

## CMBI Credit Commentary

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

- *Markets sentiment recovered this morning. New issues EIBKOR'25/33 tightened 10bps and EIBKOR'28 were unchanged. Other secondary IG names were unchanged to 2bps tighter. LGFV sector was two-way active, flows on new issue TJRTGC'24 skewed to better selling.*
- **VEDLN:** *Possible maturity extension on VEDLN'24s and VEDLN'25 for 3 years. VEDLNs were unchanged to rose 0.5pt this morning. See below.*
- **China Policy** – *Credit rebounded with sign of economic stabilisation. See below for comments from our economic research.*

#### ❖ **Trading desk comments** 交易台市场观点

Yesterday, UST yields widened 3-5bps and the flows of Asia ex-JP were light ahead of Wednesday's CPI data. Chinese TMT/SOE benchmarks such as BABA/TENCNT/HAOHUA papers edged 1-3bps wider. Whilst the BBB-rated TMTs such as WB/LENOVO names were better bid on the front end. In financials, AMC space was soft. HRINTH curve closed 0.25-0.5pts lower. The front end of Chinese bank T2s such as 24s called papers were under better selling. HK Corp space notably weaker, given the weak FY23 results of SHKP. NWDEVL Perps fell 3-6pts. NWDEVL '27 was marked 4.5pts lower to close at 79.5, while the rest of NWDEVLs also closed 0.5pt lower at high-70s. NWSZF/HYSAN Perps dropped 1-1.5pts. CKINF/CKPH Perps declined 0.5-0.75pt. Chinese properties were mixed. GEMDAL '24 gained 2.75pts. CSCHCNs were quoted up 0.5-0.75pt. LNGFORs/VNKRLEs/CHJMAOs dropped 2-4pts. FUTLANs/FTLNHDs declined 1.25-2.25pts. In industrials, FOSUNs lowered 1pt. EHICAR/WESCHI 26s were down 0.25-2.25pts. Macau gaming space was muted. In Indian space, VEDLNs were marked 0.25pt higher. Media reported Vedanta was in discussions about extending the tenure of its bonds due in 2024/2025 by three years to 2027. See below for comments. Indonesian papers such as LPKRIJs/LMRTSPs were bid up 0.5-1pt.

The LGFVs/SOE Perp spaces were stable. Overall flows were skewed to small better selling from funds raising cash. Chongqing/Shandong names such as CQLGST/SHDOIS 24s were traded down 0.15pt. CPDEV 26/Perp lowered 0.5-1pt. On the other hand, KMRLGP '24 was marked 0.3pt higher to close at 87.5, the recent high. ZHHFGR Perp was up 0.15pt. SOE perps such as CHPWCN 3.55 Perp/CHCOMU 3.65 Perp were marked 0.15-0.2pt higher. Elsewhere, high-beta names such as SUNSHG/ZHONAN 25s/26s were marked 0.75-1.25pts lower. FRESHK 24s/25s were quoted down 0.3-0.5pt.

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## ❖ Last Trading Day's Top Movers

| Top Performers       | Price | Change | Top Underperformers   | Price | Change |
|----------------------|-------|--------|-----------------------|-------|--------|
| GEMDAL 4.95 08/12/24 | 50.6  | 2.7    | NWDEVL 4.8 PERP       | 42.5  | -6.2   |
| APLNIJ 5.95 06/02/24 | 70.3  | 2.7    | NWDEVL 4 1/8 PERP     | 49.5  | -6.1   |
| CHGRAU 9.109 PERP    | 62.0  | 2.5    | NWDEVL 6 1/4 PERP     | 51.6  | -5.4   |
| FANGYA 1.98 11/10/24 | 95.5  | 1.1    | NWDEVL 5 7/8 06/16/27 | 79.4  | -4.5   |
| CSCHCN 9 04/12/24    | 54.6  | 0.7    | LNGFOR 3.85 01/13/32  | 51.2  | -4.0   |

## ❖ Marco News Recap 宏观新闻回顾

**Macro** – S&P (+0.67%), Dow (+0.25%) and Nasdaq (+1.14%) rallied higher on Monday as media reported that Fed officials would hold interest rate unchanged in next week's meeting. China new RMB loans in Aug was RMB1,360bn, higher than the expectation of RMB1,200bn and RMB345.9bn in Jul. US treasury yields edged higher yesterday, 2/5/10/30 yield reached at 4.97%/4.40%/4.29%/4.37%, respectively.

