

CMBI Credit Commentary

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

- *Asian IG benchmarks tightened 1-2bps this morning. Front-end due 23/24 bonds were under better buying. AMCs were mixed. HRINTH/GRWALL increased up to 0.25pt while CCAMCL/ORIEAS were weaker. LGFVs/SOE Perps were stable.*
- *Chinese properties: Contracted sales rebounded mom Sep'23. See below.*
- *China Policy – Credit growth tends to stabilize amid continuous policy easing. See below for comments from our economic research.*

❖ Trading desk comments 交易台市场观点

Last Friday, Asia ex-JP IG space had a mixed session. On the new issue side, SHINFN priced USD500mn 5yr floating rate social bond at SOFR+108bps and the bond closed 8bps tighter from RO. Chinese SOE/TMT benchmarks edged 1-2bps tighter. The long-end of SOEs were better bid. TENCNT 30s/BIDU 31s were unchanged to 2bps tighter. Whilst the BBB TMTs MEITUA/XIAOMI 30s widened 3-5bps. In financials, HRINTH 27-30s were 0.1-0.4pt lower (15-25bps wider). GRWALL 30s widened 10bps. Leasing names ICBCIL/CDBFLC 27-31s widened 3-4bps. Chinese AT1s were stable amid mixed two-way flows. European AT1s HSBC/STANLN Perps were 0.3pt lower. In HK Corp perps, NWDEVL Perps dropped 0.9-1.6pts. CKPH 3.8 Perp/CKINF 4.85 Perp declined 0.5-0.8pt. HK/Chinese properties were mixed. SHUION 24-25s were 0.4-0.7pt higher. FUTLAN 24s/FTLNHD 26s were up 0.5-1.2pts. Media reported Seazen planned to issue CBICL-backed MTN and bonds of RMB1.5bn and domestic corporate bonds with CDS. VNKRLE 25s/CHJMAO 26s were up 1.1-1.3pts. PINGRE 24s/26s were up around 1pt. ROADKG 25s/26s grinded 0.5-0.6pt higher. On the other hand, CSCHCN 24s were 1.2-2.3pts lower. In industrials, EHICAR '26 was up 2pts. AACTEC 26s/31s were down 0.4-0.7pt. In Macau gaming names, SANLTD/STICTY/WYNMAC 28-30s were 0.8-1pt lower. Indian renewable name AZUPOE 24s/26s closed 2.7-3.4pts higher, after it finally filed its long overdue audited results for FY22 on 12 Oct. Indonesian names LMRTSP 26s/MEDCIJ 28s were down 0.7pt. Elsewhere, GLPCHI 24-26s gained 0.5-1.3pts.

The LGFV/Perp spaces were stable. On the primary front, ZHEKBV priced 6.7% 364-day paper of USD223mn at par. On the secondary front, the flows in LGFV were active, led by higher-yielding/high-beta names. We saw loose bonds coming out of non-Chinese accounts, but they were promptly digested by onshore investors who remained better buyers. Shandong/Chongqing names SHDOIS 24s/SHGUOH 25s/CQNANA 26s were 0.2-0.3pt higher. Elsewhere, flows were balanced two-way across lower-yielding LGFVs/SOE

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perps. In SOE perps, CHPWCN 4.25 Perp/CHSCOI 4 Perp were up 0.1pt. Insurer names SUNSHG/ZHONAN 26s lowered 0.6-0.8pt.

❖ Last Trading Day's Top Movers

| Top Performers | Price | Change | Top Underperformers | Price | Change |
|-----------------------|-------|--------|-----------------------|-------|--------|
| AZUPOE 3.575 08/19/26 | 86.3 | 3.4 | CSCHCN 9 07/20/24 | 45.9 | -2.3 |
| AZUPOE 5.65 12/24/24 | 95.7 | 2.7 | CSCHCN 9 04/12/24 | 48.7 | -2.2 |
| EHICAR 7 09/21/26 | 61.5 | 2.0 | CSCHCN 9 06/26/24 | 46.2 | -2.1 |
| CHGRID 4.85 05/07/44 | 90.7 | 1.7 | NWDEVL 4 3/4 01/23/27 | 80.6 | -1.6 |
| CITLTD 4.85 04/25/46 | 83.9 | 1.4 | NWDEVL 6 1/4 PERP | 53.2 | -1.3 |

