

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!

- *New issue KOHNPW'29 widened 3bps this morning. Asian IGs were under better buying. Long-term BABA/TENCNT tightened 3-4bps. KRKPSC'27/29 tightened 3-5bps. SWIRE'29 tightened 1bp.*
- *CHFOTN: Media reported on the buyback of onshore bonds totaled RMB10bn at 90% discount. See comments below.*
- *China Policy - LPR cut shows easing policy stance. CMBI expects additional LPR cuts by 10-20bps in the remainder of the year. See below for comments from CMBI economic research.*

❖ Trading desk comments 交易台市场观点

Yesterday, Asia IG was skewed to better buying. KOHNPW priced a USD500mn 5-yr bond at T+70. In Chinese financials, the new CCAMCL 30s tightened 5bps under AM/FM buying. HRINTH 24-26s were unchanged to 10bps tighter (unchanged to 0.1pt higher). GRWALL 7.15 Perp was 0.125pt higher. BOCAVI 27-33s were 1bp tighter under banks buying. CDBFLC '30 tightened 4bps. In Chinese SOEs/TMTs, the sentiment was constructive amid PBOC's 10bps rate cut on 1/5-yr LPR. TENCNT/BIDU 30s tightened 1bp. The long-end of CHGRIDs/CNOOCs were 0.5-1.0pt lower. ZHOSHK '26 was 0.3pt higher post the new bond issuance and concurrent tender offer. See our comments on [22 Jul '24](#). In AT1s, ICBCAS 3.58 Perp/KTBTB 4.4 Perp were 0.1pt higher. In EU AT1s, ACAFP 6.5 Perp/SOCGEN 7.875 Perp were up 0.1-0.2pt. In other IGs, CATLIF '34/SWIRE '29 were 2-3bps tighter. BNKEA 28/32/34 tightened 1-3bps amid PB chasing. Chinese properties were firm. ROADKG 28-30s were another 1.9-2.7pts higher. ROADKG 7.95 Perp/ROADKG 7.75 Perp were up 0.5pt. SHUION/FUTLAN/FTLNHD 24-26s were 0.2-0.7pt higher. COGO/CHJMAO 26s were up 0.4pt. However, LNGFOR '28 was down 0.6pt. Outside properties, WESCHI '26 was 0.5pt higher. EHICAR 26/27 were 0.3pt lower. In Macau gaming, MPEL '25/WYNMAC '27/SANLTD '28/STCITY '28 were 0.4pt higher. In Indonesia, MDLNIJ '27 declined 0.7pt. In India, ADSEZs/ADTINs/ADGREGs were up 0.1-0.7pt. PIELIN priced a USD300mn 3.5-yr 7.8% bond at 99.556 to yield 7.95%. Elsewhere, VLLPM priced a USD300mn 5-yr bond at par to yield 9.375%.

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The LGFVs/SOE perps/high beta spaces were firm. ZHHFGR 25/Perp were 0.2pt higher amid the new CNH NC3 Perp issue. See our comments on [the call of its USD Perp on 12 Jul '24](#). CPDEV 25/26/Perp were up 0.1pt. LIANYU/WFUCRD 25s were 0.1pt higher. GXCMIN 25s were up 0.1-0.3pt. HNRail '27 was up 0.4pt. Media reported that the Chinese authorities told banks to extend support for LGFVs for refinancing of debts maturing before Jun'27. In SOE perps, CHPWCN 4.25 Perp/CHSCOI 3.4 Perp/HUANEN 3.08 Perp were down 0.1pt. In the high beta names, ZHONAN '26 was 0.2pt higher. SUNSHG/TIANFS 26s were down 0.2pt.

❖ Last Trading Day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
ROADKG 6.7 03/30/28	61.1	2.7	DBJJP 3.665 12/18/43	81.2	-1.0
ROADKG 5.9 09/05/28	50.5	2.5	CHGRID 4 05/04/47	86.2	-1.0
ROADKG 5.2 07/12/29	43.3	2.2	CHGRID 4.85 05/07/44	97.8	-0.8
ROADKG 5 1/8 01/26/30	42.2	2.0	CHGRID 4 3/8 05/22/43	92.1	-0.7
ROADKG 6 03/04/29	44.9	1.9	MDLNIJ 5 06/30/25	43.6	-0.7

❖ Marco News Recap 宏观新闻回顾

Macro – S&P (+1.08%), Dow (+0.32%) and Nasdaq (+1.58%) rebounded on Monday. UST yields rallied higher yesterday, 2/5/10/30 yield reached 4.50%/4.17%/4.26%/4.48%.

❖ Desk analyst comments 分析员市场观点

➤ CHFOTN: Buyback and cancel RMB10bn onshore bonds at 90% discount on face value

As per media report, China Fortune Land (CHFOTN) is in negotiation with the bondholders on the sale of their holdings to a Bazhou Yongsan Real Estate Development (Bazhou Yongsan). The purchase prices are at heavy discount which is 10% of the face value of the bonds. Bondholders, Bazhou Yongsan and CHFOTN signed debt transfer agreements and CHFOTN intends to cancel the bonds “repurchased”. A quick check on the background of Bazhou Yongshen, there is no shareholding relationship between CHFOTN and Bazhou Yongshen although we saw some business relationship between the two companies in the past.

