

CMBI Credit Commentary

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

- *Asian IG space was weak this morning. New CQLGST'27 was stable. KRKPSC'27/29 widened 20-30bps. Recent new issues FRESHK'28 and NSINTW'34 widened 2-3bps. We saw demand on CN financial floaters. VNKRLs further dropped 3-4pts.*
- **AZUPOE:** *Early redeem AZUPOE 5.65 12/24/24. Prefer INCLEN 4.5 04/18/27 for better risk-return profile. See comments below.*
- **China Economy - Deflation pressure intensified.** *CMBI estimates China's CPI and PPI growth rates may rise from 0.2% and -3% in 2023 to 0.5% and -1.5% 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

Asia IG space was soft yesterday. KRKPSC 27/29 widened 5-10bps under selling from AMs/HFs/FMs. In JP, MYLIFE 5.8 '54 was 0.1pt higher. RAKUTN 6.25 Perp/SOFTBK 6.875 Perp were 0.1-0.2pt lower. In Chinese IGs, HAOHUA 28-30s were 2-5bps wider. In the high beta TMTs, JD/LENOVO/XIAOMI 30s were 1-4bps wider. In financials, BNKEA/NANYAN/NSINTW 34s widened 4-8bps. Chinese AMCs were soft. CCAMCLs/ORIEASs were 5bps wider. HRINTHs were 0.2-0.4pt lower (3-12bps wider). In AT1s, the recently issued INTNED 7.25 Perp/UBS 6.85 Perp were 0.2pt higher and HSBC 6.875 Perp/HSBC 6.95 Perp were unchanged to 0.1pt higher. In HK, LIFUNG '25 and Perp were 0.1 and 0.7pt lower, respectively. Moody's downgraded Li & Fung's corporate family rating one notch to Ba2 with outlook revised to stable from negative. NWDEVL Perps/27-31s were another 0.5-2.3pts lower after the fall of 3.2-6.3pts over last week. LIHHK 25/26 were down 0.6-1.3pts. In Chinese properties, VNKRL 25-29s were down another 2.1-3.0pts after falling 3.0pts last week. SHUION 25-26s also dropped another 2.4-2.7pts. LNGFOR 27-32s and YLLGSP '26 lowered 1.4-2.5pts. CHJMAO 26/29/Perp were 0.5-2.2pts lower. GRNCH '25/COGO '26/YUEXIU '31 were down 0.5-0.6pt. DALWAN 24-26s were unchanged to 0.2pt lower. See our comments on [9 Sep '24](#). Outside properties, FOSUNI 25-27s were 0.5-0.7pt lower. CHIOIL/WESCHI 26s were down 0.4-0.5pt. In Macau gaming, SANLTD/WYNMAC 26-29s were up 0.1-0.4pt. In India, AZUPOE 24/26 were unchanged to 0.1pt higher. Azure Power announced the call of AZUPOE 5.65 12/24/24. See below for comments. Elsewhere, SMCGL 8.75 Perp lowered 0.1pt to 100.2.

In USD LGFVs, CQLGST priced a USD142.7mn 3-yr bond at par to yield 6.5%. CQLGST 24-25s closed unchanged. CQNANA '26 was 0.6pt higher. BJCONS '26/HNYUZI '27 were up 0.2-0.3pt. GSHIAV '25/KMRLGP '24 were 0.1pt higher. On the other hand, CPDEV 25/26/Perp were 0.1-0.4pt lower.

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The CNH LGFVs were skewed to better selling. In SOE perps, CHPWCN 4.25 Perp/SPICPT 3.45 Perp were 0.1-0.3pt higher.

❖ Last Trading Day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
CATIC 3.3 09/23/30	94.2	1.9	VNKRLE 3 1/2 11/12/29	48.0	-3.0
MUFG 4.7 03/10/44	97.6	1.7	VNKRLE 3.975 11/09/27	51.3	-2.8
CHGRID 4 05/04/47	92.4	0.8	SHUION 5 1/2 06/29/26	66.5	-2.7
CHGRID 4.85 05/07/44	104.1	0.6	LNGFOR 3 3/8 04/13/27	73.3	-2.5
CQNANA 4 1/2 08/17/26	97.3	0.6	SHUION 5 1/2 03/03/25	77.3	-2.4

❖ Marco News Recap 宏观新闻回顾

Macro – S&P (+1.16%), Dow (+1.20%) and Nasdaq (+1.16%) rebounded on Monday. UST yield was lower on Monday, 2/5/10/30 yield reached 3.68%/3.49%/3.70%/4.00%.

