

## CMBI Credit Commentary

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

- *Asian IG space was stable with active two-way flows on front-end names. IG properties and high quality LGFVs were under balanced, two-way flows this morning.*
- *MOU between NDRFC and HKMA to promote cross-border bond issuance by Chinese enterprises in HK. See below.*
- **China Policy** – *China starts active fiscal stimulus to revive growth with general fiscal deficit ratio for 2023 up from 3% to 3.8% of GDP and additional CGB issues of RMB1tn. CMBI maintains the GDP growth forecast for 2023 at 5.2% and revise up the forecast for 2024 from 4.8% to 4.9%. See comments from CMBI economic research below.*

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#### ❖ Trading desk comments 交易台市场观点

Yesterday, Asia ex JP IGs performed well after the choppy UST movement overnight. BABA/CNOOC edged 1-2bps tighter amid good two-way flows. The long-end of CNOOC/SINOPE were better bid. In financials, flows remained very active two-way on front end of AMC/leasing papers. CDBFLC/CMINLE/ORIEAS papers tightened 1-3bps. In AMC space, HRINTH/GRWALL 25/26s tightened 2-7bps under better buying. In CN/SG/KR bank T2 papers, BCHINA/CCB/NANYAN/UOBSP 23-28s were traded in a constructive tone. WOORIB/SHINFN 28s tightened 1-5bps. Chinese AT1s BOCOM 3.8 Perp/ICBCAS 3.2 Perp were 0.1-0.2pt higher. We also saw decent buying interests from PB and prop desks in non-China AT1s. MUFG 8.2 Perp was up 0.4pt. STANLN/HSBC Perps were 0.5-0.7pt higher. In Korea space, the recent new LGSENSO 26s/28s tightened 1-2bps. In HK space, AIA curve tightened 2bps. NWDEVL 5.25 Perp/CKPH 3.5 Perp edged down 0.5-0.8pt. HK/Chinese properties moved lower. SHUION '23/YLLGSP '24 declined 0.4pt. VNKRL 24/25 fell another 1.9-3.6pts. JINKE '24/ROADKG '25/CHJMAO '26 dropped 1.2-2.6pts. FUTLAN/FTLNHD 24s lowered 1.1-2.3pts. Industrials were mixed. ANTOIL '25 was up 2pts. EHICAR '24 gained 1.1pts. Whilst AACTEC 26/31 were down 0.6-0.7pt. In Macau gaming names, SANLTD/STICTY/WYNMAC 26-30s were 0.7-1pt higher. Indian space was quiet. VEDLN '26/ADSEZ '27 were up 0.4-0.6pt. Indonesian names LMRTSP 24/26 were traded 0.9-1.3pts higher. Moody's affirmed LMRT's Caa1 ratings and maintained rating outlook negative. Elsewhere, GLPCHI 24/26 were 0.7-3.3pts higher.

The LGFV/Perp spaces were also upbeat thanks to the continuous cross-border Chinese flows in deployment buying, primarily in quality SOE Perps, and, to a lesser extent, in quality 25s-27s LGFVs at low-to-mid-6%. Meanwhile, the LGFVs yielding 7%-8% or above (many of the Shandong

names) remained sought after by offshore Chinese RMs. JNHTE 7.4 '26 was 0.1pt higher and stayed about the same level with JINLIX 7.3 '26 were firm. The higher-yielding Chongqing names CQNANA 24/26 were 0.1-0.4pt higher. As the yield curve continued to normalize, investors focused on the belly of the curve and switched out front-end 23s/24s at similar yield levels. In SOE perps, HUADIA 4 Perp/CHCOMU 3.65 Perp/CHSCOI 3.4 Perp were down 0.1-0.2pt.

