

CMBI Credit Commentary

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

- *Markets were stable this morning. Asian IG space was overall unchanged with light buying flows. SOE Perp/AT1 rebounded. VNKRL/LNGFOR were unchanged to 0.25pt higher while CHJMAOs down up to 0.3pt.*
- **PTTGC:** *launched tender offers with cap of USD700mn for due 2032, 2051 and 2052 notes. PTTGCs were unchanged to 0.6pt higher this morning. See below.*
- **China Economy - Off to a good start, still with challenges.** *CMBI maintains the forecast on China's GDP growth at 4.8% in 2024, compared to the 2Y CAGR of 4.1% in 2022-2023. See below for comment from CMBI economic research.*

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❖ Trading desk comments 交易平台市场观点

Asia IG space were weak yesterday after stronger than expected US retail sales figures. KR space was soft. HYUELE/HYUCAP 27-29s were 2-5bps wider. AU/NZ T2s such as ANZs/CBAAUs widened 2-5bps. In Chinese IGs, HAOHUA 29-30s were unchanged to 2bps wider. BABA/BIDU/TENCNT 28-31s were 1-3bps wider. In financials, BOCAVI 28-29s were unchanged to 2bps tighter. In Chinese AMCs, GRWALLs were under better selling and closed around 0.3pt lower (unchanged to 2bps wider in spreads). In AT1s, ICBCAS Perps were 0.1-0.2pt lower while BOCOM/CINDBK/BCHINA Perps were unchanged to 0.1pt lower. WSTP/DBSSP/BBLTB Perps lowered 0.1-0.3pt. Meanwhile in EU AT1s, UBS Perps were 0.6-1.0pt lower under heavy selling from AMs on higher than expected additional capital requirements of USD15-25bn. HSBC 8 Perp/BNP 8 Perp were also 0.6-0.8 lower. In JP, SUMIBK/MUFG AT1s were down 0.7-1.2pts on the back of AM selling, despite a small amount of PB buying. The insurance hybrids such as NIPLIFs/SUMILF/FUKOKUs were also 0.5-0.8pt lower. In HK, AIA 34s widened 7bps. BNKEA 27-32s were 10-15bps wider and DAHSIN 33s widened 10bps. NWDEVL 30-31s were up 0.4-1.0pt. Chinese properties moved lower. ROADKG 24-25s plunged 9.7-12.3pts and ROADKG 26s/Perps were 3.6-5.0pts lower, following Road King's Chairman reduced his holding in ROADKG 6.7 09/30/2024 bonds to USD3.5mn from USD12.5mn. SHUION 24-26s declined 2.1-3.7pts. FUTLAN/FTLNHD 24-26s were down 1.4-2.9pts. LNGFOR 27-32s lowered 1.4-1.6pts. Outside properties, FOSUNI 26-27s were up 0.3pt whilst WESCHI '26 was 1.7pts lower. Macau gaming sector was weak. MPELs/WYNMACs/SANLTDs were 0.4-1.1pts lower. PTTGCs moved 0.5-2.1pts higher, post the company launched tender offers. See below for details. In Indian space, ADSEZs/ADANEMs/ADGREGs were 0.4-1.0pt lower. Indonesian name APLNIJ '24 was up 1.0pts on talks of improved exchange offer.

LGFVs remained very well bid by Chinese RMs. The recent new JNHITE/PUTSTA 27s were unchanged to up 0.1pt. The 5-6% LGFVs CDCOMM/GZGETH 27s were 0.1pt higher. Meanwhile, we saw almost all perps were under one-way selling. CTIH Perp was down 0.2pt. In SOE perps, selected names such as CHPWCN 3.08 Perp/HUADIA 3.375 Perp were around 0.1pt lower, as investors attempted to sell these to raise cash. In the high beta names, FRESHK '27 was down 0.2pt. The insurance names were mixed. ZHONAN 25-26s were up 0.1-0.3pt, whilst GPRCIN '26 was down 0.3pt.