❖ Desk analyst comments 分析员市场观点

➤ AZUPOE: Early redeem AZUPOE 5.65 12/24/24. Prefer INCLEN 4.5 04/18/27 for better risk-return profile

Azure Power issued a notice to early redeem AZUPOE 5.65 12/24/24 of USD310mn. The upcoming call date of AZUPOE 5.65 12/24/24 will be on 24 Sep'24 at call price of 100. The bond is backed by ten projects with a total capacity of 615MW (RG II) originally commissioned between 2016-19, spread across Punjab, Maharashtra, Uttar Pradesh, Andhra Pradesh, Gujarat, Karnataka, and Rajasthan. The call is refinanced with a term loan of INR24bn (cUSD286mn) from REC Limited, which is under the Ministry of Power of India. Per media report, tenor of the loan is 16-19-year and funding cost is 9-handle.

After the early redemption of AZUPOE 5.65 12/24/24, Azure Power has only one USD bond remaining, i.e. AZUPOE 3.575 08/19/26 with an outstanding amount of USD308.7mn. AZUPOE 3.575 08/19/26 is subject to partial mandatory amortization and partial mandatory cash sweep amortization redemption. There will be three amortizations totaled USD44.7mn remaining before the maturity in Aug'26. Meanwhile, the next call date of AZUPOE 3.575 08/19/26 will be on 19 Aug'25 at 100.

	Mandatory amortization redemption	Mandatory cash sweep amortization redemption	Total (% of issued amt)	Total (USDmn)
19 Feb'25	1.48%	2.02%	3.5%	14,490
19 Aug'25	1.67%	1.98%	3.65%	15,111
19 Feb'26	1.67%	1.98%	3.65%	15,111
19 Aug'26	All remaining o/s bonds			263,962

Source: Company fillings.

Recalled that Azure Power had completed two tender offers on AZUPOE 3.575 08/19/26 in 2024. The company repurchased USD12mn in Mar'24 and USD8mn in Aug'24. The small maximum acceptance amount of two tender offers are effectively parts of the mandatory cash sweep amortization redemptions of the bond. Among Indian renewable energy players, we prefer INCLEN 4.5 04/18/27 for better risk-return profile. At 93.3, INCLEN 4.5 04/18/27 was traded at YTM of 7.36%. Please refer to our comment on INCLEN 4.5 04/18/27 in [our daily on 30 Aug'24](#).

➤ China Economy - Deflation pressure intensified

Aug CPI growth edged up but still came in below expectation. Food price remained the major driver as vegetable price remarkably surged. Core CPI growth reached a post-Covid low as home service price was the only item registering subtle MoM growth in Aug, indicating the subdued consumer demand. PPI sharply declined as global commodity prices retreated amid weakening demand and overcapacity pressure. Persistent deflation has pushed up real debt burden, restrained durables consumption and eroded business earnings. The good news is that deflation may have drawn the attention of the top policymakers as previous governor of the PBOC indicated monetary policy should focus on addressing deflation pressure recently. The policymakers may start to consider how to defy a deflation like in 1998-2001 in the next several months. The monetary policy may remain accommodative with additional cuts by 10-20bps in LPRs, refinancing rates and deposit rates in the remainder of the year. We expect deflation pressure might last in the remainder of this year before possible alleviation next year. We estimate China's CPI and PPI growth rates may rise from 0.2% and -3% in 2023 to 0.5% and -1.5% in 2024 and 1.2% and 1% in 2025.

Food price continued to drive CPI recovery. CPI YoY growth rebounded to 0.6% in Aug from 0.5% in July, slightly below market expectation of 0.7%. In sequential terms, CPI moderated to 0.4% after growing 0.5% in July. Food price remarkably surged by 3.4% MoM in Aug after rising 1.2% due to shortage of supply resulted from high temperature or rainy weather in most provinces, the biggest jump since Jan 2021, with vegetable price notably increasing by 18.1% MoM in Aug. YoY growth of food price increased to 2.8% in Aug from 0%. According to high-frequency data, price of agricultural products and vegetables has slowed down in early Sep. Pork prices accelerated from 2% MoM growth in July to 7.3% in Aug. Vehicle fuel price notably dropped from 5.1% to -2.7% YoY while its MoM growth dipped 2.9% in Aug after rising 1.5%, due to declining crude oil price.

