. BCHINA/CDBFLC/CMINLE 30s widened 1-5bps. Chinese AT1s were mixed. BOCOM/ICBCAS Perps closed 0.1pt lower. BNP 8.5 Perp/MUFG 8.2 Perp were better demanded and closed ~0.1pt higher. In HK Corp space, LIFUNG/NANFUN Perps were up 0.5-0.7pt. Chinese properties extended the gain from Monday. VNKRLs continued to lead the rally on the back of PBs' buying/short covering, despite some RMs' trimming risks/HFs' reloading shorts. VNKRL 24-29s closed 1.3-4.2pts higher. SHUION '24 jumped 9.3pts and SHUION '26 gained 3.7pts. YLLGSP 24/26 were up 2.1-2.5pts. GRNCH 25s and CHJMAO 26-29s gained 1.8-3.8pts. LNGFOR 28-32s were up 1.2-2.2pts. DALWAN/GEMDAL 24s were 1.5-1.8pts higher. FUTLANs/FTLNHDs were up 0.5-0.8pt. Industrials were quiet. EHICAR '26 was up 1pt. In Macau gaming names, MEPL/SANLTD/WYNNMAC 26-31s were around 0.6-1pt lower. In Indian space, renewables GRNKEN/RPVIN 28s were up 0.3-0.7pt. Indonesian oil name MEDCIJs were down 0.3pt. Elsewhere, GLPCHI 24/26 were up 0.5-0.6pt while GLPSPs were unchanged.

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On LGFV/Perp spaces, FUKOKU priced a USD500mn PerpNC10 subordinated bond at 6.8%, and we saw some selling flows in ASAMLI 6.9 Perp amid FUKOKU's pricing. In LGFVs, the new GXFING '25 was down 0.25pt from the RO. Meanwhile the rest of LGFV space was firm, supported by solid demands in quality names from RM deployment and buying flows in high-yielding/high-beta names from prop desks. CPDEV 25/26/Perp gained another 2.7-3.3pts. In the double-digit yielding papers, GXFING '23/GSHIAV '24 were 0.2-0.3pt higher. The 7-8% LGFVs GZDZCD '26/QDJZWD '24 were up 0.1-0.3pt. We also saw some loose bonds in several recent issues coming out, such as CONSON '26. SOE perps were mixed. CHPWCN/CHSCOI Perps were 0.1pt higher. HUADIA 3.375 Perp/RLCONS 3.97 Perp were 0.1pt lower. Elsewhere, the high-beta IG names were chased after by PBs/RMs. The higher-yielding IG papers ZHONAN/FRESHK 24-26s were up 0.2pt.

❖ Last Trading Day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
SHUION 6.15 08/24/24	71.9	9.3	REGH 6 1/2 PERP	33.0	-2.0
VNKRLE 3.975 11/09/27	64.3	4.2	LASUDE 5 07/28/26	43.1	-1.1
VNKRLE 3.15 05/12/25	82.2	4.2	MPEL 5 3/4 07/21/28	87.3	-1.0
GRNCH 5.65 07/13/25	76.3	3.8	ZHLGHD 12 04/17/23	13.0	-1.0
SHUION 5 1/2 06/29/26	45.8	3.7	MPEL 5 3/8 12/04/29	82.4	-1.0

❖ Marco News Recap 宏观新闻回顾

Macro – S&P (+0.28%), Dow (+0.17%) and Nasdaq (+0.90%) remained strong on Tuesday. US Sep trade deficit widened more than expected, the deficit expanded 4.8% mom to USD61.5bn from USD58.7bn in Aug while the market expectation is USD59.9bn. The UST yields retreated yesterday, 2/5/10/30 yield reached 4.91%/4.53%/4.58%/4.75%, respectively.

❖ Desk analyst comments 分析员市场观点

➤ NWSZF: issued 3-yr Panda bonds of RMB2bn to repay offshore debts

On 7 Nov'23, NWS completed the issue 3-yr Panda bonds of RMB2bn (cUSD275mn) at a coupon rate of 3.9%. The proceeds will be used to repay offshore debts including bank loans and Perps. The new issue is a part of NWS' RMB5bn Panda bonds program which was registered at NAFMII in 2023. In May'23, the company issued the first RMB1.5bn Panda bond of RMB1.5bn at 3.9% coupon rate to repay offshore bank loans. The tenor is also 3-yr. Currently, NWS has two outstanding offshore issues including due 2029 notes and perp callable in Jan'24. We believe that NWS has the ability and strong incentive to call the perp at first call date given its access to lower cost onshore bond market, as well as the reset and coupon step-up of 300bps. Based on the current UST rate, the coupon of the perp will be reset to c12.7% if the perp is not called in Jan'24.

On 2 Nov'23, [NWD obtained shareholders' approval for disposal of NWS Holdings](#). NWD will have net cash proceeds of HKD17.8bn after special dividend from the disposal of NWS stakes. We expect NWD to use part of the proceeds to early redeems its offshore bonds/perps. Recalled that NWD and NWS early redeemed NWDEVL 4.5 05/19/30, NWDEVL 3.75 01/14/31, NWSZF 4.25 06/27/29 and NWSZF 5.75 Perp totaled USD482.51mn in principal amount through a tender offer in Dec'22.

