

**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.

- *Asian IG space widened 1-3bps due to profit taking this morning. New issues GSCCOR'28 traded at RO level and CCAMCL'27 was 10bps tighter. LGFVs were two-way balanced while SOE Perps were under better buying. Country Garden canceled share placements, COGARDs were unchanged to down 3pts by mid-day.*
- **AGILE:** *Another small share placement. AGILEs were unchanged to +0.5pt this morning. See below.*
- **China Economy** – *Economy slightly improved with further policy easing ahead. CMBI maintains the forecast on China's GDP growth at 5.1% in 2023 and 4.8% in 2024. See below for comments from our economic research.*

**❖ Trading desk comments 交易台市场观点**

Asia ex-JP IG market had a firm session yesterday as benchmark spreads grinded 2-5bps tighter. In Korea space, the recent new issues such as KORELE/DAESEC 26s closed unchanged to 2bps tighter with active two-way flows. SG bank T2s were under selling but these loose bonds were well absorbed. In Chinese SOEs, SINOCH/SINOPE 31s edged 1-2bps tighter. TMT benchmarks TENCNT 30s/BABA 31s tightened 2bps. The high beta TMTs such as WB/MEITUA 30s were squeezed 10-15bps tighter. In financials, the front-end of T2s/leasing papers were better offered. HRINTH 26s-30s were traded 0.25-1pt higher (10-20bps tighter). Chinese properties performed mixed. LNGFORs/CHJMAOs gained 1.5-2.5pts across the curve. FTLNHD 25/GEMDAL 24 were marked 2-2.5pts higher. DALWANs closed unchanged to 0.5pt higher. On the other hand, COGARD 24s/25s fell 5-6pts, while rest of the curve was traded 0.75-2.25pts lower. Media reported COGARD's share placement plan to raise cUSD300mn last night but the plan was called off without elaboration. In HK space, The CKHH curve performed mixed with active selling flows on 24s/29s off-the-run papers, versus better buying flows on 33s. HKLSP 33s were unchanged to 1bp tighter. NANFUN/NWDEVL 27-29s declined 1pt. AIAs remained better bid across the curve. Chinese AT1s were under better buying from RMs. HSBC 8 Perp closed 0.25pt higher amid mixed flows, with buying from PBs versus profit taking from RMs. In industrials, FOSUNI/WESCHI 26s were traded up 0.75-

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1.5pts. Macau gaming papers MPELs/WYNMACs were indicated 0.5-1pt higher. STCITY curve gained 1pt. In Indian space, VEDLNs gained 1.25-2.5pts across the curve. Indonesian papers MEDCIJs were quoted 0.5-1pt higher. Elsewhere, GLPCHI '26 was up 0.5pt.

The LGFV/Perp space performed mixed. The flows in LGFVs were dominated by month-end rebalancing, and were overall two-way balanced among Chinese and non-Chinese RMs. Shandong/Chongqing names were well-bid. SHDOIS 4.8 '24/CQLGST 4.3 '24 gained around 0.5pt. SHGUOH/QDJZWD 25s were quoted 0.125pt higher. On the other hand, KMRLGP 3.9 '24 was traded 0.5pt lower. Elsewhere, there were small selling flows in SOE Perps from AMs. CHSCOI 3.4 Perp/HUADIA 3.375 Perp were better offered. HK Corp perp space performed mixed. BNKEA 5.875 Perp/NWDEVL 4.125 Perp were bid up around 1pt. Whilst FWDGRP 6.375 Perp/PEAKRN 5.35 Perp were marked down 0.25-0.5pt.

#### ❖ Last Trading Day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
FTLNHD 4 5/8 10/15/25	46.4	2.6	COGARD 6 1/2 04/08/24	26.6	-5.7
VEDLN 6 1/8 08/09/24	66.1	2.6	COGARD 8 01/27/24	35.9	-5.7
ROADKG 7.95 PERP	24.4	2.6	COGARD 5 1/8 01/17/25	22.4	-5.0
VEDLN 8.95 03/11/25	66.3	2.5	COGARD 7 1/4 04/08/26	18.5	-2.3
LNGFOR 3.95 09/16/29	72.3	2.4	COGARD 2.7 07/12/26	18.5	-2.2

#### ❖ Marco News Recap 宏观新闻回顾

**Macro** – S&P (+0.15%), Dow (+0.28%) and Nasdaq (+0.21%) continued to rally higher yesterday. Euro-zone 2Q23 GDP increased 0.6% yoy, higher than the expectation of +0.5% yoy. Euro-zone Jul CPI was +5.3% yoy and same with the expectation. China Caixin Jul manufacturing PMI was 49.2, lower than expectation of 50.3. The US treasury yields were overall stable yesterday, the 2/5/10/30 yield reached at 4.88%/4.18%/3.97%/4.02%, respectively.

#### ❖ Desk analyst comments 分析员市场观点

##### ➤ AGILE: Another share placement of USD50mn

Agile proposes to raise cHKD387.2mn (USD50mn) via share placement for debt repayments and general corporate purposes. The placing price of HK1.13 represents 18.1% discount from the last close of HKD1.38. This is the 2nd share placement conducted by Agile within the past 12 months. Agile completed the HKD783mn (USD100mn) share placement in Nov'22 for refinancing and general corporate purposes. The share placement, albeit small, will help strengthen its financial flexibility in dealing with coupon payments, including USD bonds coupon of totaled USD35.6mn due in Oct-Nov'23.

On the other hand, Agile is likely to record a net loss for 6M23 due to decline in sales and forex loss from continuous depreciation of RMB, according to the profit warning announced yesterday. The forex loss is in the range between RMB800mn-RMB1bn. In terms of operating performance, its contracts sales dropped by 28% yoy to RMB28.23bn for 6M23, ranked 15th among the 35 developers under our radar in terms of sales growth.