## ❖ Desk analyst comments 分析员市场观点

## ➤ VEDLN: Possible maturity extension on VEDLN'24s and VEDLN'25 for 3 years

Vedanta is discussing with the bondholders of VEDLN 13.875'24, VEDLN 6.125'24 and VEDLN 8.95'25 about maturity extensions. It plans to extend the maturities of these bonds by 3 years to 2027-28, and the total outstanding amount is cUSD3.2bn. While VEDLN 9.25'26 of USD6mn is not included in current round of discussion, the bond will mature earlier than these 3 bonds if the maturity extensions are agreed by the bondholders.

The terms for the liability management exercises have yet to be disclosed. In our opinions, Vedanta may need to include VEDLN'26 in the liability management exercise in order to gain the support from the holders of VEDLN'24s and VEDLN'25. In addition, VEDLN 13.875'24 and VEDLN 8.95'25 are "secured" bonds, Vedanta may need to offer additional incentives such as higher coupon and upfront cash for "non-secured" bondholders to support the liability management exercises.

Apart from the possible maturity extension, Vedanta has been working on other financing options in past few months. It was in talks with Standard Chartered Bank for USD1.2-1.3bn loan with 3-year tenor per media report last week. The loan should be sufficient to cover upcoming VEDLN 13.875'24 due in Jan'24. On the other hand, it plans to split each of its business and list them separately on stock exchange according to a media report at end-Aug. This could also be a more remote funding option for Vedanta to meet its debt obligations.

| Bond                  | Amt o/s (USDmn) | Ask px | Ask YTM (%) |
|-----------------------|-----------------|--------|-------------|
| VEDLN 13.875 01/21/24 | 1,000           | 88.70  | 50.34       |
| VEDLN 6.125 08/09/24  | 950.9           | 63.37  | 65.92       |
| VEDLN 8.95 03/11/25   | 1,200           | 68.54  | 38.56       |
| VEDLN 9.25 04/23/26   | 600             | 58.19  | 34.88       |
|                       | 3,750.9         |        |             |

Source: Bloomberg.

## ➤ China Policy – Credit rebounded with sign of economic stabilization

China's credit supply in August beat market expectation amid policy loosening. Total social financing rebounded significantly thanks to an increase of local government bond issuance for fiscal support as well as a recovery

in new renminbi loans. Credit demand of private businesses improved with a mild rebound in loan and bond financing while households maintained their risk-averse appetite for medium-and long-term loans. The policymakers have adopted a more pro-growth policy stance with additional cuts in deposit rates & LPRs and further loosening of property policies. Meanwhile, both central and local governments accelerated their bond issuance for fiscal expansion to support the growth. Looking forward, we see the bottoming out of China's economy in next two quarters with a stabilization of housing sales and moderate recovery of household consumption.

**Social financing was better than market expected as government accelerated their bond issuance and new renminbi loans improved.** Social financing flow rose 26.3% YoY (all in YoY terms unless otherwise specified) to RMB3.12trn in August after decreasing 32.2% in July. The strong social financing flow was mainly driven by a significant increase of government bond financing and an improvement of new RMB loans. Government bond financing jumped 287.5% to RMB1.18trn as local governments had been urged to use all of their bond issuance quotas for this year by the end of September. Meanwhile, new RMB loans to real sector grew 0.4% to RMB1.34trn after dropping 91.1% in July. New foreign currency loans further weakened due to high US dollar rates and weak RMB. New trust loans were also weak as investors' risk aversion towards property projects remained high. New Banks' acceptance balance increased by RMB112.9bn after dropping RMB196.2bn in July while its YoY growth further declined from -28.5% to -67.6%. Corporate bond financing rebounded by rising 78.4% in August, compared to 22.8% growth in July.

