

CMBI Credit Commentary

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

- *New MEITUA'28 widened 5bps while MEITUA'29 tightened 5bps this morning, new KOROIL floater tightened 10bps and KOROIL'27/29 were 2-3bps tighter. We saw profit taking on China TMTs, MEITUA'30 and WB'30 widened 5-8bps. VNKRLs rose c2.5pts, LNGFOR and FUTLAN/FTLNHD were unchanged to 1pt higher.*
- **Chinese properties:** *Further supportive measures after hands untied. See below for comments.*
- **China Policy** - *Stronger credit stimulus to boost confidence. See below for comments from CMBI economic research.*

❖ Trading desk comments 交易台市场观点

Asia IG space was on risk-on tone post China's rate cuts and support measures yesterday. MEITUA priced the 3.5/5-yr bond at CT3+115 and CT5+125, respectively. The old MEITUAs were unchanged. See our [comments on 24 Sep '24](#). The new AIA '54 tightened 9bps from its RO, and the other new AIA '35/ANZ '35/RECLIN '29/INDKOR '29 were 2-5bps tighter from their ROs. KOROIL priced a 3-yr floating-rate bonds at SOFR+90, and 3/5-yr fixed-rate bonds at CT3+72 and CT5+85, respectively. In industrial, HYUELE/LGENSO 29-31s were 3-5bps tighter. In financials, HSBC 6.5 Perp/SOCGEN 8.5 Perp were 0.1-0.2pt higher. BNKEA/NANYAN 34s closed 5bps tighter. BNKEA 5.825 Perp rose 0.2pt to 99. Chinese AMCs were under strong buying. CCAMCLs/ORIEASs were 2-6bps tighter. HRINTHs were 0.2-0.4pt higher (5-15bps tighter). GRWALL Perp was 0.5pt higher. In Chinese IGs, BABA/TENCNT/HAOHUA 30-31s were 2-4bps tighter. XIAOMI 31s tightened 15bps, WB 30s tightened 20bps. Chinese properties moved higher post the supportive measures. See below for comments. FUTLAN/FTLNHD 24-26s increased 1.8-2.4pts. LNGFOR 27-32s and VNKRL 25-29s were 1.0-2.1pts higher. SHUION 25-26s and YLLGSP '26 were up 0.9-1.2pts. DALWAN/CHJMAO 26s were 0.6pt higher. In HK, NWDEVLs were up 0.3-0.9pt. Outside properties, CHIOIL '26/FOSUNI '27 were 0.5-0.7pt higher. EHICAR '26/HILOHO '24 were 0.7-0.9pt lower. In Macau gaming, MPELs/SANLTDs /STCITYs were up 0.1-0.5pt. In Indonesia, KRKPSC 27/29s tightened 10-15bps after widening 10-12bps on Mon. In India, VEDLNs were down 0.2-0.3pt. Elsewhere, GLPCHIs/GLPSPs were up 0.3-0.4pt.

The flows were better buying in USD LGFVs, whilst skewed to better selling in CNH LGFVs. CPDEV 25/26/Perp were 0.1-0.2pt higher. BJAFOH/CCUDIH 26s were up 0.2pt. NJYZSO '27 was 0.3pt higher, GZGETH '27 were 0.1pt lower. In SOE perps, CHSCOI 4 Perp/CHPWCN 3.08 Perp were up 0.1pt, CHPWCN 4.25 Perp was down 0.1pt.

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❖ Last Trading Day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
FUTLAN 4.45 07/13/25	79.9	2.4	SUNAC 6 09/30/25	12.0	-1.0
VNKRLE 3.15 05/12/25	81.9	2.1	HILOHO 9 3/4 11/18/24	55.0	-0.9
FTLNHD 4 5/8 10/15/25	73.0	2.1	EXIMCH 4 11/28/47	91.4	-0.8
FTLNHD 4 1/2 05/02/26	63.9	2.0	SUNAC 6 1/4 09/30/26	10.8	-0.7
VNKRLE 3.15 05/12/25	81.9	1.9	EHICAR 7 09/21/26	70.4	-0.7

❖ Marco News Recap 宏观新闻回顾

Macro – S&P (+0.25%), Dow (+0.20%) and Nasdaq (+0.56%) moved higher on Tuesday. The US Sep'24 Conference Board consumer index dropped to 98.7 from 105.6 in Aug'24 and was lower than the expectation of 103.9. UST yields retreated yesterday, 2/5/10/30 yield reached 3.49%/3.47%/3.74%/4.09%.