❖ Marco News Recap 宏观新闻回顾

Macro – S&P (-0.50%), Dow (+0.12%) and Nasdaq (-1.23%) were mixed on last Friday. Oct US consumer sentiment from Michigan University down to 63.0 from 68.1 in Sep and was lower than the expectation of 67.2. China Sep CPI/PPI was unchanged/-0.25% yoy, compared with the expectation of +0.2%/-2.4% yoy. The UST yield curve bull flattened on last Friday, 2/5/10/30 yield reached 5.04%/4.65%/4.63%/4.78%, respectively.

❖ Desk analyst comments 分析员市场观点

➤ Chinese properties: Contracted sales rebounded mom in Sep'23

During one of the traditional peak months of China real estate market, the 34 Chinese developers under our radar reported contracted sales totaled RMB261.6bn in Sep'23, increased 24.4% mom from RMB210.2bn in Aug'23. The yoy change of contracted sales in Sep'23 was -28.1%. The yoy decline narrowed from -40.3% in Aug'23. In 9M23, the aggregate contracted sales of 34 developers were down 18.8% yoy to RMB2,567.6bn, compared to yoy decline of 17.6% in 8M23.

There were 5 developers under our radar are still able to achieve yoy contracted sales growth in 9M23. The outperformers in 9M23 are YUEXIU (RMB111.9bn, +40% yoy), CHIOLI (RMB239.0bn, +19% yoy) and CRHZCH (RMB234.3bn, +16% yoy).

HPDLF is the only non-state-owned developer achieving yoy contracted sales. This was driven by its focuses on T1 cities such as the sales of Shanghai Hopson Binjiang Court. Underperformers are distressed developers such as RONXIN (RMB12.8bn, -76% yoy), TPHL (RMB12.0bn, -65% yoy) and ZHPRHK (RMB12.8bn, -53% yoy). Despite the packaged measures from government launched in Aug/Sep'23, the pace of recovery remains slow. We expect some yoy pick-up in contracted sales in 4Q23 in view of the low base figures and the impact of supportive property policies in higher tier cities starting to kick in.

