

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 2024](#)". Thank you for your support!

- *Markets were stable with light flows. Asian IG space was largely unchanged. We saw some switches on AT1s. LGFVs and SOE Perps were quiet.*
- **SHUION:** *Largely expected profit warning for 1H24 results. SHUIONs down 0.3 to 2pts post the profit warning. See comments below.*
- **China Economy** - *Deflation alleviated, yet demand remains soft. China's CPI and PPI growth rates may rise from 0.2% and -3% in 2023 to 0.5% and -1% in 2024 and 1.2% and 1% in 2025. See below for comments from CMBI economic research.*

❖ Trading desk comments 交易台市场观点

Last Friday, the recent new issue CHALUM '28 tightened 5bps under AM buying. HAOHUA/BABA/TENCNT 28-31s were 2-4bps tighter. MEITUA/XIAOMI 30s tightened 2-5bps. In financials, Chinese AMCs were under better buying. CCAMCL/ORIEAS 27-30s were 1-4bps tighter. GRWALL/HRINTH 25-29s were 0.1-0.3pt higher (3-10bps tighter). BCHINA '24/ICBCIL '26 widened 2-5bps. In EU AT1s, BAERVX Perps were 0.5-0.7pt higher after the announcement to call BAERVX 4.75 Perp on the first call date. BACR 8 Perp/HSBC 6.375 Perp were up 0.1-0.2pt. In KR, HYNMTR '27/POHANG '28/LGENSO '29/SHNHAN '34 were under better buying and closed 1-4bps tighter. In JP, RAKUTN 11.25 '27/RAKUTN 9.75 '29/RAKUTN 6.25 Perp rose another 0.4-0.6pt under RM buying. NIPLIF 53/SUMILF Perp were 0.1-0.3pt higher. In HK, BNKEA 6.75 '34/NANYAN 6 '34 tightened 3-7bps. NWDEVL Perps/27-31s declined 0.6-2.1pts after the lower than expected tender offer. See our comments on [9 Aug'24](#) and on [1 Aug'24](#). Chinese properties were mixed. GEMDAL disclosed that it has remitted funds for repayment of GEMDAL 4.95 08/12/24 (including USD480mn in principal and USD11.9mn in interest) and GEMDAL'24 closed unchanged. FUTLAN '25/FTLNHD 24-26s rose 0.4-0.6pt. CHIOLI 34-43s/VNKRLE 27-29s/YUEXIU '31 were 0.3-0.5pt higher. On the other hand, SHUION 24/25/26 lowered 0.5-2.5pts following SHUION announced profit warning for its 1H24 results. ROADKG Perps were down 0.4-0.6pt. GZRFPR defaulted on the interest payments of its three USD notes. GZRFPRs closed unchanged. In industrials, WESCHI '26 was 0.7pt higher, HILOHO '24 was up 0.3pt. In Macau gaming, SANLTD/STCITY/MGMCHI 27-30s were 0.2-0.5pt higher. In Indonesia, LPKRIJ/LMRTSP 26s closed 0.2pt higher. MDLNIJ 25/27 lowered 0.2-0.3pt. In India, ADSEZ '31/ADTIN '36 were 0.2-0.3pt higher.

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In LGFV, CPDEV 25/26 were up 0.1pt. ZHHFGR '25 was 0.2pt lower. KMRLGP '24/KMLHDM '24/KNMIDI '25 were down 0.1-0.2pt. In SOE perps, COFCHK 3.1 Perp/CHPWCN 3.55 Perp/SPICPT 3.45 Perp were up 0.1-0.2pt, CCBINT 3.329 Perp was down 0.1pt. In the high beta names, CWAHK '26 was 0.6pt higher. HUANEN '31 was up 0.3pt. GRPCIN/TIANFS 26s were down 0.2pt.

❖ Last Trading Day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
TAISEM 2.7 09/22/60	63.7	1.3	SHUION 5 1/2 03/03/25	86.4	-2.5
CHGRID 4 05/04/47	88.3	1.1	NWDEVL 4 1/8 PERP	64.1	-2.1
YANTZE 3.2 10/16/49	76.2	1.0	NWDEVL 4 1/2 05/19/30	74.6	-1.6
TENCNT 4.525 04/11/49	86.5	1.0	NWDEVL 4 1/8 07/18/29	76.2	-1.5
CHGRID 4 3/8 05/22/43	94.1	1.0	SHUION 5 1/2 06/29/26	77.3	-1.4

❖ Marco News Recap 宏观新闻回顾

Macro – S&P (+0.47%), Dow (+0.13%) and Nasdaq (+0.51%) rallied higher on last Friday. UST yield retreated on Friday, 2/5/10/30 yield reached 4.05%/3.80%/3.94%/4.23%.

