

CMBI Credit Commentary

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

The Asset Asian G3 Bond Benchmark Review 2023

We hope you found our commentaries and ideas helpful. We seek to elevate our efforts and value-add further in the coming year. We highly appreciate your support to us in Sell-Side Analysts of the polls of "[The Asset Asian G3 Bond Benchmark Review 2024](#)". Thank you for your support!

- *New NWSZF'28 tightened c20bps but price was only c0.4pt higher as CT5 moved 10bps higher. We saw active two-way flows in LGFV space and profit taking in JP financials. ROADKG redeemed USD30mn of its five USD bonds at par as scheduled. ROADKGs were unchanged to 0.5pt lower. See comments below.*
- *Yanlord: Weak 1H24 results but manageable liquidity. We maintain buy on YLLGSP 5.125 05/20/26. YLLGSP'25 rose 1pt post 1H24 results. See comments below.*
- *China Economy - Growth further softened. See below for comments from CMBI economic research.*

❖ Trading desk comments 交易台市场观点

Yesterday, Asia IG space was firm as US Jul CPI figures reinforced the market expectation of the first rate cut to start in Sep. In Chinese IGs, HAOHUA '30/TENCNT '28 tightened 2-3bps. In financials, HRINTHS/GRWALLs were 0.1-0.3pt higher (7-20bps tighter). In EU AT1s, BACR 8 Perp/SOCGEN 8.5 Perp/SANTAN 9.625 Perp were 0.3-0.8pt higher. In JP, SUMIBKs/SUMILFs were up 0.2-0.9pt. RAKUTNs rose another 0.3-0.5pt and closed 0.5-1.5pts higher WTD. See our comments on [15 Aug '24](#). In KR, HYUELEs tightened 2-4bps. In HK, NWSZF priced a USD400mn 4-yr bond at CT5+290 (99.265). See our comments on [15 Aug '24](#). NWDEVLs were down 0.3-0.6pt. CKINF/CKPH FFL Perps were up 0.5pt under better buying from PBs/Prop desks. LASUDE '26 was 1.2pts higher. In Chinese properties, DALWAN 25-26s were 0.3-0.8pt higher. YLLGSP '26 was 0.7pt higher. Pls see our [comments on 1H24 results](#) yesterday. ROADKG announced the partial redemption on the due-2028, 2029, 2030 bonds at par. ROADKGs closed unchanged yesterday. See below for comments. In industrials, HILOHO '24 fell 7.4pts. EHICAR '27 was 1.0pt lower. In India, UPLLIN 28/30/Perp moved 0.6-1.7pts higher. VEDLN 26-28s were up 0.2-0.3pt. In Indonesia, MEDCIJ 26-29s were up 0.3-0.4pt. Elsewhere, VLL International announced to call the USD350mn VLLPM 5.75 11/28/24 on 10 Oct '24, as expected after the recent new issue of VLLPM '29.

In LGFVs, HBCITY priced a USD300mn 3-yr bond (SBLC provided by HUIZHANG Bank) by at par to yield 5.4%. The new HENINV '27 rose 0.5pt from RO at par. The new CNH PHSOAH 3.25 '27 was unchanged around par.

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NJYZSO '27 was 0.3pt higher. CPDEV/BJCONS 26s were up 0.1-0.2pt. In the high beta IG names, HUANEN '30/HNINTL '31 were 0.4-0.5pt lower. The SOE perps were mixed. CHSCOI Perps were 0.1pt higher. CCBINT/COFCHK Perps were 0.1-0.2pt lower.

❖ Last Trading Day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
UPLIN 5 1/4 PERP	73.7	1.7	HILOHO 9 3/4 11/18/24	50.8	-7.4
LASUDE 5 07/28/26	71.6	1.2	EHICAR 12 09/26/27	79.6	-1.0
SUMILF 5 7/8 PERP	101.3	0.9	CNOOC 7 1/2 07/30/39	131.5	-1.0
DALWAN 11 02/13/26	87.9	0.8	CNOOC 6.4 05/15/37	118.1	-0.8
YLLGSP 5 1/8 05/20/26	89.0	0.7	TAISEM 1 3/8 09/28/30	83.3	-0.8

❖ Marco News Recap 宏观新闻回顾

Macro – S&P (+1.61%), Dow (+1.39%) and Nasdaq (+2.34%) performed strong on Thursday. The latest US initial jobless claim was +227k, lower than the expectation of +236k. US Jul'24 core retail sales increased 0.4% mom, higher than the expectation of +0.1% mom. UST yields rallied higher yesterday, 2/5/10/30 yield reached 4.08%/3.79%/3.92%/4.18%.