We maintain Buy on **NWDEVL 6.15 Perp**, **NWDEVL 5.25 PERP** and **NWDEVL 4.125 Perp**. We turned neutral on NWSZF perp as the current price of perp has priced in the high certainty of the perp to be call on Jan'24. We also see higher likelihood of buyback of **NWDEVL 4 1/8 07/18/29** and **NWDEVL 4 1/2 05/19/30** in view of lower

cash prices among NWDEVLs, as well as more concentrated outstanding amount during '29-30. NWDEVLs rose 2-4.5pts and NWSZFs increased 0.5-1pt since 2 Nov'23.

	O/s (USD mn)	Maturity	First call date	Coupon	Coupon reset	Coupon Step-up	Offer price	YTM/YTC (%)
NWSZF 4 ¼ 06/27/29	243.65	6/27/2029	-	4.25	-	-	82.66	8.15
NWSZF 5 ¼ PERP	1020	-	01/31/2024	5.75	5yrUST+8.205%	300bps	99.64	9.11
NWDEVL 4 ¾ 12/05/23	310	12/5/2023	-	4.75	-	-	99.28	14.49
NWDEVL 4 ¾ 01/23/27	600	1/23/2027	-	4.75	-	-	82.46	11.43
NWDEVL 5 ⅞ 06/16/27	200	6/16/2027	-	5.875	-	-	84.26	11.31
NWDEVL 4 ½ 07/18/29	950	7/18/2029	-	4.125	-	-	72.16	10.80
NWDEVL 4 ½ 05/19/30	562.82	5/19/2030	-	4.5	-	-	70.15	11.04
NWDEVL 3 ¾ 01/14/31	127.84	1/14/2031	-	3.75	-	-	68.11	10.10
NWDEVL 4.8 PERP	700	-	9/9/2023	4.8	-	-	43.98	1625.17
NWDEVL 6 ¼ PERP	1300	-	3/7/2024	6.25	-	-	51.2	303.22
NWDEVL 6.15 PERP	500	-	3/16/2025	6.15	3yrUST+6.201%	300bps	78	27.04
NWDEVL 5 ¼ PERP	1000	-	3/22/2026	5.25	5yrUST+7.889%	300bps	65.43	26.05
NWDEVL 4 ½ PERP	1200	-	3/10/2028	4.125	5yrUST+5.858%	300bps	54.16	21.00
Total	7,450.66							

Source: Bloomberg.

➤ China Economy – Exports deteriorated while imports improved

China's exports of goods came in short of market expectation in Oct, dropping 6.4% YoY despite the favorable low-base effect; while imports of goods jumped to 3% growth. Exports remained tepid with major trading partners and deteriorated across major products amid prolonged restrictive interest rates, supply chain diversification beyond China and technology embargo due to political tensions. Imports improved partially due to the rallying prices of energy and raw materials, but it is worth noting that domestic demand may gradually stabilize as import volume of many products continued to see positive growth in the past several months. Looking forward, China's exports and imports of goods may gradually improve from the YoY perspective due to base effect and shrinkage of deflation. The exports and imports of goods are expected to drop 3.8% and 3.6% in 2023 and increase 3% and 4% in 2024. Such trade weakness implies that China's economy is still faced with downside pressure, calling for additional policy support in the future. We expect China may maintain the GDP growth target at 5% with moderate fiscal stimulus and continuous monetary policy easing in 2024.

Exports of goods remained tepid with major trading partners. China's exports of goods dropped 6.4% YoY (all on a YoY basis unless specified) in Oct after decreasing 6.2% in Sep. Exports to Japan, Africa, Latin America, UK and South Korea further dropped 13%, 4.9%, 6%, 7.5% and 17% in Oct respectively, down from the growth of -6.4%, -3.1%, -3.7%, 5.3%, and -7% in Sep. Exports to the major trading partners like the US, EU and ASEAN still stayed in trough with a fall of 8.2%, 12.6% and 15.1% in Oct after dropping 9.3%, 11.6% and 15.8%. EU including Euro Area and Germany have reported a contraction in GDP in 2Q23 while the US has shown signs of economic slowdown from PMI and employment data, which would drag on China's export in the future. Meanwhile, exports to Russia moderated to 16.3% from 20.6% in Oct.

Exports deteriorated across major products. In terms of the largest value in export, automatic data processing equipment, textile product, garment, integrated circuit, plastic products and steel products widened their declines to 20.2%, 5.8%, 10.2%, 16.6%, 11.3% and 7.1% in Oct from declining 11.6%, 3.6%, 8.9%, 5%, 5.9% and 5.9% in Sep. Automatic data processing equipment and integrated circuits saw one of its largest declines since July 2023 as China is still facing headwinds from the weak external demand and semiconductor sanctions, not only on the final goods for consumers but also on the intermediate goods for the supply chains. Meanwhile, exports of auto parts and home appliances moderated with their YoY growth rates down from 11.3% and 12.4% in Sep to 3.4% and 8% in Oct. Exports of auto remained strong at 45% after rising 45.1% in Sep, while exports of cellphone increased 21.8% after dropping 7.1% in Sep. Lastly, exports of medical equipment declined 7.5% in Oct after rising 5.3%.