❖ Last Trading Day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
RDHGCL 7.8 03/20/24	100.0	4.7	ROADKG 6.7 09/30/24	53.3	-12.3
PTTGC 4.4 03/30/32	91.3	2.1	ROADKG 5.9 03/05/25	36.4	-9.8
PTTGC 5.2 03/30/52	86.8	1.7	ROADKG 6 09/04/25	29.4	-9.7
APLNIJ 5.95 06/02/24	74.8	1.0	ROADKG 5 1/8 07/26/26	20.1	-5.0
NWDEVL 3 3/4 01/14/31	71.5	1.0	ROADKG 5.2 01/12/26	21.2	-4.9

❖ Marco News Recap 宏观新闻回顾

Macro – S&P (-0.21%), Dow (+0.17 %) and Nasdaq (-0.12%) were mixed on Tuesday. US housing starts in Mar'24 decreased 14.7% yoy, compared with the expectation of -2.4% yoy. UST yields rallied higher yesterday, 2/5/10/30 yield reached 4.97%/4.69%/4.67%/4.77%.

❖ Desk analyst comments 分析员市场观点

➤ PTTGC: launched tender offers with cap of USD700mn for due 2032, 2051 and 2052 bonds

Security Name	ISIN	o/s amount (USD mn)	Tender Cap (USD mn)	Tender price	Acceptance Priority	YTM (Ask)	Ask Price	Rating (M/S/F)
PTTGC 2.98 03/18/31	US36830BAB18	630	-	-	-	6.1	82.8	Baa3/BBB/BBB
PTTGC 4.4 03/30/32	US36830BAD73	800	-	91.625	1 st priority	6.1	89.5	Baa3/BBB/BBB
PTTGC 4.3 03/18/51	US36830BAC90	525	700	77.5	2 nd priority	6.3	73.9	Baa3/BBB/BBB
PTTGC 5.2 03/30/52	US36830BAF22	240	-	88.75	3 rd priority	6.4	84.8	Baa3/BBB/BBB
Total		2,195	700					

Source: Bloomberg.

PTT Global Chemical (PTTGC) launched tender offers for its due 2032, 2051 and 2052 bonds. The cap of tender offers is USD700mn and expiration date of tender offers is 23 Apr'24. The acceptance priority will be in the ascending order of maturities, i.e. first priority to be the 2032 bonds and lowest priority to be the 2052 bonds. The company will cancel all bonds acquired through the tender offers to cut debts. PTTGC actively deleveraged in FY23. It repurchased and cancelled USD bonds of cUSD354mn and its net gearing ratio decreased to 76.9% from 84.2%.

YTD, issuers had repurchased cUSD1.49bn bonds via tender offer and open market repurchases, [See our daily on 10 Apr'24 for details](#). We expect the early redemption to remain active given issuers' ability to access lower-cost onshore or other alternative funding channels. For issuers with notably improvement in operating performance, we believe that their access to USD bond market will gradually resume.

➤ China Economy - Off to a good start, still with challenges

China economy had a solid start with 1Q24 GDP growth beating expectations. But underlying concerns remained as the property market continued to slump and deflation pressure persisted in the first quarter while consumption recovery momentum faded in March. Fixed investment remained robust especially in manufacturing, which may intensify supply-side competition and deflation pressure and stimulate exports to global markets. Looking forward, higher-tier cities may continue to loosen restrictions on home purchase and the hukou system. Meanwhile, the PBOC may further lower mortgage rates by 25bps while keeping LPRs basically stable in the remainder of this year as contract loan rates for large enterprises and SOEs are already very low. The central bank may also lower deposit rates before mortgage rate cut to protect banks' NIMs. Meanwhile, China may continue to enhance its credit and fiscal support to tech innovation and industrial upgrading for high-quality development. We maintain our forecast on China's GDP growth at 4.8% in 2024, compared to the 2Y CAGR of 4.1% in 2022-2023.