**New RMB loans moderately improved thanks to easing loan supply and lower loan rates.** New RMB loans rose 8.8% to RMB1.36trn in August after dropping 49.1% in July. New loans to enterprises grew 8.4% to RMB948.8bn in August after dropping 17.3% in July. New short-term loans narrowed its decline from RMB-378.5bn in July to RMB-40.1bn in August. New medium to long term loans increased from RMB271.2bn to RMB644.4bn in August, with its YoY decline narrowed to 12.4%. Private business confidence mildly improved as the policymakers showed a more pro-growth and pro-business policy stance. Bill discount financing was another major driver of new RMB loans which rose 118.2% to RMB347.2bn, but it did not necessarily indicate the recovery of credit demand since banks often used them to meet credit supply requirement.

**New loans to households remained weak as individuals were still reluctant to raise long-term debt to purchase home or durables.** New loans to households turned positive at RMB 392.2bn in August, compared to RMB-200bn in July. But it still registered a YoY decline of 14.4%. New short-term loans reached RMB232bn as consumer expenditure marginally improved. New medium and long term loans dropped 39.7% to RMB160.2bn. The effect of latest property policy support has not yet shown as housing sales still remained weak in early September. Looking forward, with more loosening of property policies and credit supply ahead, housing demand may gradually improve in next four quarters.

**We expect a mild recovery in credit demand with more pro-growth policy coming.** Since the July politburo meeting, the policymakers have made tremendous effort including monetary policy loosening, credit supply boost and property policy easing. The PBOC may further cut RRR, deposit rates and LPRs in upcoming quarters and guide banks to expand credit supply to real sector. Meanwhile, most cities may further loosen property policy with removal of home purchase restrictions and additional cuts in down-payment ratios and mortgage rates. In addition, credit and fiscal support for hard-technology and high-end manufacturing sectors may further increase. With stimulus package gradually taking effect, we expect the bottoming out of economy and a moderate recovery of credit demand in next two quarters.

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| Issuer/Guarantor                       | Size (USD mn) | Tenor    | Coupon               | Priced     | Issue Rating (M/S/F) |
|--|---------------|----------|----------------------|------------|----------------------|
| Bank of China Dubai Branch             | 500           | 3yr      | 5.935%               | SOFR+60    | A1/A/A               |
| Export-Import Bank of Korea            | 500/1000/500  | 2/5/10yr | 5.375%/5.125%/5.125% | T+45/75/95 | Aa2/AA/AA-           |
| Santos Finance Ltd                     | 850           | 10yr     | 6.875%               | T+265      | Baa3/BBB-/BBB        |
| Tianjin Rail Transit Urban Development | 140           | 364d     | 7.5%                 | 7.5%       | -/-/-                |

➤ **Offshore Asia New Issues (Pipeline)**

| Issuer/Guarantor        | Currency | Size (USD mn) | Tenor | Pricing | Issue Rating (M/S/F) |
|-------------------------|----------|---------------|-------|---------|----------------------|
| Energy Development Oman | USD      | -             | 10yr  | -       | -/-/-                |
| Korea Southern Power    | USD      | -             | 3yr   | -       | -/-/-                |

➤ **News and market color**

- Regarding onshore primary issuances, there were 42 credit bonds issued yesterday with an amount of RMB37bn. As for month-to-date, 462 credit bonds were issued with a total amount of RMB389bn raised, representing a 13.6% yoy decrease
- Six Chinese cities Dalian, Shenyang, Nanjing, Foshan, Dongguan and Jiaying have dismantled home purchase restrictions
- **[COGARD]** Media reported that Country Garden has got approvals from bondholders of its six onshore notes for three-year extension
- **[CQLGST]** Chongqing International Logistics Hub Park Construction proposed to offer RMB2.5bn corporate bonds via private placement
- **[DALWAN]** Media reported that some bondholders of 20Wanda01 have received payment for put on the bonds
- **[EHOUSE]** E-House (China) Enterprise proposed Cayman Scheme to implement restructuring
- **[GCLNE]** GCL Technology bought back additional 15mn shares for around HKD20mn
- **[GEELY]** Zhejiang Geely Holding issued RMB2bn 3.54% three-year corporate bonds
- **[SINOCE]** Media reported that Sino-Ocean Group still hasn't received needed unanimous consent from banks in three offshore loans to roll over for nine months the 19 Sep installments already deferred from Jun
- **[ZENENT]** Zensun Enterprises announced that USD103.478mn of ZENENT 12.5 09/13/23 were validly tendered for exchange and will issue new 7% USD103.478mn new notes due 2025

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