❖ Desk analyst comments 分析员市场观点

➤ ROADKG: Redeemed USD30mn of its five USD bonds at par as scheduled

Road King redeemed another USD30mn of its five extended USD bonds at par as scheduled in the tender offer completed in Jul'24. So far, Road King has redeemed totaled USD258mn in principal amount of the five bonds via the tender offer, first amortization as well as the latest redemption. The next amortization will be in Mar'27, there will be is some breathing room for Road King to focus on its operations in coming 1-2 years. Compared with other Chinese developers' liability management exercise, we consider Road King's plan is more friendly with a higher proportion of early repayments.

Security Name	Px (ask)	Paid in Jul'24	Paid on 15 Aug'24	o/s amt. (USDmn)	Required redemption of principal amt as % of o/s amt after the tender offer						
					Jul'24	Mar'27	Mar'28	Sep'28	Mar'29	Jul'29	Jan'30
ROADKG 6.7 03/30/28	55.26	65.3	18	206.9	22.5%	12.5%	65%	-	-	-	-
ROADKG 5.9 09/05/28	46.43	18.3	3	161.8	10%	10%	-	80%	-	-	-
ROADKG 6 03/04/29	41.48	17.6	3	155.6	10%	10%	-	10%	70%	-	-
ROADKG 5.2 07/12/29	39.12	38.1	3	434.7	8%	5%	-	5%	-	82%	-
ROADKG 5.125 01/26/30	38.34	38.7	3	441.6	8%	5%	-	5%	-	-	82%
		178.0	30	1,400.7							
ROADKG 7.75 Perp	25.36	-	-	300		-	-	-	-	-	-
ROADKG 7.95 Perp	23.56	-	-	300		-	-	-	-	-	-
ROADKG 7 Perp	22.54	-	-	300		-	-	-	-	-	-
Total				2,300.7							

Source: Company filling.

➤ **Yanlord: Weak 1H24 results but manageable liquidity**

A survivor of the sector; buy on YLLGSP'26

Yanlord posted notably weaker 1H24 results as expected and sounded out a cautious tone on outlook. That said, we continue to view Yanlord a “survivor” in the Chinese property sector given its focus on higher tier cities, the financial flexibility offered by its IP portfolio and manageable debt maturity profile. The refinancing pressure of Yanlord has considerably alleviated through various funding activities. After the repayment of YLLGSP 6.8 02/27/24 in Feb'24, Yanlord has only 1 outstanding offshore bond, i.e YLLGSP 5.125 05/20/26 due May'26. YTD, YLLGSP 5.125 05/20/26 moved 30pts higher. At 90.0, YLLGSP 5.125 05/20/26 is trading at YTM of 11.6%. The bond, in our opinion, still offers a good risk and return profile. We maintain buy on YLLGSP 5.125 05/20/26.

	O/S (USD mn)	Maturity	Coupon	Offer price	YTM (%)
YLLGSP 5 1/8 05/20/26	500.0	5/20/2026	5.125%	90.0	11.6%

Source: Bloomberg.

Click [here](#) for full report

➤ **China Economy - Growth further softened**

China's economy encountered further headwinds in July as its property market continued to slump, household consumption remained weak and private business capex was sluggish. The contraction of new housing sales started to narrow, yet at a slower pace. Housing prices continued to decline with high inventory and excessive supply. Retail sales slightly picked up yet remained weak. Industrial output softened, but still outpaced retail sales. The economic growth may continue to face downside risks considering the softening domestic demand and less favourable external environment. China should ramp up its policy support on consumption to avoid a deflation trap. However, the policymakers still consider high-quality development with technology innovation and manufacturing upgrading as the priority, and hence stimulus policy towards consumption may be limited. In response to the weak growth and continued deflation pressure, the PBOC may further cut LPRs and deposit rates by 10-20bps and RRR by 25bps in the remainder of this year. As the US Fed may start the rate cut cycle from the coming September, a possible weakening of the US dollar may expand the PBOC's policy room next year.

Housing market mildly improved with smaller contraction of new housing sales. The gross floor area (GFA) sold for commercial buildings moderately declined 18.6% in 7M24 after dropping 19% in 1H24. For July, its YoY decline narrowed to 12.3%. The GFA started to see less contraction of 23.2% after dropping 23.7% in 1H24. The recovery ratio of second-hand housing sales in 10 selective cities remained vigorous compared to 2019, moderating from 104.1% in July to 98.4% in first half of Aug. Second-hand housing sales often lead the property market cycle in history. However, in this cycle, the correlation has diminished due to the prevalence of unfinished new buildings and the rigidity of price of new housing. Home prices continued to decline yet with less magnitude especially in higher-tier cities. Looking forward, we expect a cyclical improvement of housing demand with continuous recovery of second-hand housing sales and less decline of new housing sales in next several quarters. Due to high inventory and excessive supply, however, housing prices and investment activities should recover more slowly.

Retail sales remained subdued especially for discretionary goods. Retail sales growth came in slightly above market expectations at 2.7%, up from 2% in June, thanks to the low base effect. Durable goods especially autos remained a major drag due to weak consumer income & confidence as well as deflation expectations. Autos sales dropped by 4.9% in July after dipping 6.2% in June. Property-related goods including home appliances, construction & decoration materials and furniture improved but remained in YoY decline of 2.4%, 2.1% and 1.1% in July. Telecom equip, on the other hand, saw a robust rebound to 12.7% in July from 2.9%.