#### ❖ Last Trading Day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
GLPCHI 4.974 02/26/24	83.3	3.3	VNKRLE 3.15 05/12/25	70.0	-3.6
ANTOIL 8 3/4 01/26/25	87.0	2.0	JINKE 6.85 05/28/24	7.4	-2.6
ZJSOAM 3.2 10/18/24	96.6	1.9	FUTLAN 6 08/12/24	44.0	-2.3
CNOOC 4.2 05/05/45	75.8	1.6	ROADKG 5.9 03/05/25	56.2	-1.9
SINOPE 4.6 09/12/48	81.0	1.6	VNKRLE 3 1/2 11/12/29	46.2	-1.9

#### ❖ Marco News Recap 宏观新闻回顾

**Macro** – S&P (+0.73%), Dow (+0.62%) and Nasdaq (+0.93%) rebounded on Tuesday. US Oct Markit manufacturing/service PMI was 50.0/50.9, higher than the expectation of 49.5/49.8. Euro-zone Oct Markit manufacturing /service PMI was 43.0/47.8, lower than the expectation of 43.7/48.7. The long-term UST yields retreated while short-term yields were stable, 2/5/10/30 yield reached 5.02%/4.82%/4.83%/4.96%, respectively.

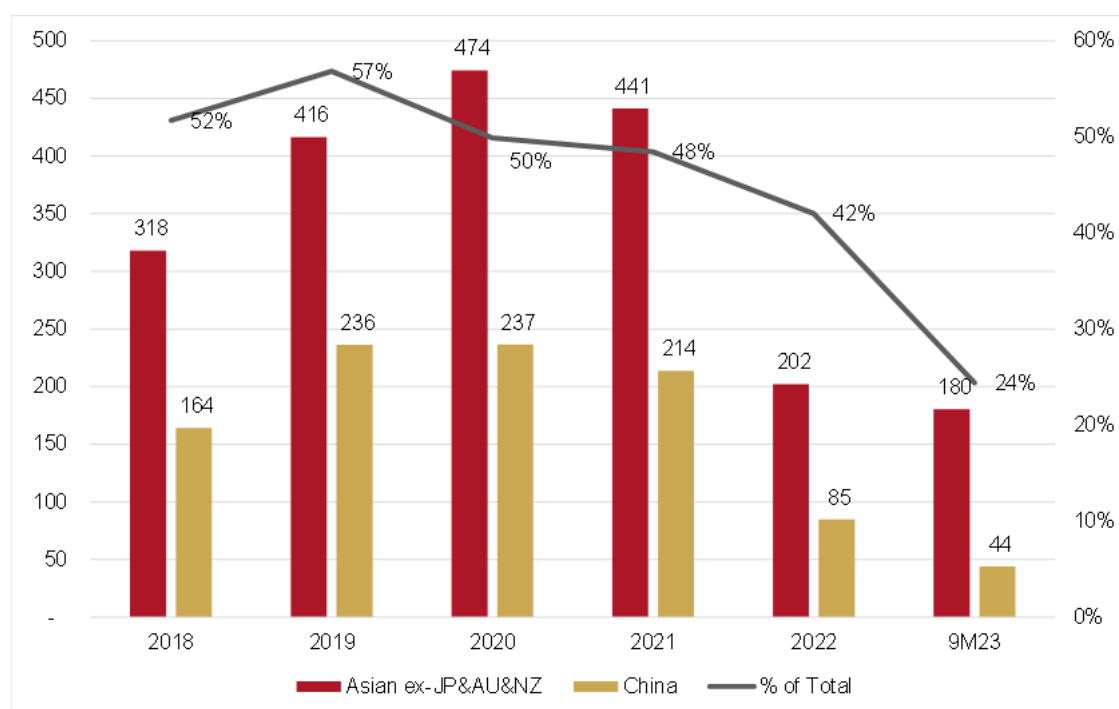
#### ❖ Desk analyst comments 分析员市场观点

##### ➤ MOU between NDRFC and HKMA to promote cross-border bond issuance by Chinese enterprises in HK

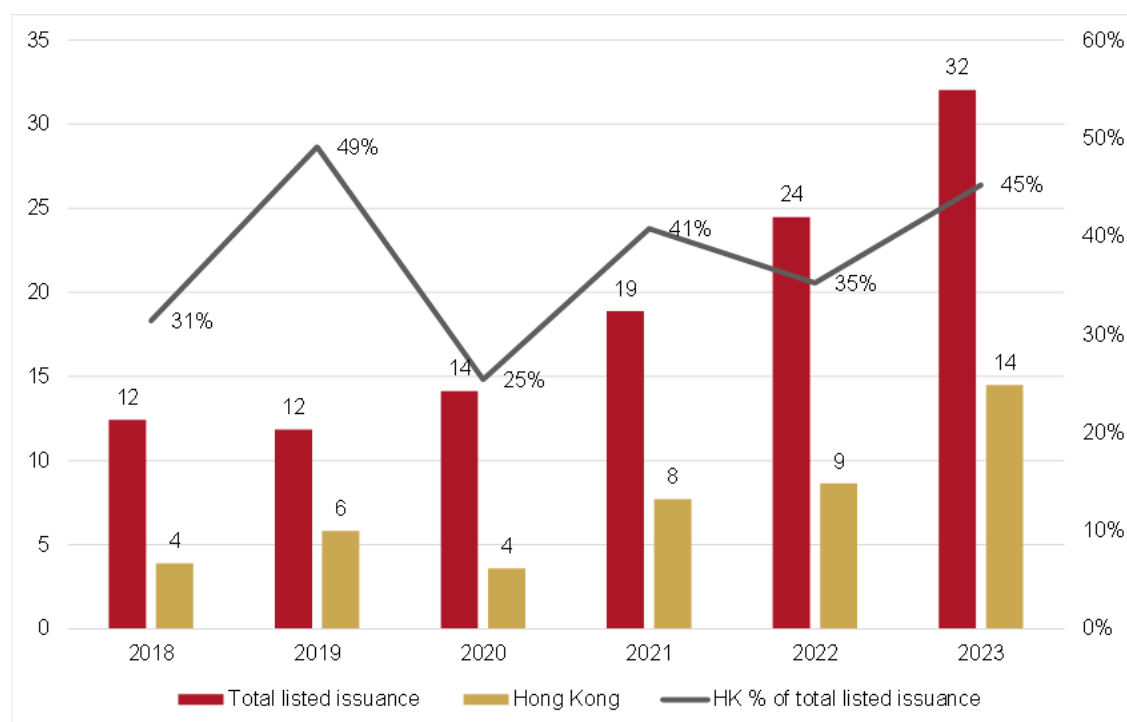
On 18 Oct'23, NDRC and HKMA signed a MOU at the 3rd Belt and Road Forum for International Cooperation on supporting cross-border financing by Chinese enterprises and promoting the development of the Hong Kong bond market. Under the MOU, NDRC and HKMA will:-

1. support bond issuance by Chinese enterprises in Hong Kong through policy facilitation;
2. organizing joint promotional activities to enhance the understanding of the relevant policies and requirements regarding Chinese offshore debts among market participants; and encourage them to leverage Hong Kong's platform;
3. promote diversified development of the Hong Kong bond market on green and sustainable finance market, as well as the Dim Sum bond market.

The MOU represents a step forward to a deeper collaboration between NDRC and HKMA. Going forward, NDRC and HKMA will maintain regular communications on the Chinese offshore debt market to promote the steady and orderly development of cross-border financing activities of Chinese enterprises. We expect more concrete details as to the policies, sectors or names of Chinese enterprises to be included, types of financing products and timetable of implementation to be gradually disclosed.

**Chart 1: USD bonds issuance amount (USD bn)**

Source: Dealogic.