Imports of goods improved due to rallying energy and raw materials price. China's imports of goods jumped to positive 3% growth, drastically above market expectation, after dropping 6.3% in Sep thanks to the energy and raw materials prices. For crude oil, the decline of import price narrowed to 4.5% in Oct from 12.1% drop in Sep while import volume growth edged down from 13.7% to 13.5%. Iron ore and copper ore both saw a solid rise in commodity price as their import price increased 16.7% and 9.2% from 2.5% and 8.3% in Sep, while their import volume increased by 4.6% and 23.5% from 1.5% and -1.3%. For grain, soybean, copper products, plastics in primary form and rubber, their import volume have improved while volume of coal and medicine moderated. For integrated circuit, import volume rallied to 1.9% growth in Oct, while its import price further declined 11.6% from dropping 7.3%, indicating a possible downgrade on the quality of imported chips as some countries started to restrict exports of advanced chips or related technologies to China. At the same time, import volume of machine tool and airplane continued with YoY declines as domestic capex remained weak.

Exports and imports of goods are expected to drop 3.8% and 3.6% in 2023 and increase 3% and 4% in 2024. The improvement of overseas consumer sentiment in 3Q23 provided limited support to China's exports as global consumers shifted from goods consumption to service consumption and both producers and retailers tried their best to keep inventory low. In addition, China's exports faced pressure from the Sino-US conflict and "de-risk" strategy of the US and Europe. Due to the base effect and improvement of price factor, China's exports and imports of goods should continue to improve from the YoY perspective. We expect China's exports and imports of goods to drop 3.8% and 3.6% in 2023 before increasing 3% and 4% in 2024.

Trade weakness calls for continuous policy support to boost the economy. China's economy may continue to encounter headwinds from weakened external demand due to prolonged restrictive interest rates and diversifying supply chains and technology embargo due to political tensions. The improvement of domestic demand may remain slow due to property market slump and weak business confidence. Looking ahead, China may maintain the GDP growth target at 5% with moderate fiscal stimulus and continuous monetary policy easing in 2024. General fiscal deficit ratio may reach 3.7% in 2024 compared to 3.8% in 2023. The PBOC may launch additional cuts in RRR, deposit rates and LPRs next year to stabilize property market and boost economic growth. In addition, China will continue to improve ties with the US and other countries to lower geopolitical risks.

Click [here](#) for full report.

➤ Offshore Asia New Issues (Priced)

Issuer/Guarantor	Size (USD mn)	Tenor	Coupon	Priced	Issue Rating (M/S/F)
Fukoku Mutual Life	500	PerpNC10	6.8%	6.8%	-/A-/A-
Export-Import Bank of Korea	500	5yr	6.235%	SOFR+88	Aa2/AA/AA-

➤ Offshore Asia New Issues (Pipeline)

Issuer/Guarantor	Currency	Size (USD mn)	Tenor	Pricing	Issue Rating (M/S/F)
Korea Housing Finance Corp	USD	-	3yr	T+105	Aa2/AA/-

➤ **News and market color**

- Regarding onshore primary issuances, there were 65 credit bonds issued yesterday with an amount of RMB90bn. As for Month-to-date, 307 credit bonds were issued with a total amount of RMB309bn raised, representing a 7.8% yoy increase
- **[CHJMAO]** China Jinmao redeemed USD300mn 4.875% subordinated guaranteed perps
- **[CNDATA]** Moody's confirmed Chindata's Ba2 CFR with a negative outlook
- **[COGARD]** The Asia ex-Japan Credit Derivatives Determinations Committee announced that it has ruled no auction will be held to settle COGARD's credit default swaps (CDS), and no Transaction Auction Settlement Terms will be published
- **[FUTLAN]** Media reported that PBOC will support developers including Seazen, Excellence to issue bonds
- **[GEMDAL]** Gemdale's October contracted sales slumped 45.84% yoy to RMB11bn
- **[GRNCH]** Greentown proposed to offer up to RMB1bn three-year MTNs to fund project development
- **[HKIQCL]** Qingdao City Construction Investment proposed to offer up to RMB1.5bn three-year corporate bonds to repay debts
- **[NAGACL]** S&P affirmed NagaCorp B ratings with negative outlook and removed from CWN
- **[SHDOIS]** Shandong Iron and Steel proposed to offer up to RMB1bn 2+N-year MTNs to repay debts
- **[SOFTBK]** SoftBank-backed WeWork filed for bankruptcy seeking to renegotiate office leases
- **[VEDLN]** Media reported that Vedanta Resources and the Zambian government concluded an agreement to return Konkola Copper Mines to Vedanta
- **[XINAOG]** ENN Energy holdings announced tender offer to repurchase up to USD150mn XINAOG 2.625 09/17/30
- **[ZHYIHC]** Zhou Hei Ya completed redemption of HKD248mn 1% CBs due 2025

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