| Company | CN Name | BBG Ticker | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Trend | Sep'23 MoM Growth | Sep'23 YoY Growth | Sep'23 YTD Sales | Sep'23 YTD Sales Growth |
|-------------------------------|---------|---------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|-------|-------------------|-------------------|------------------|-------------------------|
| Yuexiu Property | 越秀地产 | YUEXIU | 8,884 | 13,712 | 21,237 | 13,331 | 12,355 | 14,108 | 8,473 | 9,858 | 9,976 | | 1% | -40% | 111,934 | -40% |
| China Overseas | 中国海外发展 | CHIOLI | 13,188 | 27,424 | 42,987 | 34,033 | 29,345 | 33,199 | 11,947 | 18,833 | 28,071 | | 49% | 23% | 239,027 | 19% |
| China Resources Land | 华润置地 | CRHZCH | 16,020 | 24,200 | 38,800 | 33,010 | 31,300 | 26,900 | 17,190 | 20,290 | 26,610 | | 31% | -13% | 234,320 | 16% |
| Hopson | 合生创展 | HPDLF | 1,327 | 2,193 | 6,547 | 1,585 | 2,323 | 2,087 | 1,067 | 1,177 | 6,988 | | 494% | 234.6% | 25,294 | 9% |
| Poly Real Estate | 保利地产 | POLYRE | 29,545 | 34,284 | 50,301 | 41,695 | 40,838 | 40,157 | 31,002 | 31,308 | 36,022 | | 15% | -6% | 335,152 | 5% |
| China Jinmao | 中国金茂 | CHJMAO | 10,000 | 14,130 | 20,100 | 14,402 | 14,180 | 13,140 | 6,368 | 5,100 | 12,080 | | 137% | -8% | 109,500 | 0% |
| Greentown | 绿城 | GRNCH | 13,500 | 17,900 | 29,900 | 27,100 | 20,200 | 25,600 | 18,200 | 18,100 | 21,800 | | 20% | -19% | 192,300 | -2% |
| Longfor (Attributable) | 龙湖集团 | LNGFOR | 7,220 | 11,140 | 15,240 | 11,260 | 9,410 | 11,370 | 7,600 | 8,520 | 9,120 | | 7% | -21% | 90,880 | -4% |
| China Vanke | 万科企业 | VNKRLE | 28,630 | 30,120 | 42,630 | 33,470 | 32,940 | 36,140 | 22,050 | 22,610 | 32,010 | | 42% | -8% | 280,600 | -11% |
| Greenland Holding* | 绿地控股集团 | GRNLGR | 9,790 | 7,710 | 11,290 | 6,860 | 11,940 | 11,310 | 6,857 | 8,563 | 10,180 | | 19% | -27% | 84,500 | -16% |
| Powerlong | 宝龙地产 | PWRLNG | 2,040 | 3,319 | 3,478 | 3,123 | 3,054 | 2,596 | 2,031 | 2,067 | 1,945 | | -6% | -19% | 23,653 | -25% |
| Gemdale | 金地集团 | GEMDAL | 9,210 | 14,790 | 20,110 | 15,000 | 13,230 | 13,470 | 10,510 | 12,510 | 13,100 | | 5% | -42% | 121,930 | -25% |
| Dexin China | 德信中国 | DEXICN | 2,340 | 3,200 | 2,630 | 1,390 | 2,150 | 1,810 | 1,030 | 3,150 | 1,150 | | -63% | -53% | 18,850 | -32% |
| Agile | 雅居乐 | AGILE | 6,440 | 6,120 | 4,250 | 3,680 | 4,200 | 3,540 | 2,270 | 2,540 | 3,170 | | 25% | -9% | 36,210 | -32% |
| Redsun | 弘阳地产 | REDSUNHONGS | 1,109 | 2,770 | 3,434 | 2,189 | 2,019 | 1,504 | 2,011 | 1,877 | 1,990 | | 6% | -42% | 18,903 | -34% |
| Future Land | 新城控股 | FUTLANFTLNHD | 5,776 | 7,809 | 7,920 | 7,162 | 7,033 | 6,700 | 6,006 | 6,047 | 5,740 | | -5% | -31% | 60,193 | -36% |
| Sino-Ocean | 远洋集团 | SINOCE | 3,290 | 5,070 | 8,190 | 7,030 | 5,040 | 7,040 | 2,490 | 1,970 | 2,570 | | 30% | -68% | 42,690 | -38% |
| Central China Real Estate | 建业地产 | CENCHI | 2,871 | 2,120 | 1,237 | 1,013 | 1,523 | 1,260 | 402 | 650 | 720 | | 11% | -51% | 11,796 | -39% |
| KWG Property | 合景泰富集团 | KWGPPO | 3,561 | 4,320 | 3,850 | 3,231 | 2,380 | 1,730 | 1,130 | 880 | 830 | | -6% | -80% | 21,912 | -44% |
| Country Garden (Attributable) | 碧桂园 | COGARD | 22,010 | 24,850 | 25,010 | 22,690 | 18,200 | 16,000 | 12,070 | 7,980 | 6,170 | | -23% | -81% | 154,980 | -44% |
| Logan Property* | 龙光地产* | LOGPH | 1,070 | 2,190 | 3,110 | 3,200 | 2,490 | 1,270 | 1,960 | 3,490 | 1,390 | | -60% | -49% | 20,170 | -44% |
| Shimao* | 世茂房地产* | SHIMAO | 4,510 | 4,110 | 6,220 | 5,010 | 4,010 | 4,210 | 3,050 | 2,200 | 2,020 | | -8% | -75% | 35,340 | -45% |
| Jingrui Holdings | 景瑞控股 | JINGRU | 342 | 454 | 442 | 370 | 449 | 405 | 265 | 218 | 207 | | -5% | -49% | 3,152 | -46% |
| China SCE | 中骏集团控股 | CHJMSC | 3,051 | 3,809 | 4,608 | 2,505 | 3,102 | 3,090 | 2,304 | 1,199 | 1,105 | | -8% | -76% | 24,773 | -46% |
| CIFI Holdings | 旭辉集团 | CIFHIG | 5,020 | 7,810 | 8,300 | 8,300 | 7,000 | 5,510 | 4,700 | 4,460 | 5,350 | | 20% | -47% | 56,450 | -46% |
| Yuzhou Properties | 禹洲地产 | YUZHOU | 1,505 | 1,750 | 2,150 | 2,063 | 2,253 | 1,952 | 1,302 | 1,252 | 1,202 | | -4% | -47% | 15,429 | -46% |
| Zhongliang | 中梁控股 | ZHLGHD | 3,660 | 4,020 | 3,750 | 3,300 | 3,190 | 3,110 | 2,200 | 2,040 | 2,380 | | 17% | -47% | 27,650 | -47% |
| Radianse* | 金辉控股* | JNHUIGRDHGCCL | 1,920 | 1,750 | 1,530 | 3,050 | 3,230 | 1,370 | 1,640 | 1,800 | 1,980 | | 10% | -40% | 18,270 | -48% |
| Guangzhou R&F* | 富力地产* | GZRFPR | 1,350 | 2,110 | 3,910 | 1,660 | 1,540 | 2,970 | 1,000 | 980 | 1,470 | | 50% | -36% | 16,990 | -49% |
| Sunac China | 融创中国 | SUNAC | 7,230 | 10,860 | 11,180 | 8,060 | 7,790 | 7,020 | 5,120 | 4,190 | 9,570 | | 128% | 9% | 71,020 | -50% |
| Yanlord | 仁恒置地 | YLLGSP | 905 | 3,667 | 3,557 | 4,220 | 6,101 | 2,876 | 1,634 | 1,564 | 1,568 | | 0% | -83% | 26,092 | -52% |
| Zhenro Properties | 正荣地产 | ZHPRHK | 1,356 | 1,620 | 1,811 | 1,654 | 1,566 | 1,674 | 1,024 | 1,010 | 1,090 | | 8% | -43% | 12,805 | -53% |
| Times Property | 时代中国控股 | TPHL | 852 | 1,961 | 2,638 | 1,494 | 1,418 | 1,080 | 818 | 908 | 850 | | -6% | -59% | 12,019 | -65% |
| Ronshine China | 融信中国 | RONXIN | 995 | 1,334 | 1,537 | 2,086 | 2,029 | 1,809 | 947 | 872 | 1,171 | | 34% | -71% | 12,779 | -76% |