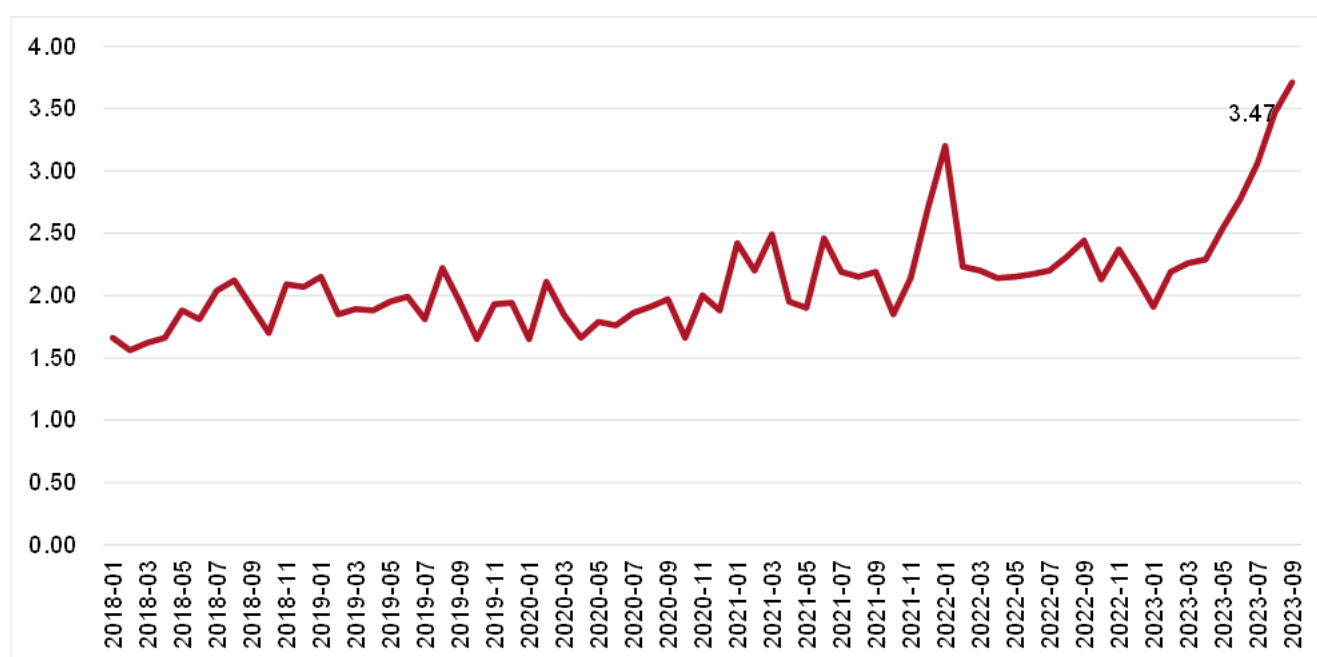
**Chart 2: Dim Sum bonds issuance amount (USD bn)**

Source: Bloomberg.

Since 2021, the gross issuance of USD bonds in Asia ex JP has been on the decline, reflected the sharp drop of gross issuance from China. Meanwhile, Dim Sum bond issuance has been steadily increasing despite the weakened RMB since late 2021. This, in our view, reflects the accelerating pace of RMB internationalization. See Chart 3&4.

