CMBI Credit Commentary

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

- *New issue WOORIB'27/29 tightened 6-8bps this morning. Recent new issues POHANG/SUMIFL/SATSSP/SKENER tightened 1-3bps. China IG benchmark BABA/TENCNT/HAOHUA were 0-2bps tighter. Bank T2 was under better buying.*
- ***China Economy –** Confidence remained weak amid property slump and deflation. CMBI maintains the forecast on the GDP growth at 4.8% for 2024 after 5.2% in 2023. See below for comments from CMBI economic research.*
- ***WYNMAC**: Media reported that Wynn Macau plans to hike staff pay by 2.5%-6% from 1 Mar due to gaming revenue recovery*

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❖ Trading desk comments 交易台市场观点

Yesterday, overnight UST yield widened 7-11bps across the curve. Asia IG space was mixed, while there were active two way flows on the four new issues across JP/KR/SG spaces. POHANG 27s and SKENER 27s tightened 3bps from the ROs (CT2+89 and CT2+79, respectively). SUMIFL 29s tightened 4bps from RO (T+123) and SATSSP 29s tightened 2bps inside RO (T+93). Secondary market was traded wider overall. Chinese SOE/TMT benchmark, HAOHUA/TENCNT 30s were 1-4bps wider. High beta TMTs WB/MEITUA/XIAOMI were 2-5bps wider. AMCs were mixed, CCAMCL 26-30s widened 2bps while HRINTH 29-30s tightened 2-3bps. In leasing space, BOCAVI curve was active, BOCAVI 24s were under better selling and BOCAVI 28-33s were traded in balanced two way flows. Chinese bank T2s ICBCAS/BCHINA 26s were 2-4bps wider. Chinese AT1s BOCOHK/CINDBK Perps were 0.1pt higher, whilst EU AT1s HSBC/STANLN Perps were 0.3-0.5pt lower. In HK IGs, HKLSP 33s were traded in mixed two way flows and widened 2bps. CKHH/AIA/HKAA/HKINTL 33s were better bid and closed unchanged to 2bps tighter. LIHHK 24/26 were up 0.5-1pt. SHUION 24-26s were 1.5-2.1pts lower. Chinese properties moved lower. DALWAN 24-26s were 2.2-3.5pts lower. GEMDAL '24 dropped 3.4pts. VNKRLEs/CHJMAOs lowered 0.6-1.4pts. LNGFOR 27-32s were down 0.9-1.8pts. In industrials, AACTECs were 0.5pt lower. Macau gaming names MPELs/SANLTDs/STICTYs were 0.7-1.3pts lower. In Indian space, GRNKENs/RPVINs were down 0.5-0.7pt. VEDLNs declined 0.4-0.6pt. Indonesian names were mixed. MDLNIJ 25/27 were 1.8-4.5pts higher. LPKRIJ 25/26 were down 1.8-2.7pts. Elsewhere, GLPCHIs were down 0.3-0.5pt.

The LGFV/Perp spaces had a weaker session and we saw more profit taking flows emerged. There were some loose bonds coming out from the SOE perps yielding low-5%, and also from the insurer SUNSHG/ZHONAN 24-26s after the impressive YTD rally, yet we saw the underlying demand in these

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bonds remained resilient. ZHONAN ’26 closed 0.2pt lower. HUANEN 3.08 Perp/CHCOMU 3.65 Perp were up 0.1-0.3pt, whilst CHPWCN 3.08 Perp/CHSCOI 4 Perp were down 0.1pt. We also saw selling in high-yielding names CPDEV but they were easily digested. CPDEVs were unchanged to 0.2pt lower. Meanwhile LGFVs remained sought-after thanks to sizeable buying flows from onshore RMs, primarily in quality Guangzhou names GZGETH/GUAMET/GZINFU and their yields grinded further tighter at mid-to-high-5%. GZGETH ‘25/GZINFU ’26 were 0.1pt higher. Elsewhere, JP insurance perps such as FUKOKU/SUMILF Perps were 0.1-0.2pt lower in light of selling from HFs/PBs.