❖ Desk analyst comments 分析员市场观点

➤ SHUION: Largely expected profit warning for 1H24 results

Security Name	ISIN	Amt Out (USD mn)	Ask Price	YTM (Ask,%)
SHUION 6.15 08/24/24	XS2219615957	500	99.59	19.21
SHUION 5 ½ 03/03/25	XS2113708155	490	87.30	32.21
SHUION 5 ½ 06/29/26	XS2358225477	400	79.29	19.13

Source: Bloomberg.

Shui On Land (SOL) announced profit warning for 1H24 results and expected to record net profit of RMB50mn-100mn in 1H24, representing 84%-92% decrease yoy compared to RMB618mn in 1H23. The substantial profit decline was mainly due to lower level of residential project completion during 1H24 and should be largely expected in view of the sharp decline in contracted sales in FY23. The contracted sales in FY23 and FY22 was RMB11.4bn and RMB27.2bn, respectively. SOL targets to complete and handover to buyers of Wuhan Tiandi Residential La Riva III in 2H24, and expects the overall level of residential project completion in FY24 to be lower than that in FY23.

While SOL is in the black-out period and refused to provide updates, the company appears to achieve notable progresses in refinancing. As per media report, SOL has prepaid in full the originally cUSD113mn loan, backed by Wuhan Tiandi, in Jun'24. The original maturity of the loan is Sep'24. The company has obtained bank loans of RMB3bn, backed by some commercial assets of Wuhan Xintiandi. The LTV ratio of these loans is reported to be over 50%, higher than the overall LTV of its IP portfolio of c30% as of Dec'23. Additionally, there are media reports that SOL is preparing to remit funds to repay SHUION 6.15 08/24/24 of USD500mn due in two weeks' time.

SHUIONS moved 9-17pts higher over the past months in view of the expectation of progresses in refinancing. We consider the valuation of SHUIONS unappealing, factoring into the upcoming refinancing pressure, and relatively small saleable resources. After SHUION 6.15'24, the next bond maturity of SOL is SHUION 5 ½ 03/03/25 of USD490mn in Mar'25 and SHUION 5.5 06/29/26 of USD400mn in Jun'26. We are neutral on SHUIONS and recommend investors to take profit from SHUIONS. SHUIONS were down 0.3 to 2pts post the profit warning.

➤ **China Economy - Deflation alleviated, yet demand remains soft**

CPI growth rebounded and beat market expectations in July as food price notably surged amid supply disruptions caused by high temperature and flooding in some regions. Consumer demand remained soft as core CPI growth declined. Tourism service price sharply rebounded amid vigorous travel demand in the summer holiday, but vehicle and clothing prices continued to decline amid weak discretionary consumption. PPI continued to decline as energy price rebounded while metal, construction material and chemical product prices dropped. The recent alleviation of China's deflation is mainly due to supply disruptions as consumer demand remains soft. Credit demand is also weak especially in the private sector. The PBOC is under pressure to further loose monetary policy as the central bank has vowed to promote moderate price recovery in its recent quarterly monetary policy report. We expect the PBOC to further cut LPRs and deposit rates by 10-20bps and RRR by 25bps in the remainder of this year. China's CPI and PPI growth rates may rise from 0.2% and -3% in 2023 to 0.5% and -1% in 2024 and 1.2% and 1% in 2025.

CPI rebounded boosted by food price. CPI YoY growth rebounded to 0.5% in July from 0.2% in June, against market expectation of 0.3%. In sequential terms, CPI further surged 0.5% after dropping 0.2% in June, higher than decade-average at 0.3% of July. Food price significantly rose 1.2% MoM in July from -0.6% due to high temperature or rainy weather in most provinces, the biggest jump since Chinese New Year, while its YoY growth increased to 0% from -2.1%. Pork prices moderated from 11.4% MoM growth in June to 2% in July while its YoY growth edged up from 18.1% to 20.4%. We expect pork price to further rebound as supply-side de-capacity extended, which will be a major support for a CPI pick-up. Other food items also saw significant growth with vegetables and eggs increasing 9.3% and 3.7% MoM in July compared to -7.3% and 1.5% in June. Vehicle fuel price moderated from 5.6% to 5.1% YoY while its MoM growth expanded 1.5% in July after dropping 2% in June. Looking forward, CPI may continue to modestly recover thanks to the low base and rising food price as shown in high-frequency data in early Aug.

