

CMBI Credit Commentary

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

- *Markets were stable with better-bid flows this morning. TMT/high-beta IG spaces were unchanged. We saw profit taking on HRINTH'30. LGFV sector was quiet before CNY.*
- **China Properties:** *Further relaxation of purchase restrictions in Beijing and Shenzhen. See below.*
- **UPLLIN:** *S&P downgraded UPL to BB and placed negative outlook on weak cash flow and poor operating environment. UPLLINs were unchanged to down 0.2pt this morning.*

❖ Trading desk comments 交易台市场观点

Yesterday, overnight UST yield tightened 5-8bps. On the primary front, HKINTL priced a USD200mn 2-yr green digital bond at T+30 and closed unchanged. KDB priced a USD1.75bn 3-yr bond at around CT2+28, and USD1.25bn 5-yr bond at around CT5+55. The new KDB 27/29 closed 3bps tighter from RO levels. Indian bank name HDFCB priced USD300mn 3-yr bond at CT2+73, and USD450mn 5-yr bond at CT5+108. The new HDFCB 27/29 closed 2-3bps wider from RO levels. On the secondary side, there were active two-way flows on the front end papers. Chinese SOE/TMT benchmarks HAOHUA/BABA/TENCNT 30-31s were unchanged to 2bps tighter. The BBB TMTs LENOVO/MEITUA 30s tightened 2-4bps. In financials, HRINTH 29-30s were 1.5-2.0pts higher (15-40bps tighter). CCAMCL/ORIEAS 26-30s were 1-3bps tighter. Chinese AT1s BOCOHK 3.725 Perp/BOCOM 3.8 Perp were up 0.1pt. Meanwhile EU AT1s were mixed with active new issues (INTNED/SWEDA/UBS). HSBC 8 Perp/STANLN 7.75 Perp were up 0.1pt, STANLN 4.3 Perp was down 0.4pt. In HK corp space, SHUION 24-26s were up 0.3-0.4pt, while HYSAN/LIHHK papers were under PB selling. Chinese properties were mixed. CSCHCN 24s were 0.4-4.1pts higher. PINGRE '25/RDHGCL '24 were up 0.5-0.6pt. On the other hand, VNKRL 24-29s were 1.2-2.2pts lower under some risk-offloading interests ahead of holiday. LNGFOR 27-32s were down 0.8-1.4pts. GEMDAL '24 declined 1.3pts. In industrials, HILOHO '24 was 2.2pts higher. FOSUNI '27/EHICAR '26 were up 0.5-0.6pt. Macau gaming such as MGMCHI/STCITY/WYNMAC 25-29s were up 0.3-0.6pt. Indian space was mixed. VEDLN 26-28s were up 0.5pt. UPLLIN 5.25 Perp was down another 0.6pt. Indonesian names were quiet.

In LGFVs/Perps, the tone was firmer across sectors thanks to rates grinding lower and Chinese RMs/AMs deploying the remaining cash ahead of long holiday. Flow wise, the quality LGFVs and high-beta IG names remained generally better bid. The 5-6% LGFVs NJYZSOs were up 0.1-0.2pt. In Shandong names, SHDOIS/QDHTCO 24s were up 0.1pt,

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SHGUOH/QDJZWD 25s were down 0.1-0.2pt. SOE perps were mixed. HUADIA 3.375 Perp was up 0.1pt, CHPWCN 3.45 Perp was down 0.1pt.

❖ Last Trading Day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
CSCHCN 9 04/12/24	49.3	4.1	VNKRLE 3 1/2 11/12/29	50.1	-2.2
HILOHO 9 3/4 11/18/24	62.7	2.2	VNKRLE 3.975 11/09/27	59.8	-2.1
HRINTH 3 5/8 09/30/30	86.3	1.9	VNKRLE 3.15 05/12/25	78.0	-2.0
HRINTH 3 3/8 02/24/30	86.4	1.9	LNGFOR 3.95 09/16/29	42.2	-1.4
HRINTH 5 1/2 04/27/47	86.1	1.7	GEMDAL 4.95 08/12/24	63.4	-1.3

❖ Marco News Recap 宏观新闻回顾

Macro – S&P (+0.82%), Dow (+0.40%) and Nasdaq (+0.95%) were strong on Wednesday and Dow reached historical high level. China Jan'24 CPI/PPI was -0.8%/-2.5% yoy, compared with the expectation of -0.5%/-2.6% yoy. UST yields retreated yesterday, 2/5/10/30 yield reached at 4.39%/4.03%/4.09%/4.29%, respectively.