❖ Desk analyst comments 分析员市场观点

➤ China properties: Further supportive measures after hands untied

On 24 Sep'24, PBOC announced another round of supportive measures to stabilize the real estate market. The new measures include:

1. Lower RRR by 50bps, and further cut of 25-50bps may follow before end-2024.
2. Lower 7-day reverse repurchase rate to 1.5% from 1.7%, also rates cut on MLF, LPR and deposit rate.
3. Lower the mortgage rate of existing home loans. The estimated average mortgage rate drop is c50bps and interest expense would decrease by RMB150bn per year.
4. Lower the nationwide minimum down payment ratio for purchasing second home to 15% from 25%.
5. Increase the proportion of funds provided by PBOC to 100% from 60% for re-lending loans totaled RMB300bn for affordable houses.
6. Extend the validity of operating property loan policy and 16-point measures to end-2026 from end-2024.

The new supportive measures are in line with our expectation, especially after the cut of US interest rate. This untied the hands of Chinese government for more active easing measures with less concern on RMB depreciation and capital outflow. The new supportive measures for purchasing affordable housing help lower the burden of interest expenses and improve the affordability of home purchases. We believe that these measures will have more positive impact on small-ticket consumption than on property sales of which the recovery could remain slow under the weak economic backdrop.

Recalled that in May'24, PBOC [launched a series of policies](#) to boost property market while the policies' impact have been diminishing in the past few months. As per NBS, the nationwide primary commercial housing sales amount dropped 17.1% yoy to RMB639bn in Aug'24, widened from the 15.8% yoy drop in Jul'24. Besides, the Aug'24 contracted sales amounts of 32 developers under our radar decreased 24.9% yoy to RMB155bn, widened from the 22.9% yoy drop in Jul'24.

Within the sector, we still prefer developers having manageable debt maturities and matured IPs, which could be collateralized for secured financing. We maintain our buy recommendation on **CHJMAO**, **DALWAN**, **FUTLAN/FTLNHD**, **GRNCH**, **LNGFOR** and **YLLGSP**.

➤ China Policy - Stronger credit stimulus to boost confidence

China's central bank and financial regulators announced a package of stronger credit stimulus measures including 20bp policy rate cut, 50bp RRR cut, 50bp existing mortgage rate cut, and a special refinancing mechanism to support the real estate and stock markets. Different from the previous approach of small & piecemeal measures, such greater-than-expected stimulus in a concentrated manner marks an important shift to aggressive loosening, which would significantly bolster market confidence, in our view. Chinese stocks and RMB FX rates are likely to see a rebound cycle in the next 2-3 months. The essence of those policies focuses on encouraging leveraging. But the weak consumer income, subdued business confidence and persistent deflation pressure may continue to restrain economic recovery. We think additional policies including large-scale fiscal transfer to households, effective reduction in excessive capacity and market-oriented or pro-business reforms are needed to revive the economy.

The policies are stronger than expected. The stimulus policies include the following. **1)** The PBOC's 7D repo refinancing rates and MLF rates will be lowered by 20bps and 30bps respectively and banks' LPRs and deposit rates will be cut by 20-25bps. **2)** RRR will be reduced by 0.5ppt with RMB1trn liquidity injected into the financial market and may be cut by an additional 0.25-0.5ppt this year. **3)** Existing mortgage rates will be lowered by 0.5ppt on average, reducing borrowers' debt burden by RMB150bn. **4)** The minimum down-payment ratio on second home purchases will decline from 25% to 15%. **5)** The PBOC will cover 100% of loans for local SOEs buying unsold homes to change them into social houses. **6)** The PBOC will introduce an instrument (at least RMB500bn) for brokers, fund managers and insurance companies to swap their bonds, ETFs and CSI 300 index constituent stocks as collateral in exchange for treasury bonds and PBOC notes, expanding their funding liquidity that can only be used for stock investment. **7)** The PBOC will create an RMB300bn refinancing program for banks to provide loans to listed companies for stock repurchase or to major shareholders to increase shareholdings. **8)** The CSRC will deregulate M&A activities, support listed companies to raise dividend payment and grow market capitalisation. **9)** Central Huijin Investment is encouraged to play a larger role in supporting the stock market while the stock stabilization fund is currently in research phase. Different from the previous approach of small-scale stimulus in a piecemeal manner, the new package of credit stimulus policies is stronger than expected and launched in a concentrated manner.