Following China Politburo's signal on credit and property easing, onshore media reported that real estate authorities in Beijing, Shenzhen and Guangzhou said they will bolster local demand for properties over the weekends. That said, we continue to believe that supportive measures will mainly be targeted on ensuring timely project deliveries and preventing the default of developers to trigger systemic risk of the financial sector. The keys to developers' repayment ability remain to be sales recovery and their access to funding. We take some comfort that Agile's next USD bond maturity will be in Jan'25. AGILEs were unchanged to +0.5pt this morning.

➤ **China Economy – Economy slightly improved with further policy easing ahead**

China's manufacturing PMI marginally improved to 49.3% in July, although still staying in contractionary territory for four straight months. Production came in as the only sub-index in expansion while new order index, export index and import index remained below 50. Non-manufacturing sector continued to recover yet with a slowdown in recovery pace as construction and service PMIs respectively dropped to 51.2% and 51.5%. Based on recent signals, Chinese policymakers have become more proactive in boosting growth with further policy support in future. We expect additional loosening of property policy and credit supply in 2H23. China's economy may gradually rebound in the next several quarters. We maintain our forecast on China's GDP growth at 5.1% in 2023 and 4.8% in 2024.

Manufacturing activity marginally improved albeit still remained in contraction. China's PMI in manufacturing slightly improved in July to 49.3% from 49% in June, while still remaining in the contraction territory. New order index in manufacturing also slightly improved to 49.5% in July from 48.6% in June. Breaking down by sector, indexes in automobile, railway & other transport equipment, and electrical equipment remained in the expansionary range. Export and import indexes declined in July to 46.3% and 46.8% from 46.4% and 47% in June, showing faltering demand for products both domestically and globally.

Non-manufacturing activity remained in expansion but fell below expectation. PMIs in construction and service declined from 55.7% and 52.8% in June to 51.2% and 51.5% in July, respectively. China's consumer spending further softened after a robust rebound in 1Q23, while property sector remained under stress. New order index in construction sector drastically declined to 46.3% in July from 48.7% in June, while that in service sector dropped to 48.4% in July from 49.6% in June. By sector, indexes in air transport, postal services, telecom service, TV & broadcast, financial and insurance services remained above 60%.

Deflation pressure eased as product and raw material inventory improved. Product and raw material inventory indexes improved from 46.3%/48.2% in July from 46.1%/47.4% in June, respectively, as businesses slowed down on the inventory de-stocking and started to replenish the raw materials. The recovery of inventory helped the ex-factory price index in manufacturing improved to 48.6% in July from 43.9% in June, while that in construction improved to 52% in July from 51.6% in June and service price index increased to 49.3% from 47.2%. Looking forward, we expect CPI and PPI to mildly rebound in 2H23-2024.

Youth unemployment surged to record high as private businesses were reluctant to expand. Employment index in manufacturing dropped to 48.1% in July from 48.2% in June. Unemployment rate among youth and fresh graduates jumped to 21.3% in June from 20.8% in May, and this trend is expected to reach its peak in July as more young job seekers are set to enter the labor market upon graduation.

Stimulus policy is expected to carry out as the economy may mildly improve in 2H23. The deterioration of economic activity and market confidence in 2Q23 has made policymakers to introduce a broad spectrum of stimulus policies including further loosening of credit supply and property policy. Government pledged to activate capital market, expand consumption of durables and services and boost private business confidence. Ministry of Housing and tier-1 cities government have signaled a new round of property easing and stimulus to redevelop old districts of large cities. China's economy may mildly improve in 2H23. We maintain our forecast on China's GDP growth at 5.1% in 2023 and 4.8% in 2024.

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➤ **Offshore Asia New Issues (Priced)**

Issuer/Guarantor	Size (USD mn)	Tenor	Coupon	Priced	Issue Rating (M/S/F)
China Cinda 2020 I Management Ltd	400	3.5yr	5.75%	T+130	-/BBB+/-
GS Caltex Corp	300	5yr	5.375%	T+128	Baa1/BBB/-

➤ **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 39 credit bonds issued yesterday with an amount of RMB27bn. As for Month-to-date, 1,694 credit bonds were issued with a total amount of RMB1,582bn raised, representing a 18.8% yoy increase
- [AGILE]** Agile Group expects to record forex loss of RMB0.8-1bn for 1H23
- [CAPG]** China Aoyuan announced that holders of 64.35% outstanding existing notes have either executed or acceded to RSA; RSA fee deadline is extended to 10 Aug
- [CIKLIS]** Cikarang Listrindo repurchased USD35mn of CIKLIS 4.95 09/14/26
- [COGARD]** Media reported that Country Garden canceled HKD2.34bn share placement
- [DALWAN]** Wanda Commercial cured missed USD22mn coupon of DALWAN 11 01/20/25 due 20 Jul within grace period
- [GSELEC]** Fitch affirmed Gansu Power at BBB- and placed stable outlook
- [JINKE]** Jinke Property failed to make scheduled payments for RMB50mn 20JinkedichanMTN001
- [KWGPRO]** KWG Group unit's 21Hejing01 bondholders exercised RMB349.7mn put option, the payment is expected to be made on 2 Aug
- [SANLTD]** Fitch affirmed Sands China at BB+, changed outlook to positive and positioned to move back to IG assuming trends continue
- [SHIMAO]** Shanghai Shimao has RMB6.45bn overdue debts as of 31 Jul
- [SINOCE]** Media reported that Sino-Ocean faces opposition to proposed RMB2bn 18Yuanyang01 bond extension

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