❖ Desk analyst comments 分析员市场观点

➤ China Properties: Further relaxation of purchase restrictions in Beijing and Shenzhen

Two tier-1 cities (Shenzhen and Beijing) further relaxed the home purchase restrictions (HPR) this week, post the relaxation of HPR in Guangzhou and Shanghai in end-Jan'24. In 2023, commercial residential housing sales in Shenzhen and Beijing was 3.1 and 7.5 mn sqm, decreased 13.4% and 2.8% yoy, respectively. The inventory month of commercial residential housing in Shenzhen and Beijing was 29 and 14 in Jan'24, compared with 26 and 16 in Dec'23.

The residential property sales in China remain weak in Jan'24. In Jan'24, the contracted sales of top 100 Chinese developers dropped 36% yoy to RMB255.5bn although the sales in Jan'23 were adversely affected by the Chinese new year holiday. Since the Chinese new year holiday will be in Feb this year, we expect the residential property sale to show an even larger yoy decline in Feb'24.

As of today, 20 out of 34 developers under our radar announced their Jan'24 contracted sales amount and none of them recorded yoy growth, including outperformers in 2023 such as CHIOLI (-20% yoy in Jan'24) and GRNCH (-11% yoy in Jan'24). We continue to expect the pace of recovery of the property markets to be slow and there will be more proactive monetary policy like LPR cut in the near-term. As discussed in [our Asia Credit Outlook](#), we prefer developers which have major operations in T1/2 cities, quality investment properties (IP) that can be collateralized for funding, and manageable short-term debt maturities, our picks are **CHJMAO, CSCHCN, DALWAN, FUTLAN//FTLNHD, HPDLF, LNGFOR** and **YLLGSP**.

Table 1: Recent relaxations of high-tier cities

City	Date	Relaxation
Shenzhen	7 Feb'24	Removing requirement for Shenzhen residents to pay social insurance or income tax to purchasing properties; Shortening the payment period of social insurance or income tax for non-Shenzhen residents to 3 years from 5 years when purchasing properties.
Beijing	6 Feb'24	Removing Tongzhou district's restrictions on purchasing properties, aligning it with Beijing's restriction.

Shanghai	30 Jan'24	Unmarried non-Shanghai residents who continuously paid 5-year social insurance or income tax in Shanghai are allowed to purchase properties outside outer ring road of Shanghai.
Suzhou	30 Jan'24	Removing purchase restrictions on properties.
Guangzhou	27 Jan'24	1. Removing purchase restrictions on properties with more than 120 sqm floor area. 2. The number of properties owned by residents will be deducted if residents register rent or sale for the properties in the government system.

Source: Wind

➤ **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)
Korea Housing Finance Corp	USD	-	3/5yr	-	Aa2/AA/AA-

➤ **News and market color**

- Regarding onshore primary issuances, there were 33 credit bonds issued yesterday with an amount of RMB16bn. As for month-to-date, 369 credit bonds were issued with a total amount of RMB394bn raised, representing a 199.4% yoy increase
- **[BABA]** Alibaba 3Q24 revenue rose 5% yoy to USD36.6bn and adjusted EBITDA rose 1% yoy to USD8.4bn; it announced USD25bn share repurchase program
- **[CHIGRA]** China Grand Automotive Services onshore unit issued RMB1bn two-year notes at 7.8%
- **[FOSUNI]** Media reported that Fosun International's sports unit plans to raise USD100mn to expand business; Fosun plans to relaunch sale of Peak Reinsurance and is seeking for cUSD1bn potential valuation
- **[SOFTBK]** Softbank 9M24 revenue rose 3.8% yoy to USD30.4bn and adjusted EBITDA rose 3.6% yoy to USD8.8bn
- **[UPLLN]** S&P downgraded UPL to BB and placed negative outlook on weak cash flow and poor operating environment
- **[VEDLN]** Vedanta Resources made cUSD779mn upfront redemption for due-2024, due-2025 bonds
- **[VEYONG]** ENN Clean Energy accepts for purchase USD83.1mn of VEYONG 3.375 05/12/26 via tender offer

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