❖ Last Trading Day’s Top Movers

Top Performers	Price	Change
MDLNIJ 5 04/30/27	**24.8**	**4.5**
CSCHCN 9 06/26/24	**45.8**	**4.2**
MDLNIJ 3 06/30/25	**26.4**	**1.8**
LIHHK 4 1/2 06/26/25	**91.0**	**1.1**
NWDEVL 6 1/4 PERP	**53.5**	**0.8**

Top Underperformers	Price	Change
DALWAN 11 02/13/26	**70.3**	**-3.5**
GEMDAL 4.95 08/12/24	**63.1**	**-3.4**
DALWAN 11 01/20/25	**80.5**	**-3.2**
LPKRIJ 8 1/8 01/22/25	**93.7**	**-2.7**
DALWAN 7 1/4 12/29/24	**86.1**	**-2.2**

❖ Marco News Recap 宏观新闻回顾

Macro – S&P (-0.56%), Dow (-0.25%) and Nasdaq (-0.59%) continued to down on Wednesday. US retail sales rose 0.6% mom in Dec’23, higher than the expectation of +0.4% mom. UST yields moved higher yesterday, 2/5/10/30 yield reached at 4.34%/4.02%/4.10%/4.31%, respectively.

❖ Desk analyst comments 分析员市场观点

➢ China Economy – Confidence remained weak amid property slump and deflation

The economic data in December 2023 showed a clear picture of overcapacity and deflation pressure in China’s economy as housing sales and consumption were much weaker than industrial output and fixed asset investments. Housing sales continued to slump, retail sales remained weak while VAIO and FAI saw a modest rebound. The major challenge for the economy is weak demand instead of supply-side issues. What China needs to do is strong fiscal support to households and significant mortgage rate cut for home buyers to boost housing sales and consumption demand. However, the focus of China’s fiscal policy is still on investment and production. Meanwhile, the authority has a fear of floating on exchange rates, restraining the room of interest rate policy. Looking forward, China’s broad fiscal deficit may reach 7.5% of GDP in 2024 with over half focusing on fixed investments. The PBOC is likely to maintain a moderate easing of monetary policy with 1-2 times of RRR cuts and one LPR cut in 2024. We maintain our forecast on the GDP growth at 4.8% for 2024 after 5.2% in 2023.

Economic growth came in roughly in line with expectations. China’s GDP rose 5.2% YoY (all on a YoY basis unless otherwise specified) in 4Q23 after growing 4.9% in 3Q23. Meanwhile, the SA QoQ growth of GDP eased to 1% from 1.5%, and the 2Y CAGR of GDP edged down to 4% from 4.4%. GDP growth in 2023 was slightly higher than the 5% government goal. In 4Q23, property sales & development investments further plunged; while both service output and retail sales moderately picked up with much lower base last year. Infrastructure investment growth slowed down while manufacturing investment mildly picked up. The economic data in December showed a clear picture of overcapacity and deflation pressure in China’s economy as housing sales and consumption were much weaker than industrial output and FAI.

Retail sales remained sluggish. Retail sales growth slowed down to 7.4% in December after rising 10.1% in November, while its 2Y CAGR rose from 1.8% to 2.7%. Cosmetics, daily used goods, home appliance, cultural & office products, furniture and construction & decoration materials continued to slump as their 2Y CAGRs dropped from -4.1%, -3%, -5%, -1.8% and -10.2% in November to -5.9%,-7.6%,-4.7%, -1.8% and -8.2%. There were three reasons for the weak consumption. Firstly, people tend to lower their current propensity to consume while their future income and economic expectations deteriorated. Youth employment remained challenging as newly-released unemployment rate of age 16-24 and 25-29 reached 14.9% and 6.1% in December. Secondly, deflation pressure still lingered, increasing real debt burden and discouraging durable consumption, while deflation expectation indicates higher buying power in the future, hurting current consumption. Lastly, housing sales continued to contract, weakening consumer confidence and related consumption. Looking forward, consumption may mildly improve in 2024 thanks to a gradual recovery of employment in service and public sector, consumer price and second-hand home sales in large cities. We expect retail sales to grow 5.3% in 2024 after rising 7.2% in 2023.