Core CPI growth reached a post-Covid low as consumer demand remained soft. Core CPI surprisingly dropped 0.2% MoM in Aug following a brief month of growth, weaker than previous seasonality. Its YoY growth edged down to 0.3% in Aug from 0.4%, reaching the lowest point since Mar 2021. Service price notably dropped 0.1% in Aug after rising 0.6% in July. Home service was the only item in core CPI that registered positive MoM growth in Aug, while tourism price slowed down to -0.7% after surging 9.4% MoM in July. Education, telecom, rent and medical services all showed 0 growth while express service dropped by 0.1% MoM. Durable goods prices remained subdued as vehicle price dropped 0.3% in Aug following a 0.6% dip. Average unit price in Shanghai second-hand car market has bottoming out, rebounding to -23.5% YoY in early Sep after dropping 30% in early Aug. Telecom equipment price further plunged 0.8% MoM after dropping 0.1% in July. Home appliance price dipped 0.7% MoM in Aug after rebounding 0.4% in July, as effort from government to ramp up subsidy supporting demand might take more time. Looking forward, CPI may continue to modestly recover thanks to the low base although growth of food price might moderated in upcoming months. Core CPI growth may pick up in Sep heading into national holidays but may remain restrained in medium term due to lethargic consumer demand amid an elevated real interest rate and weak employment conditions.

PPI significantly dipped amid declining global commodity price and weak domestic manufacturing activities. The MoM growth of PPI markedly declined by 0.7% in Aug compared to -0.2% drop in July, the largest decline in 14 months. Its YoY contraction dipped to -1.8% in Aug after dropping 0.8% in July, below market expectation at -1.5%. For mining industries, PPI of coal mining, oil & gas, and ferrous metals all dropped to -0.1%, -3.3% and -8% YoY in Aug from 0.3%, 6.7% and -3.7%, while non-ferrous metals moderated to 7.6% from 10.6%. For mid-stream industries, PPI in intermediate goods such as rubber & plastics, metal products and chemical products all dropped by 0.3%, 0.6% and 0.9% MoM respectively. For final goods, auto manufacturing saw a 0.2% MoM decline after one brief month of growth while PCs dipped by 0.2% in Aug. Looking forward, we expect the PPI may widen its YoY decline in the next three months before improving again from late 4Q. CRB commodities index has continued to decline in early Sep, dragged by the weakening manufacturing activities in US, Europe and China.

Deflation may have drawn the attention of the top policymakers. Persistent deflation has pushed up real debt burden, restrained durables consumption and eroded business earnings. The good news is deflation may have drawn the attention of the top policymakers as previous governor of the PBOC has pointed out recently that monetary policy should focus on addressing deflation pressure. China may start to consider how to defy a deflation like in 1998-2001 in the next several months. The policymakers have made a subtle shift towards demand-side stimulation as they raised fiscal subsidies to households for their auto & home appliance upgrading and may further lower outstanding mortgage rates. China's monetary policy may remain accommodative with additional cuts by 10-20bps in LPRs, refinancing rates and deposit rates in the remainder of the year. We expect deflation pressure to last in the remainder of this year before possible alleviation next year.

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➤ Offshore Asia New Issues (Priced)

Issuer/Guarantor	Size (USD mn)	Tenor	Coupon	Priced	Issue Rating (M/S/F)
Chongqing International Logistics Hub Park Construction Co., Ltd.	142.7	3yr	6.5%	6.5%	-/-/-
China Minsheng Banking Corp., Ltd. Hong Kong Branch	300	3yr	6.025%	SOFR+65	-/BBB/-

➤ Offshore Asia New Issues (Pipeline)

Issuer/Guarantor	Currency	Size (USD mn)	Tenor	Pricing	Issue Rating (M/S/F)
APA Infrastructure	USD	-	10/20yr	T+195/215	Baa2/BBB/-
CK Hutchison	USD	-	5.5/10yr	T+125/145	A2/A/A-
Marubeni Corporation	USD	-	5yr	T+130	Baa1/BBB+/-
Nissan Motor	USD	-	3/5yr	T+185/T+215	Baa3/-/BBB-
Nissan Motor	USD	-	3yr	SOFR Equiv	Baa3/-/BBB-
Suzhou Industry Investment Holding Group Co., Ltd. (SBLC by Huishang Bank)	USD	-	3yr	-	-/-/-
Vedanta Resources	USD	-	5NC2	11.125%	-/B/-/-
Wuhan Metro Group	USD	-	3yr	T+125	A3/-/A

➤ News and market color

- Regarding onshore primary issuances, there were 44 credit bonds issued yesterday with an amount of RMB34bn. As for month-to-date, 377 credit bonds were issued with a total amount of RMB318bn raised, representing a 8.6% yoy decrease
- Media reported that Australia's banking regulators proposed lenders phase out the use of AT1 bonds and replace AT1 bonds with T2 bonds and CET1
- [CQNANA]** Chongqing Nan'an District Urban Construction & Development (Group) scheduled put option exercise for 21Nancheng01 bonds on 13-23 Sep'24
- [LIFUNG]** Moody's downgraded Li & Fung's CFR to Ba2 with stable rating outlook

- [VEDLN] Media reported that Vedanta Resources is in talks to issue USD 1bn foreign currency bonds
- [VNRLE] China Vanke withdrew RMB8.2bn loans from banks

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