Core CPI growth softened as consumer demand remained soft. Core CPI expanded by 0.3% MoM in July following two consecutive months of decline, while its YoY growth edged down to 0.4%. Durable prices remained weak as vehicle price dropped 0.6% in July following a 1% dip. Average unit price in Shanghai second-hand car market dropped 10.7% and 18.5% MoM in July and early Aug, a result possibly from both over-supply and subdued demand. Telecom equipment price edged down by 0.1% MoM after rising 0.8% in June. It is noteworthy that home appliance price rebounded 0.4% MoM in July after continued declines from March to June as the upgrading subsidy may provide some support to the demand. CPI in services picked up 0.6% MoM in July after the zero growth in June while its YoY growth slowed due to the base effect. Thanks to the vigorous travel demand during the summer holiday, tourism service price markedly surged 9.4% MoM in July after dropping 0.8% in June with flight ticket and hotel prices up 22.1% and 5.8% MoM. Telecom, education and medical services all showed 0 growth while express service dropped by 0.1% MoM. Looking forward, core CPI growth may remain restrained in near term due to lethargic consumer demand amid an elevated real interest rate and weak employment conditions.

PPI continued to decline as rally of global commodities prices ran its course. The MoM growth of PPI in July saw the same 0.2% decline as June, while its YoY contraction stayed flat at -0.8%, slightly beating market expectation at -0.9%. Bloomberg commodities index has declined 4.5% in July to the lowest point since Jan 2022, as the market started trading on weakening US economy prospects. For mining industries, PPI of oil & gas, and non-ferrous metals moderated from 8% and 11.5% to 6.7% and 10.6% YoY, as their prices dipped in July. Coal mining and ferrous metals dropped to -3.7% from -2.1% while coal mining rebounded from -1.6% to 0.3% YoY. For mid-stream industries, PPI in intermediate goods such as rubber & plastics, metal products and general machinery all dropped by 0.1% MoM. For final goods, auto manufacturing saw a 0.2% MoM expansion after six months of decline while prices of lithium batteries and PCs posed negative sequential changes in July. Looking forward, we expect the PPI may widen its YoY decline in the next three months before improving again from late 4Q.

Deflation pressure may alleviate in 2025. We expect deflation pressure might last in the remainder of this year before possible alleviation next year. The recent Politburo meeting shows that the policymakers start to focus on consumption weakness and excessive capacity, yet without details on specific policies. We expect consumer demand may remain weak in the next few months and gradually rebound in 2025. As a leading indicator, housing market recovery should provide some support to household consumption next year. Second-hand housing sales have recovered since last year while new housing sales have started to improve since this year. We expect housing price may gradually stabilize next year. In addition, the Chinese policymakers may start to stimulate consumption and restrain supply capacity expansion next year. For one thing, China exports might slow down again next year as the effect of frond-loaded shipments in anticipation of higher tariffs gradually fades out, external demand gradually softens and trade tensions may further increase. For another, China may have to boost consumer demand and restrain supply capacity to alleviate tensions with the US and Europe after the US presidential election. China's monetary policy should remain accommodative as the PBOC may further cut LPRs and deposit rates by 10-20bps and RRR by 25bps in the remainder of this year. A possible weakening of the US dollar during the Fed's rate cut cycle may expand the PBOC's policy room next year as China's credit growth might gradually stabilize. We maintain our forecast that China's CPI and PPI growth rates may rise from 0.2% and -3% in 2023 to 0.5% and -1% in 2024 and 1.2% and 1% in 2025.

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➤ Offshore Asia New Issues (Priced)

Issuer/Guarantor	Size (USD mn)	Tenor	Coupon	Priced	Issue Rating (M/S/F)
No Offshore Asia New Issues Priced Today					

➤ Offshore Asia New Issues (Pipeline)

Issuer/Guarantor	Currency	Size (USD mn)	Tenor	Pricing	Issue Rating (M/S/F)
Zhuji State-owned Assets Management Co., Ltd.	USD	-	3yr	-	-/-/-

➤ **News and market color**

- Regarding onshore primary issuances, there were 74 credit bonds issued on last Friday with an amount of RMB65bn. As for month-to-date, 600 credit bonds were issued with a total amount of RMB641bn raised, representing a 56.6% yoy increase
- **[ADEIN]** Hindenburg claims whistleblower documents reveal SEBI chair had stake in offshore entities used in money siphoning at Adani group
- **[FAEACO]** Far East Consortium announced USD 2bn guaranteed MTN programme
- **[FRESHK]** Far East Horizon 1H24 revenue down 1.8% yoy to RMB18bn; it plans to buy back up to 10% of its shares
- **[GEMDAL]** Gemdale remitted USD491.9mn fund for payment of GEMDAL 4.95 08/12/24
- **[GZRFPF]** Guangzhou R&F Properties subsidiary Easy Tactic missed payments on three PIK senior notes
- **[KWGPRO]** Media reported that Logan/KWG joint venture closed HKD8.2bn loan to refinance HKD8.5bn due-25 August facility backed by Corniche project
- **[RAKUTN]** Rakuten Group 1H24 revenue increased 8% yoy to cUSD7.2bn and EBITDA rose 222% yoy to cUSD815mn

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