As reported, a total of RMB10bn of bonds in face value were “repurchased”, representing 27% of the RMB37.1bn of onshore bonds, or 5.3% of the total debts covered in the onshore and offshore restructuring plans of RMB189.9bn (cUSD26.1bn).

Meanwhile, CHFOTN needs strenuous efforts in order to meet the repayment schedules even after the debt restructuring. Indeed, the operating environment has notably deteriorated since 2022, when CHFOTN concluded the restructuring terms. Per CHFOTN, the net loss attributable to the parent (excl. non-recurrent items) to be RMB5.9-6.4bn in 1H24 according to its estimation announced on 10 Jul'24, widened from a net loss of RMB5.5bn in 1H23. As at 30 Jun'24, CHFOTN has RMB24.6bn debts overdue according to the repayment schedules set out in the restructuring plans.

We consider the “repurchases” at deep discount a normal market practice and should be done on a consensual basis. Indeed, some of its onshore bonds and all of its offshore bonds are quoted at single-digit cash prices. From bondholders' perspective, the buy-back offers windows to switch out and moved on. From CFLD's perspective, “repurchase” at a deep discount is equivalent to a huge hair-cut. This will be the most effective way to relieve debt load and cut interest expenses as operating environment remains very challenging.

➤ China Policy - LPR cut shows easing policy stance

The market's anticipated LPRs cut by 10bps demonstrated the PBOC's accommodative stance, yet it also underscored the challenge of navigating a narrow policy space to balance conflicting policy objectives. The cut also signified the PBOC's effort to refine its monetary framework by highlighting the role of 7-day repo refinancing rates in the policy rates. Looking forward, we expect additional LPR cuts by 10-20bps in the remainder of the year to stabilize property market and defy deflation pressure while PBOC may guide banks to further lower deposit rates to protect their NIMs.

The mild cut of LPRs is basically in line with expectations. The good news is that the rate cut confirms China's monetary policy remains on its way to moderate easing as the PBOC's recent borrowing of government bonds for possible shorting or quantitative tightening has caused some confusion in the market. The bad news is that the rate cut remains very small as the central bank has to balance other policy targets such as stabilizing RMB exchange rates and protecting banks' NIMs.

The policy move should have a mild boost on market sentiment and economic growth. The policy move sends a signal of accommodative policy stance to the market. Meanwhile, it will mildly reduce financing costs and debt service burden of the real sector as interest rates of all new and existing loans are linked to the LPRs. According to our estimation, the 10bp cut of LPRs is expected to reduce the real sector's debt service burden by 0.2% of GDP.

The PBOC has refined its policy framework. Since 2023, movements of LPRs and MLF have started to diverge as their linkage declined. By reducing LPRs and the 7-day repo refinancing rates at the same time, the PBOC highlighted the increasing role of the later in its policy rate system. The PBOC Governor Pan Gongsheng indicated last month that the central bank would define short-term rate as the primary policy rate more explicitly and downplay the role of money supply as the intermediate target. Such progression marked the current administration's first step of its modernization reform, which will facilitate better-informed decision-making of household and business and increase the effectiveness of monetary policy. Looking forward, the PBOC may further expand its toolkit by using open market operations to control the DR007 rate.

We expect additional LPR cuts by 10-20bps in the remainder of the year. China's economy has remained weak with continued property slump, persisted deflation pressure and low investor confidence. The PBOC has to maintain accommodative policy stance to stabilize the property market and defy deflation pressure. The central bank also has to balance other targets such as stabilizing RMB exchange rates and protecting banks' NIMs. Therefore, possible LPR cuts should be very mild in 2H24. To protect banks' NIMs, the PBOC may guide banks to further lower deposit rates. If the US dollar could weaken next year due to a possible rate cut cycle amid continued economic slowdown, the PBOC would have more discretionary room for its interest rate policy.

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➤ Offshore Asia New Issues (Priced)

Issuer/Guarantor	Size (USD mn)	Tenor	Coupon	Priced	Issue Rating (M/S/F)
Korea Hydro & Nuclear Power	500	5yr	4.625%	T+70	Aa2/AA/-
Piramal Capital & Housing Finance Limited	300	3.5yr	7.95%	7.95%	Ba3/BB/-
Vista Land & Lifescapes Inc	300	5yr	9.375%	9.375%	-/-/-

➤ Offshore Asia New Issues (Pipeline)

Issuer/Guarantor	Currency	Size (USD mn)	Tenor	Pricing	Issue Rating
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					(M/S/F)
Zhongsheng Group Holdings	USD	-	3.5yr	T+235	-/BBB/-

➤ News and market color

- Regarding onshore primary issuances, there were 81 credit bonds issued yesterday with an amount of RMB65bn. As for month-to-date, 1,340 credit bonds were issued with a total amount of RMB1,314bn raised, representing a 17.9% yoy increase
- **[CHFOTN]** Media reported that China Fortune Land Development is working with buyer to purchase its own bonds at heavily discounted prices and cancel the bonds
- **[CIFIHG]** CIFI schedules interest payment for RMB3bn 21Xuhui02 bonds
- **[HDFCB]** Media reported that HDB Financial Services is seeking up to USD300mn offshore loan
- **[SOFTBK]** Media reported that SoftBank Group seeks to build alliance of automakers to develop AI-led self-driving cars

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