Source: Company filings, CRIC.

➤ China Policy – Credit growth tends to stabilize amid continuous policy easing

China's total social financing beat expectations in Sep with strong growth in government bond, shadow credit and household mortgage financing. Fiscal policy seemed to play a more active role as policymakers urged local governments to use up their bond issuance quotas for this year by end-3Q23 and allowed provincial governments to issue special bonds with new quotas to resolve the hidden debt problem. Meanwhile, households' mortgage prepayments declined as the PBOC started to guide banks to lower interest rates of existing mortgage loans. However, private business confidence remained weak as new loans to enterprises declined. Looking forward, credit growth may gradually stabilize with possible slight pick-up in next several months as the continuous policy easing should further expand credit supply and stimulate credit demand. China's economy may slowly improve as the GDP growth is expected to reach 5.1% in 2023 and 4.8% in 2024.

Social financing came in better-than-expected as government bonds followed their previous acceleration and stronger shadow financing. Social financing flow rose 16.3% YoY (all in YoY terms unless otherwise specified) to RMB 4.12trn in Sep after increasing 26.4% in Aug. The strong social financing flow was mainly driven by the government bond financing and discounted bills. Net government bond financing followed its acceleration in the previous month at RMB 994.9bn, which was smaller than RMB1.18trn in Aug but grew significantly at 79.8% YoY. Meanwhile, shadow financing saw stronger growth of RMB300.7bn mainly driven by the new undiscounted banks' acceptance at RMB239.6bn, significantly higher than the level in the previous year at RMB13.2bn and RMB112.9bn in previous month. Net entrusted loans and trusted loans both increased on a sequential term from RMB9.7bn and -RMB22.1bn to RMB20.8bn and RMB40.3bn, reversing the trend of deceleration of OBS since early 2023. New RMB loans to real sector dropped 1.2% to RMB 2.54trn after increasing 0.5% in Aug. New foreign currency loans remained weak due to high US dollar rates and weak RMB. Corporate bond financing rebounded by 91.9% in Sep, compared to 78.4% growth in Aug.