Sales of other discretionary goods also notably dampened including clothing, cosmetics and jewellery. Catering service notably slowed down to 3% in July from 5.4%, the lowest reading since Dec 2022. Looking forward, retail sales may remain muted in the near term dragged by decreasing income, confidence weakness and deflation expectations. We revise down our forecast for retail sales growth for 2024 from 5.3% to 4.5%.

Industrial output slowed while service activity marginally improved. VAIO growth edged down to 5.1% in July from 5.3% in June, slightly below market expectation of 5.2%. Upstream resource sectors like mining edged up to 4.6% in July from 4.4%, while manufacturing continued to moderate from 5.5% to 5.3%. Industries that previously experienced rapid growth have mildly slowed down including non-ferrous metal, chemical product, rubber & plastic product and transport equip excluding auto; while computer & electronic equip accelerated to 14.3% in July from 11.3%. Auto, electrical equip and medicine notably slowed down from 6.8%, 4.4%, 6.2% and 3.3% in June to 4.4%, 2.8%, 1.5% and -1.5%. The YoY growth of service output index inched up to 4.8% in July from 4.7%. Looking forward, service and industrial output may remain weak in next few months.

FAI slowed down markedly, even though infrastructure investments remained elevated. FAI notably dropped to 1.9% YoY in July compared to 3.6% in June, significantly below market expectations. Property development investments further declined 10.2% in 7M24 after dropping 10.1% in 1H24. Infrastructure investments extended its rally from 7.7% in 1H24 to 8.1% in 7M24 as government bond financing picked up. Investment growth in manufacturing dropped to 9.3% in July from 9.5% as overcapacity pressure and earnings weakness started to restrain capex demand in some manufacturing industries. Breaking down by industries, investments in mining, non-ferrous metal, metal products and other transport equipment further accelerated; while auto, textile, electrical equipment and computer & electronics slowed down. Looking forward, we expect FAI growth to slightly accelerate from 3% in 2023 to 3.6% in 2024, with investment growth rates in manufacturing, infrastructure, and property development respectively at 8%, 7.5% and -9.5% in 2024.

Economic growth faces downside pressure with softening domestic demand and less favourable external environment. Recent economic data shows weakening economic momentum as property slump, consumption weakness and deflation expectations continue to weigh on major indicators. With possible moderation of external demand and intensifying trade tensions with other countries, China's exports may gradually slow down after December as the positive effect of front-load delivery in anticipation of higher tariffs gradually fades out. China faces increasing pressure to stimulate the domestic demand, but it may take more time for the policymakers to shift their priority from supply-side upgrading to demand-side stimulus. We see moderate easing of monetary policy with additional cuts of deposit rates and LPRs by 10-20bps in the remainder of this year. For next year, a possible weakening of the US dollar during the Fed's rate cut cycle may expand the PBOC's policy room as China's credit growth might gradually stabilize.

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➤ Offshore Asia New Issues (Priced)

Issuer/Guarantor	Size (USD mn)	Tenor	Coupon	Priced	Issue Rating (M/S/F)
Huaibei City Construction (SBLC by Huishang Bank)	300	3yr	5.4%	5.4%	-/-/-
NWS Holdings	400	4yr	6.375%	T+290	-/-/-

➤ 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 85 credit bonds issued yesterday with an amount of RMB67bn. As for month-to-date, 1,058 credit bonds were issued with a total amount of RMB1,062bn raised, representing a 27.4% yoy increase
- **[BABA]** Alibaba 1Q25 revenue rose 4% yoy to RMB243.2bn and adj.EBITDA down 2% yoy to RMB51.2bn
- **[JD]** JD.com 1H24 net revenue rose 3.9% yoy to RMB551.5bn and EBITDA rose 22.2% yoy to RMB24.3bn
- **[KMCONS]** Kunming Municipal Urban Construction Investment & Development chairman under CCDI, Supervisory Commission investigation
- **[LENOVO]** Lenovo Group 1Q25 revenue rose 20% yoy to USD15.5bn and operating profit rose 27% yoy to USD494mn
- **[LOGPH]** Logan Group secured HKD8.2bn refinancing for Corniche project
- **[NWSZF]** Media reported that NWS intends to keep sufficient cash for potential acquisitions of logistics projects in mainland China or Hong Kong
- **[VLLPM]** Vista Land & Lifescapes unit to fully redeem USD350mn VLLPM 5.75 11/28/24 on 10 Oct'24 via call option
- **[VNRKLE]** China Vanke borrowed RMB1.3bn loan from Bank of Communications
- **[WYNMAC]** Wynn Macau plans to distribute 1H24 dividend of HKD0.075 per share

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