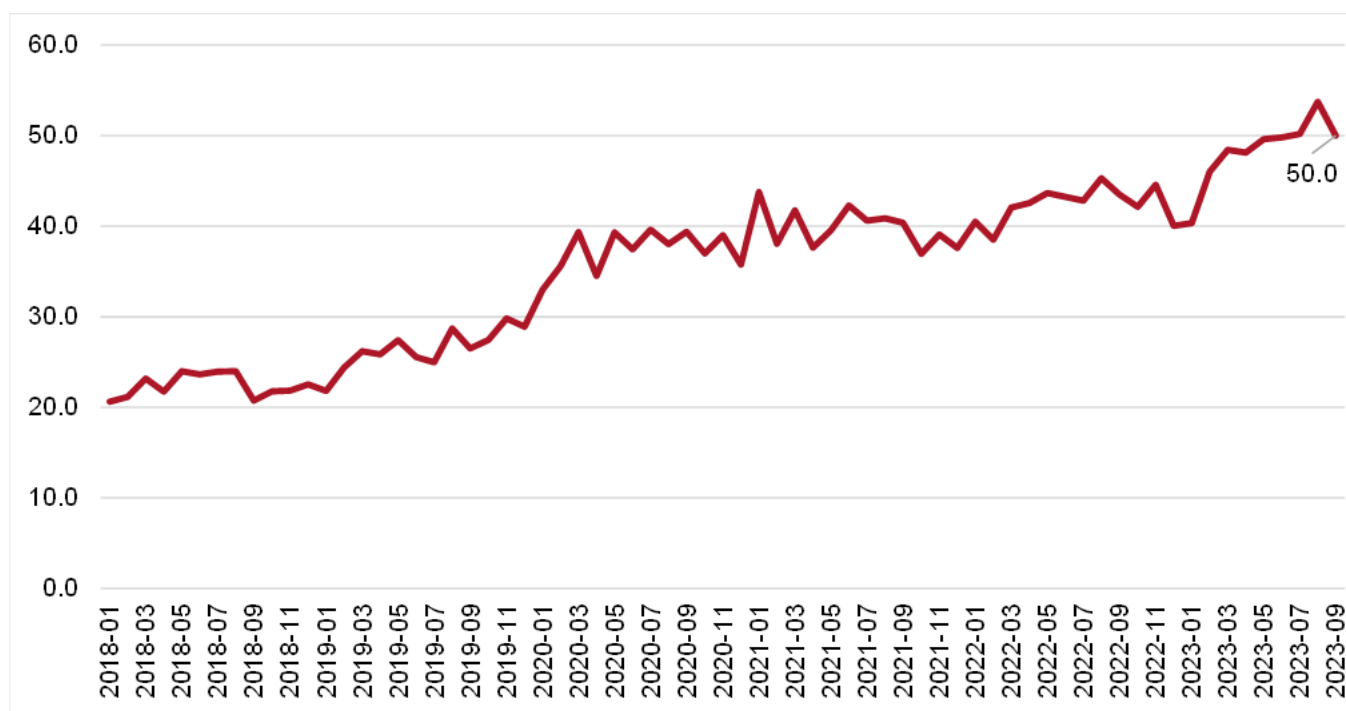
The implementation of MOU will be beneficial to the funding access of Chinese enterprises and to HK as an international financial hub. On one hand, Chinese enterprises will have broader funding channels, leveraging on the platform provided by HK to access investors of green and sustainable financing, as well as those of offshore RMB bonds. On the other hand, HK can diversify the development of her financing and bond markets, as well as consolidating its pivotal role in RMB internationalization. HK has been the major hub of dim sum bond issuance. Dim Sum bonds listed in HK accounted for an average of 39% of listed Dim Sum issued since 2018.

**Chart 3: RMB % in SWIFT payment**



Source: SWIFT, WIND.

Chart 4: RMB % in cross-border receipts and payments



Source: SAFE, WIND.

#### ➤ China Policy – China starts active fiscal stimulus to revive growth

Chinese policymakers have shown stronger commitment to economic growth as they have started to launch more active fiscal stimulus. China's legislature, the National People's Congress, approved a cabinet plan yesterday (24 Oct) to raise the general fiscal deficit ratio for 2023 from 3% to 3.8% of GDP. The legislature also renewed through 2027 an authorization for the cabinet to front-load at most 60% of next year's local government bond quota. Meanwhile, President Xi made his first visit to the PBOC since taking office for a decade. These policies or moves indicate the policymakers' increased focus on restoring market confidence and shoring up the economy. We believe China will maintain its GDP growth target at around 5% for 2024 with higher broad fiscal deficit ratio and stronger credit policy loosening. The central bank may launch additional cuts in RRR, deposit rates and LPRs into next year. We maintain the GDP growth forecast for 2023 at 5.2% and slightly revise up the forecast for 2024 from 4.8% to 4.9%.

