

CMBI Credit Commentary

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

- *Asian IG space was unchanged to 2bps tighter this morning as rates rallied higher. Recent issues KOB COP'27/29 were unchanged. CKHH'29/24 tightened c2bps. Bank T2/leasing names were active and under better buying.*
- **China Policy** - PBOC CGBs trading is not Chinese version of QE. See below for comments from CMBI economic research.
- **INDYIJ**: Indika Energy set USD350mn as maximum acceptance amount in INDYIJ 8.25 10/22/25 [tender offer](#).

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❖ Trading desk comments 交易台市场观点

Yesterday, the new KOB COP 27/29 widened 2bps from the ROs (CT3+60 and CT5+70, respectively). Meanwhile, HYUELE 27/29 were 1-3bps tighter. HYNCRD/DAESEC 29s were unchanged to 1bp tighter. Chinese IGs were under small better selling. HAOHUA '30/TENCNT '30/BABA '31 were 1-2bps wider. In financials, bank T2s such as BNKEAs/BCHINAs were unchanged to 2bps tighter amid mixed two-way flows, whilst SHCMBKs/OCBCSPs/WOORIBs were 1-3bps wider under better selling. In Chinese AMCs, HRINTHs were traded 0.3-1.0pt lower (5-20bps wider) under heavy selling, while CCAMCLs/ORIEASs widened 3-5bps under better selling. In AT1s, MQGAU/KBANK Perps were down 0.1pt. EU AT1s remained in consolidation mode. SOCGEN 8 Perp/STANLN 6 Perp/HSBC 6.375 Perp were 0.2-0.4pt lower, under selling from Asian AMs/PBs. In HK, the new CKHH 29/34 closed unchanged to 1bp tighter. LASUDE/LIHHK 26s were 0.7pt lower. NWDEVL Perps were down another 0.5-0.9pt. Chinese properties performed mixed. YUEXIU '26-31s/YXREIT '26 were up 0.3-0.6pt following media report of Yuexiu Property's plan of issuing USD200mn equivalent 3-yr Dim Sum bonds. [See our comments on 25 Apr'24](#). CSCHCN 9 06/26/24 moved 2.0pts higher. On the other hand, ROADKG 24-26s fell another 1.7-5.7pts, ROADKG Perps lowered 0.8-1.0pt after the decline of 1.4-2.4pts on Wed following the bondholder identification. VNKRL 24-29s were 0.9-2.3pts lower. FUTLAN/FTLNHD 24-26s were down 0.7-2.5pts. In industrials, CHIOIL '26 dropped 1.6pts following Moody's one-notch downgrade to Ba3 and closed 4pts lower WTD. China Oil and Gas published its FY23 results last evening and is hosting investors' call at the time of writing. Macau gaming sector was soft. MPELs/STCITYs/WYNMACs were 0.2-0.5pt lower. Elsewhere, LMRTSP 24/26 dropped another 1.5-3.0pts and closed around 5pts lower WTD. LPKRIJ 25/26 decreased 2.0-2.3pts and closed 3-4pts lower WTD. MEDCIJ 26-28s and KIJAIJ '27 were down 0.3-0.6pt. GLPCHI '26 was 0.7pt higher.

In LGFVs, the new NNCOMM 7.3 '27 hovered around the RO at par Meanwhile the new LYURBN 6.8 '26 were sought-after and closed 0.1pt higher under RM buying. The quality LGFVs such as GZGETH' 27/CDCOMM '27/WUXIND '26 were 0.1-0.2pt higher. Shandong names JMUDIV/HKIQCL 25s were down 0.1pt. Media reported NAFMII has halted registration of new credit-linked notes (CLNs) that use offshore LGFV debt as underlying assets. In the high-beta names, the flows were balanced two-way among RMs/AMs in financials/insurance names. GRPCIN '26 was up 0.4pt, whilst ZHONAN '25/SUNSHG '26 were down 0.1pt.

❖ Last Trading Day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
CSCHCN 9 06/26/24	23.1	2.0	ROADKG 6.7 09/30/24	45.8	-5.7
CATIC 3.3 09/23/30	87.0	1.4	LMRTSP 7 1/2 02/09/26	77.1	-3.0
GLPCHI 2.95 03/29/26	81.6	0.7	ROADKG 6 09/04/25	24.7	-3.0
YUEXIU 2.8 01/20/26	92.9	0.6	ROADKG 5.9 03/05/25	31.1	-2.8
YUEXIU 3.8 01/20/31	80.6	0.5	FTLNHD 4.8 12/15/24	66.2	-2.5

❖ Marco News Recap 宏观新闻回顾

Macro – S&P (-0.46%), Dow (-0.98%) and Nasdaq (-0.64%) retreated on Thursday. US 1Q24 GDP ros 1.6% qoq, lower than the expectation of +2.5% qoq. US 1Q24 core PCE increased 3.7%, higher than the expectation of +3.4%. The latest US initial jobless claim was +207k, lower than the expectation of +214k. UST yield rallied higher yesterday, 2/5/10/30 yield reached 4.96%/4.70%/4.70%/4.82%.