The policies mainly aim to boost real estate and stock markets. By encouraging re-leveraging, the package of policies shows the policymakers' determination to boost the real estate and stock markets. The real estate market has continued to slump this year as a major drag on economic growth, financial stability and consumer confidence. Meanwhile, the stock market has remained subdued as foreign investors have still kept away from Chinese stocks while domestic investors have tried to diversify their investment beyond China. In addition, long-term Treasury bond yields and RMB FX rates have continued to decline. There has been a hot debate in China that whether the economy will follow the Japan economy to see a lost decade in future. Many experts have called for the policymakers to take bold actions to boost the real estate and stock markets and revive confidence. As the US Fed has aggressively cut its policy rate and US dollar has turned weak, the constraint of renminbi FX rates on China's monetary policy has lessened. Due to the above factors, the PBOC has launched the package of credit stimulus policies.

The policies will definitely boost market confidence, but additional three policies are needed to revive the economy. By showing the policymakers' determination to stimulate the real estate and stock markets, the policies will noticeably boost market confidence. We expect Chinese stocks and RMB FX rates to enter a rebound cycle in the next 2-3 months. Sectors such as real estate, securities, insurance, durable goods, metals and biotechnology as well as key index-weighted stocks will benefit from the policies. During the RMB's rebound period, Hong Kong stocks are expected to outperform A shares. However, the policies centre on encouraging re-leveraging while weak consumer income, subdued business confidence and persistent deflation pressure would continue to restrain economic recovery. We think additional three policies are needed to revive the economy, including large-scale fiscal transfer to households, effective reduction in excessive capacity and market-oriented or pro-business reforms.

Click [here](#) for full report

➤ Offshore Asia New Issues (Priced)

Issuer/Guarantor	Size (USD mn)	Tenor	Coupon	Priced	Issue Rating (M/S/F)
Korea National Oil Corporation	300	3yr	5.76%	SOFR+90	Aa2/AA/-
Korea National Oil Corporation	400/500	3/5yr	4.125%/4.25%	T+72/85	Aa2/AA/-
Meituan	1200/1300	3.5/5yr	4.5%/4.625%	T+115/125	Baa2/BBB+/BBB
NBN Co Ltd	500/500	3/5yr	4.0%/4.25%	T+62/77	Aa3/-/AA+
Shriram Finance Limited	500	3.5yr	6.15%	6.15%	-/BB/BB

➤ Offshore Asia New Issues (Pipeline)

Issuer/Guarantor	Currency	Size (USD mn)	Tenor	Pricing	Issue Rating (M/S/F)
Kyushu Electric Power Company	USD	-	5yr	T+125	A3/-/-
KT Corp	USD	-	3yr	T+105	A3/A/-
Jinan Hi-tech Holding Group	USD	-	3yr	6.1%	-/-/BBB
Shinhan Bank	USD	-	5/5.5yr	-	Aaa/-/AAA

➤ News and market color

- Regarding onshore primary issuances, there were 130 credit bonds issued yesterday with an amount of RMB127bn. As for month-to-date, 1,412 credit bonds were issued with a total amount of RMB1,265bn raised, representing a 7.5% yoy decrease
- [COGARD]** Country Garden amends payment arrangements, completion procedures for sale of 1.79% of Zhuhai Wanda Commercial Management
- [ROADKG]** Road King-Shenzhen Investment joint venture obtained lender consent to extend by one year maturity of HKD3bn due-Sep'24 loan
- [SAKAEI]** Fitch affirmed Saka Energi's B+ rating then withdrew the rating
- [SINOCE]** Sino-Ocean Group further extended Base Consent Fee Deadline to 18 Oct'24
- [SMCGL]** San Miguel Global Power board approved issuance of USD100mn of senior perpetual capital securities

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