

CMBI Credit Commentary

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

The Asset Asian G3 Bond Benchmark Review 2023

We hope you found our commentaries and ideas helpful. We seek to elevate our efforts and value-add further in the coming year. We highly appreciate your support to us in Sell-Side Analysts of the polls of [“The Asset Asian G3 Bond Benchmark Review 2023”](#). Thank you for your time. Your support will mean a lot to us.

- *Market sentiment improved post China Politburo meeting. Asian IG space tightened 1-3bps this morning. New issues KORELE'26 tightened 5bps from RO level. Chinese TMTs were better buying. LGFVs were two-way skewed to better buying and we saw buying interests on Chinese AT1.*
- **China Policy** – *Politburo signals more active credit & property easing. See below for comments from our economic research.*
- **VEDLN:** *Vedanta said it is committed to set up semiconductor and electronic display fabs in India; its CEO said the average interest rate of its net debt of USD7.2bn is 8.7%. VEDLNs were unchanged to +0.5pt this morning.*

❖ Trading desk comments 交易台市场观点

Asia IG space had a quiet start of the week yesterday. IG spreads largely unchanged. In Korea space, DAESSEC/HWOCUS/NACF/SHINFN/KOEWPW papers tightened 1-2bps. The other recent new issues HKLSP/CKHH 33s edged 1-3bps tighter. Chinese SOEs were unchanged to 1bp tighter with active two-way flows. TMT benchmarks TENCNT tightened 1-3bps. In financials, AMC space was traded a touch weaker. HRINTH curve was traded 0.25pt lower, mainly dragged down by poor sentiment in property sector. The front-end CCAMCLs were under better selling. Chinese properties were battered amid further weakening sentiment. COGARD 24s notably plummeted 16-17pts, and the rest of COGARDs dropped 5-8pts across the curve. FTLNHDs/LNGFORs fell 7-10pts. ROADKG/GRNCH 25-26s fell 2.5-4pts. DALWANs lowered 2-3pts. SHUION 23-26s dropped another 3.25-5.75pts to close around 20pts lower WoW. In industrial space, WESCHI '26 lowered 4pts. FOSUNI 24 was marked down 1.75pts. Macau gaming papers were quiet. MPELs/SANLTDs were bid up 0.25pt. In Indian space, Elsewhere, VEDLNs were traded 1.75-3.25pts lower. GLPCHIs moved 1-1.5pts lower.

In the LGFV/Perp spaces, sentiment remained fragile amid the ongoing turmoil in property space despite the news about DALWAN remitting funds for its USD400mn bond due 23 Jul. The selling flows persisted in property-related LGFVs such as ZHHFGR/CPDEV, and in HK Perps such as NWDEV/LHYSAN from PBs/AMs/HFs. CPDEV '26 closed 0.25pt lower and

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hovered just above 80. NWDEVL perps were traded 0.75-1.75pts lower. Flows in the spaces were otherwise very quiet. There were sporadic interests in benchmark LGFVs. Shandong/Chongqing names remained active. SHDOIS '24 was indicated 0.3pt higher. CQNANA 26s/CQLGST 24s were bid up 0.125pt. SOE Perps such as HUADIA/SINOCH perps were better offered.

❖ Last Trading Day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
ROADKG 7 PERP	23.1	2.0	COGARD 8 01/27/24	25.3	-16.8
BNKEA 5.825 PERP	88.2	1.0	COGARD 6 1/2 04/08/24	18.7	-15.9
RISSUN 9 1/2 09/17/24	9.8	0.9	COGARD 5 1/8 01/17/25	16.2	-11.3
EAGRUY 7 1/2 05/01/25	66.8	0.8	FTLNHD 4 5/8 10/15/25	35.9	-9.9
ZHONAN 3 1/2 03/08/26	86.1	0.6	LNGFOR 4 1/2 01/16/28	66.4	-9.3

❖ Marco News Recap 宏观新闻回顾

Macro – S&P (+0.40%), Dow (+0.52%) and Nasdaq (+0.19%) rallied higher on Monday and Chinese concepts stocks performed strong. US Jul Markit manufacturing/service PMI were 49.0/52.4 with the market expectation of 46.4/54.0. Euro-zone Jul Markit manufacturing/service PMI were 42.7/51.1 and both lower than the market expectation of 43.5/51.5. The US treasury yields movement were mixed yesterday, the 2/5/10/30 yield reached at 4.81%/4.13%/3.86%/3.92%, respectively.