❖ Desk analyst comments 分析员市场观点

➤ China Policy - PBOC CGBs trading is not Chinese version of QE

The PBOC's recent remarks indicate its growing concern about financial system pressure caused by the relentless decline of long-term bond yields. But we do not think the central bank will target to push up long-term yields as the excessively low yields are mainly due to continuing deflation pressure, risk aversion sentiment and weak credit demand. Artificially driving up long-term yields amid weak economic fundamentals may cause market turmoil and further harm economic prospect. The PBOC's response to possible direct trading of central government bonds (CGBs) in future should not be considered as the Chinese version of QE. We believe it is only a change of liquidity management tools and may offer the central bank a higher control over short-term interest rates. Given the prevailing deflation pressure and excessively low long-term rates, reducing short-term policy rates seems more crucial than implementing QE in China. Looking forward, the PBOC may expand liquidity supply to moderately lower money market rates. As the property market continues to plummet, the central bank may further lower mortgage rates especially for first-home and second-home buyers to boost housing demand. To protect banks' NIMs, the central bank may guide banks to further reduce deposit rates before possible mortgage rate cuts. As loan contract rates for SOEs and large enterprises are so low, the PBOC is reluctant to further cut LPRs. As China's deflation pressure remains while the US inflation may continue to beat expectations in the near term, US dollar may remain strong against renminbi. We can only see the turning point when the US inflation noticeably declines while China sees a noticeable reflation.

PBOC is growing uncomfortable about the relentless declines in long-term T-bond yields. The PBOC has ramped up its verbal pushback against the continued declines in long-term government bond yields this week as it warned banks and insurance companies with heavy long-duration bond positions may face losses with a possible reversal of long-term rates. The central bank was also concerned that the excessively low yields of long-

term bonds may not be able to cover their funding costs as the term spreads significantly declined. We believe the PBOC's public comment is just sending a warning instead of pursuing an increase in long-term yields as a policy target. The central bank had warned the market twice in the past several months, but long-term yields continued to decline. Unlike the A-share market with many noisy traders, the bond market with large financial institutions as players should be more efficient. The relentless decline of long-term yields is mainly due to continuing deflation pressure, risk aversion sentiment and weak credit demand. Without assertive and aggressive policies to stabilize real estate and defy deflation, long-term yields are unlikely to see a sustained reversal. We do not think the central bank will artificially push up long-term yields amid weak economic fundamentals as this move could cause market turmoil and further harm economic prospect. The right policy option should be further cuts in short-term policy rates instead of driving up long-term yields.

Direct trading of CGBs do not mean Chinese QE. The PBOC also responded to recent market discussion of potential T-bond trading in the secondary market after a comment by President Xi Jinping spurred speculation of possible QE in China. The PBOC said China would stick to normal monetary policy and its possible trading of T-bonds is completely different from the QE operations conducted by others. The US and ECB launched QE after their policy rates dropped to the zero lower bound. Chinese banks' 7D repo rates, widely considered as the short-term policy rates, still reached around 2%. Given the prevailing deflation pressure and excessively low long-term bond yields, lowering the short-term policy rates seems more crucial than implementing QE in China.

Direct trading of CGBs is a change in liquidity management tools instead of policy direction or target. Currently, the PBOC mainly uses repo or reverse repo agreements in open market operations due to limited supply and illiquidity of short-term government bonds in China. At end-1Q24, PBOC's claims to banks through repo & other refinancing operations reached over RMB15tn while its holding of government bonds only amounted to RMB1.5tn. In future, the PBOC may gradually shift to direct CGBs trading for liquidity management. However, it would merely reflect a change in the operational tool, not necessarily a policy shift or a material change on its balance sheet size as the nature of liquidity provision remains unchanged. Direct CGBs trading, however, would increase the liquidity of short-term government bonds and enhance PBOC's control over the short-term T-bond rates.

Click [here](#) for full report

➤ **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)
Manappuram Finance	USD	-	4yr	-	-/BB-/BB-

➤ **News and market color**

- Regarding onshore primary issuances, there were 161 credit bonds issued yesterday with an amount of RMB158bn. As for month-to-date, 1,807 credit bonds were issued with a total amount of RMB1,808bn raised, representing a 1% yoy decrease
- **[ADROIJ]** Moody's affirmed Adaro Indonesia's Ba1 and maintained stable outlook
- **[CHIOIL]** China Oil and Gas FY23 revenue increased 7.1% to USD2.37bn while operating profit down 39.4% to USD133.4mn
- **[INDYIJ]** Indika Energy set USD350mn as maximum acceptance amount in INDYIJ 8.25 10/22/25 tender offer
- **[SMCPM]** San Miguel Global Power completed full redemption of USD800mn SMCGL 6.5 PERP
- **[STCITY]** Studio City Finance completed repurchase of USD100mn of STCITY 6 07/15/25 in tender offer
- **[VEDLN]** Vedanta Limited 4Q24 revenue down 6.4% yoy to USD4.3bn and EBITDA down 4.2% yoy to USD1.1bn
- **[VNRLE]** Media reported that China Vanke is seeking buyers of its stake in urban renewal project in Shenzhen

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