**Fiscal policy will be more proactive ahead.** The legislature approved a plan to raise the general fiscal deficit ratio for 2023 from 3% to 3.8% of GDP, well above the 3% set in March which the cabinet generally considers an upper limit. China has rarely adjusted the budget mid-year as it only did this in 2008 global financial crisis and 1998 Asian financial crisis. The rise in general fiscal deficit ratio was even higher than in 2020 when global economy was in a recession caused by the Covid-19 pandemic, indicating that a new round of fiscal stimulus is on the way. The central government will carry the additional deficit worth RMB1tn and transfer those funds to local governments to support infrastructure projects in this year and next. The legislature also renewed through 2027 an authorization for the cabinet to front-load at most 60% of next year's local government bond quota. In other words, local governments can use up to 60% of their next year's new bond quotas in November and December, facilitating stronger fiscal expansion in next several months. To relieve local governments' contingent debt burden, the cabinet kicked off a program last month to allow provincial governments to swap high-interest shadow borrowing for lower-interest public bonds. Meanwhile, large state-owned banks were encouraged to

restructure matured loans to LGFVs to lower their debt burden. We believe the fiscal policy will be more expansionary in next several quarters.

**The policymakers will continue to make efforts to boost market confidence.** The budget revision indicates Chinese policymakers' stronger commitment to restoring market confidence and shoring up the economy as market sentiment and economic growth remained weak after the policy easing in the past two months. Although GDP growth beat expectations in 3Q23, severe challenges are likely to persist into 2024 including property market stress, deflation pressure and global economic uncertainty. The Chinese policymakers may continue to launch supportive policies ahead to boost market confidence and economic growth momentum. The PBOC may launch additional cuts in RRR, deposit rates and LPRs in next several quarters. Municipal governments may further loosen property policy to stabilize the property sector. In addition, China will continue to improve ties with the US and other countries to lower geopolitical risks. Foreign Minister Wang Yi is scheduled to meet the US Secretary of State Antony Blinken in Washington later this week, preparing for a probable Xi-Biden summit in November. Meanwhile, a delegation of Chinese business, cultural and sports figures, like basketball star Yao Ming, is due in New York for a series of public engagements. In addition, Australia's Premier will visit China in early November as the two countries continue to repair their bilateral relationship.

**China's economy may mildly recover in next several quarters with GDP growth at 5.2% in 2023 and 4.9% in 2024.** Supported by continuous policy loosening and low base, China's economy may mildly recover in next several quarters. We expect the housing sales may gradually narrow its YoY declines and retail sales & service consumption may further improve. We maintain the GDP forecast for 2023 at 5.1% and slightly revise up the forecast for 2024 from 4.8% to 4.9%. The stronger fiscal stimulus and better growth prospect will mildly boost renminbi bond yields, exchange rates and commodity prices. It may slightly slow the disinflation pace in the US.

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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)
No Offshore Asia New Issues Pipeline Today					

#### ➤ News and market color

- Regarding onshore primary issuances, there were 102 credit bonds issued yesterday with an amount of RMB123bn. As for Month-to-date, 955 credit bonds were issued with a total amount of RMB1,033bn raised, representing a 3.7% yoy decrease
- [CHIGRA]** China Grand Automotive Services' subsidiary Guanghui Automotive Services received Shanghai bourse's approval over RMB1bn corporate bond offering

- **[CHJMAO]** China Jinmao proposed to provide up to RMB2.445bn loan to Nanjing Yaofang for development of Suzhou residential land parcel
- **[COGARD]** Media reported that Country Garden paid scheduled principal, interest on restructured RMB2bn bonds; The company's USD note trustee sent EoD notice; Media reported that Country Garden founding Yeung family failed to request capital injection from state-backed companies
- **[GEMDAL]** Shenzhen Investment Holdings denied rumor on RMB6bn acquisition of stake in Gemdale from Funde Sino Life
- **[GRNCH]** Greentown unit's 20Lvcheng07 bondholders exercised RMB917.9mn put option
- **[MIDEAZ]** Media Group filed documentation for planned Hong Kong secondary listing
- **[SHDOIS]** Shandong Iron and Steel Group issued RMB1bn 4.90% 2+N-year MTNs
- **[YUNINV]** Yunnan Provincial Investment proposes to offer up to RMB1bn/RMB1.5bn corporate bonds/MTN to repay debts

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