❖ Desk analyst comments 分析员市场观点

➤ China Policy – Politburo signals more active credit & property easing

The politburo held a meeting yesterday to map out economic policies for the second half year. The policymakers indicated further loosening of credit supply and property policy ahead. It pledged to activate capital market, expand consumption of durables and services and boost private business confidence. The politburo also vowed to resolve local government debt risks. The meeting came up with exciting policy goals, yet without specific plans on how to achieve those goals. Some investors may remain skeptical about the effectiveness of those abstract policies as the government's credibility has been damaged since last year. This could lead to an under-reaction of the market to policy changes. We believe this meeting marks an important change in policy attitude as the policymakers may become more active in policy easing in 2H23. If the leaders in China and the US could meet during the APEC Leader Summit in November to reduce geopolitical risk related to Taiwan Strait, then China will focus more on boosting economic growth while private business confidence can see better improvement next year.

Further credit loosening. The politburo promised to increase the magnitude of counter-cyclical policy as it signaled further loosening of credit policy. The PBOC is likely to launch additional cut of RRR & LPRs in the second half year. Banks are encouraged to strengthen credit support to innovation activity, manufacturing and SMEs and roll over property developer debt and local government contingent debt.

Further property easing. The politburo vowed to timely adjust real estate policies as there was a major change in supply-demand relations in the property market. We believe the policymakers are no longer worried about upside risks of housing prices as there is demand shrinkage and oversupply of housing in most cities. This judgement paves way for further loosening of property policies ahead. Looking into 2H23, more cities may abolish home-buying restrictions and lower down-payment ratios for first-home and second-home buyers. Tier-1 cities may be the last to ease related policies as housing demand is expected to remain weak. The politburo

also said to accelerate the renovation of urban villages and increase subsidized housing supply in the 21 largest cities to improve people's living condition and stabilize property development investment.

To activate capital market. The politburo said to boost capital market activities as they are of great importance for China's tech innovation and industrial upgrade. The policymakers did not give specific plans. We believe the restoration of investor confidence is the key to boost capital market activities.

To boost consumption of durables & services. The politburo said to expand consumption by increasing household income and stimulate consumption of cars, electronic products and home goods and promote consumption of services like sports, leisure and cultural tourism. The policymakers also required to expand the middle-income group. However, they did not give specific plans on how to achieve those policy goals. We expect some municipal governments may provide consumer coupons in consumption of related items.

To restore private business confidence. The politburo required central ministries and local governments to set up regular communication mechanisms with private entrepreneurs and foreign companies. It encouraged private businesses to take risks with the animal spirit to increase growth potential. The politburo also said to stabilize foreign capital in China while increasing international flights in future.

To resolve local government debt risks. The politburo said to make a package of plans to resolve local government debt risks and push for the risk resolution of small and medium financial institutions with high risks. Now, the central government is auditing the contingent debt condition of local government. After the auditing, the central government may propose a package of plans to relieve local government debt risks. In the short term, banks may be guided to roll over local government debt with lower rates. In the long term, local governments may be guided to reduce their roles in infrastructure construction.

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➤ Offshore Asia New Issues (Priced)

Issuer/Guarantor	Size (USD mn)	Tenor	Coupon	Priced	Issue Rating (M/S/F)
Korea Electric Power Corp	1000	3yr	5.375%	T+100	-/-/-

➤ 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 102 credit bonds issued yesterday with an amount of RMB107bn. As for Month-to-date, 1,271 credit bonds were issued with a total amount of RMB1,216bn raised, representing a 17.7% yoy increase
- China's NDRC issued a notice to encourage and facilitate private investment
- **[APLNIJ]** Agung Podomoro Land obtained IDR1.8trn (cUSD120mn) credit facility from Bank Danamon for refinancing

- **[CPDEV]** Beijing Capital Group issued RMB1.5bn three-year MTNs to repay debts
- **[COGARD]** Media reported that Country Garden said it is unaware of any significant undisclosed information that could have potentially caused a major impact on its bond prices
- **[CRHZCH]** China Resources Land raised RMB3bn via domestic perps with 3.02% coupon
- **[DAFAPG]** DaFa Properties announced dismissal of winding-up petition
- **[EVERRE]** Media reported that China Evergrande offshore creditors will vote on debt restructuring plan in Aug; the court sanction hearings will be held in Sept
- **[FOSUNI]** Fosun subsidiary Shanghai Yuyuan announced to sell c5% stake in Jinhui Liquor for RMB599mn
- **[FRESHK]** Far East Horizon appointed advisors to arrange updated USD4bn MTN and perpetual securities programme
- **[OCTOWN]** Overseas Chinese Town (Asia) announced to fully redeem its USD300mn senior guaranteed perps on 25 Aug
- **[VEDLN]** Vedanta said it is committed to set up semiconductor and electronic display fabs in India; its CEO said the average interest rate of its net debt of USD7.2bn is 8.7%
- **[YUNINV]** Yunnan Provincial Investment scheduled redemption of RMB1.3bn bills on 27 Jul

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