New RMB loans were slightly below expectation despite robust rebound in new mortgage loans. New RMB loans dropped 6.5% to RMB2.31trn in Sep after rising 8.8% in Aug. The weak new RMB loans were due to the soft corporate credit demand as new loans to enterprises fell 12.2% to RMB1.68trn in Sep after rising 8.4% in Aug. New short-term loans returned to positive at RMB568.6bn from -RMB40.1bn in August, although plunging

13.4% YoY. New medium- to long-term loans increased to RMB1.25tn from RMB644.4bn in August, with its YoY decline narrowed to 7% from 12.4%. Net bill discount financing dropped to -RMB150bn in Sep from RMB34.7bn in Aug. On the bright side, new loans to household finally recovered thanks to the rebound in new medium- and long-term household loans. Household loans resurged 32% in Sep at RMB858.5bn from dropping 14.4% in Aug at RMB392.2bn while medium- and long-term loans rebounded 58.3% at RMB547bn from dropping 39.7% in Aug at RMB160.2bn. The improving mortgage loans show either a higher demand in housing sales or alleviating prepayment pressure, driven by the easing of property policy and lower rate on new and outstanding mortgage. Looking forward, we wonder if the trend will continue since the housing sales dropped again in early Oct. New short-term loans reached RMB321.5bn as consumer expenditure marginally improved. Private business sentiment was still fragile as credit to corporate and real economy remained weak.

We expect a mild rebound in credit growth with more government debt issuance and mortgage financing ahead. The policymakers may further loosen credit supply, property policy and fiscal policy ahead as the latest moves have failed to change market sentiment and business confidence. The PBOC may further cut RRR, deposit rates and LPRs in upcoming quarters and guide banks to expand credit supply. Meanwhile, municipal governments may further loosen property policy to stabilize property sector. In addition, governments may plan to issue more bonds with increasing broad fiscal deficit next year. Therefore, credit growth may gradually stabilize with possible mild rebound in next several months. China's economy may slowly improve. We maintain our forecast on the 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) |
|------------------|---------------|-------|--------|--------|----------------------|
| Zhejiang Kunpeng | 223 | 364d | 6.7% | 6.7% | Baa3/-/- |

➤ 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 55 credit bonds issued on last Friday with an amount of RMB72bn. As for Month-to-date, 289 credit bonds were issued with a total amount of RMB320bn raised, representing a 3.3% yoy decrease
- [AZUPOE]** Azure Power FY22 revenue up 17% yoy to USD220mn and adjusted EBITDA increase 33% yoy to 176.3mn
- [CHJMAO]** Fitch affirmed China Jinmao at BBB- and placed stable outlook
- [COGARD]** Country Garden received USD300mn interest-free loan from founder Yang's family

- **[DALWAN]** Dalian Wanda Commercial Management's proposed RMB3.301bn ABS offering terminated
- **[GEMDAL]** Gemdale plans to fully redeem RMB789mn ABS on 18 Oct first principal payment date
- **[FOSUNI]** Fosun International signed settlement agreement on Shagang Litigation II in connection with disposal of 60% equity interest in Nanjing Nangang
- **[SAKAEI]** Saka Energi 1H23 revenue down 29% yoy to USD219mn and net profit down 98% yoy to USD0.9mn
- **[SINOCE]** Sino-Ocean Holding Group, a unit of Sino-Ocean Group recorded net loss of RMB12.562bn in 1H23
- **[SMCPM]** San Miguel plans to offer 400mn preferred shares at PHP75 (cUSD1.3) apiece for repayment
- **[ZYAMCL]** Fitch upgrade Zhongyuan AMC to BBB from BB+
- **[ZZCITY]** Zhuzhou City Construction Development issued RMB1bn 3.99% three-year MTNs to repay debts

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