New housing market continued to slump with promising rebound in second-hand housing sales. The gross floor area (GFA) sold and the GFA started for commodity buildings respectively dropped 8.5% and 20.4% in 12M23 after decreasing 8% and 21.2% in 11M23. Property development investment further declined 9.6% after dropping 9.4% in 11M23. The recovery ratio of housing sales in 30 major cities compared to the same period in 2029 reached 58.5% in December. Second-hand housing market performed much better as its recovery ratio in 11 selective cities reached 115.3% in first half of January. As housing market remained in deep contraction, we expect additional loosening of property policies in 2024. Policymakers may gradually loosen housing purchase restrictions in large cities and further lower down-payment ratio and mortgage rates especially for the second-home buyers. Housing sales may see some tentative stabilization with additional policy loosening and release of upgrading demand in large cities. In the medium term, however, housing sales may continue to face downward pressure as young population shrinks and urbanization process slows.

Service activity weakened while industrial output rebounded. The YoY growth of service output index declined from 9.3% in November to 8.5% in December. Output growth rates in most industries slowed in terms of 2Y CAGRs. The 2Y CAGRs of VAIO in nonmetal mineral product, ferrous metal, special equipment, auto and electrical material & equip respectively dropped from 0.5%, 7.2%, 2.1%, 12.5% and 11.3% in November to -0.8%, 2.4%, 1.5%, 6.3% and 10.4% in December. The industrial output grew on a YoY basis thanks to lower base and recovery in exports. Looking forward, service and industrial output may mildly improve in 2024 thanks to a recovery in service consumption, an end of de-stocking cycle and an alleviation of deflation.

FAI growth expanded backed by robust manufacturing and infrastructure investments. FAI rose 3% in 2023, slightly higher than 2.9% in 11M23. Property development investment further declined; while investment growth in manufacturing and infrastructure sector accelerated to 6.5% and 8.2% in 12M23 from 6.3% and 8%. Infrastructure investment dominated by central SOEs, like that in power generation & supply, railway transportation and air transportation, maintained strong growth. Infrastructure investment dominated by local SOEs, like that in water conservancy, environmental protection & public facility management, remained weak with gradual rebound. As funding from local government bonds continue to kick in, liquidity pressure of local governments mildly improved. However, significant shrank in land sales and strict control over incremental hidden debt should restrain infrastructure investment dominated by local SOEs. Looking forward, we expect FAI in manufacturing and infrastructure sectors to grow 6.5% and 7.8% in 2024 after rising 6.5% and 8.2% in 2023, while the decline of property investment to moderate to 7% in 2024 from 9.6% in 2023.

China needs to ramp up policy support to demand side instead of supply side. The economic data in December shows a clear picture of overcapacity and deflation pressure in China's economy. The major challenge for China's economy is in the demand side instead of the supply side. What China needs to do is large fiscal transfer to households and significant mortgage rate cuts to boost housing sales and consumer demand. However, the focus of China's fiscal policy is still on the supply side. Meanwhile, the central bank has a fear of floating on exchange rates, restraining the room for interest rate policy. Looking forward, China's broad fiscal deficit may reach about 7.5% of GDP in 2024 with over half on fixed investment. The PBOC may moderately ease monetary policy with possible RRR cuts by 50bps, 1-Y LPR cut by 10bps and 5-Y LPR cut by 20bps. Meanwhile, municipal governments may further loosen property policy. We expect a mild improvement of China's economy with GDP growth expected to rise from 5.2% in 2023 to 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)
ABC New York Branch	600	3yr	5.985%	SOFR+63	A1/A/A
Woori Bank	300/400	3/5yr	4.75%/4.75%	T+75/85	A1/A+/-

➢ 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 103 credit bonds issued yesterday with an amount of RMB91bn. As for Month-to-date, 934 credit bonds were issued with a total amount of RMB794bn raised, representing a 5.9% yoy decrease

- **[COGARD]** Media reported that Country Garden sold Sydney parcel and exit Australia

- **[HYUELE]** Media reported that SK Hynix plans to upgrade chip production technology at Chinese plant

- **[LOGPH]** Logan Group appoints Alvarez & Marsal to join as co-financial advisors on offshore debt restructuring

- **[WYNMAC]** Media reported that Wynn Macau plans to hike staff pay by 2.5%-6% from 1 Mar

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