Real GDP growth rebounded while nominal growth was below expectations. China's GDP beat expectations in 1Q24 by increasing 5.3% YoY (all on a YoY basis unless otherwise specified) after rising 5.2% with a low base in 2023. Meanwhile, the SA QoQ growth of GDP accelerated to 1.6% from 1.2%. China economy displayed a solid start in 1Q24 thanks to the leap month effect and moderate recovery of both exports and service consumption. The leap month effect gave 1Q24 one working day more than 1Q23, contributing nearly 1ppt to the YoY growth of GDP. However, underlying concerns existed. First, property sales & starts continued to slump. Secondly, deflation pressure persisted as GDP deflator dropped 1.1% in 1Q24 after dropping 1% in 4Q23. Nominal GDP growth reached 4.2% in 1Q24, which was below market expectations. Thirdly, both exports and retail sales weakened sharply in March, eroding investor confidence on China's recovery prospects.

Property market extended its deep contraction with completions plunging to historic low. The gross floor area (GFA) sold and the GFA started for commodity housing marginally rebounded to -19.4% and -27.8% in Mar from -20.5% and -29.7% in 2M24. Property development investment further declined 9.5% in Mar after dropping 9% in 2M24. The recovery ratio of housing sales in 30 major cities compared to the same period in 2019 dipped to 48.9% in Mar and 40.8% in the first half of April, the lowest point since 2020. The rebound of second-hand housing sales moderated in Mar and further dropped in early April. Funding source for property development further dipped in 1Q24 as cash deposits and mortgage funds sharply shrank amid further weakening of housing sales. With deterioration in both volume and unit price, solvency risk of property developers continued to erode market confidence. To stabilize the property market, the policymakers may continue to loosen property policies. Higher-tier cities may further ease restrictions on home purchase and the hukou system. The PBOC may launch targeted cuts in mortgage rates and down-payment ratios especially for first-home and second-home buyers. We expect GFA sold for commodity buildings to drop 6% in 2024 after decreasing 8.5% in 2023.

Retail sales missed as boost effect from CNY faded. Retail sales growth eased to 3.1% in Mar from 5.5% in 2M24. Food-related consumption slowed down after the CNY holiday as catering services, beverage and alcohol & tobacco products dropped to 6.9%, 5.8% and 9.4% from 12.5%, 6.9% and 13.7% in 2M24. Home appliances and construction & decoration materials beat expectations by rising 5.8% and 2.8% in Mar, compared to the growth of 5.7% and 2.1% in 2M24. But furniture weakened as its growth slowed sharply to 0.2% from 4.6%. Other durables also softened as the growth rates of auto and telecom equip respectively dropped to -3.7% and 7.2% from 8.7% and 16.2%. Clothing, daily used goods and medicine rebounded while gold, silver & jewelry, cosmetics and petroleum products declined. We have witnessed a new consumer trend post Covid with more concentrated consumption during holidays and bigger swings in the following month. Looking forward, consumption may mildly improve in 2024 especially in recreational, experimental and self-pleasing consumption. We expect retail sales to grow 5.3% in 2024 after rising 7.2% in 2023.

Service activity and industrial output slowed down. The YoY growth of service output index declined from 5.8% in 2M24 to 5% in Mar, yet higher than the 2Y CAGR of 3.9% in 2022-2023. VAIO growth came in below market expectation at 4.5% in Mar, compared to 7% in 2M24. VAIO in chemical products, non-ferrous metals, auto, other transportation equip and computer, telecom & electronic equip maintained solid growth at 9.1%, 11.2%, 9.4%, 8.6% and 10.6% in Mar. Ferrous metals, rubber & plastic products and metal products notably

slowed down. Looking forward, service and industrial output may moderately improve in 2024 thanks to a recovery in service consumption, an end of the de-stocking cycle and improvement in exports.

FAI growth picked up thanks to strong manufacturing investment. FAI increased 4.5% in 1Q24 after rising 4.2% in 2M24. The investment growth in manufacturing sector further picked up to 9.9% in 1Q24 from 9.4% in 2M24, thanks to the continuous policy support on industrial upgrades and manufacturing advancement, even though the eroding of profit margin and persisting deflation pressure might weigh on future investment. The decline of property development investment widened to 9.5% from 9% in 2M24. Infrastructure investment also eased to 8.8% in 1Q24 from 9%. Suspension of infrastructure projects in 12 debt-laden provinces and fiscal restraints of local governments due to contracting land sales may weigh on future infrastructure investment dominated by local SOEs. Looking forward, we expect FAI to accelerate from 3% in 2023 to 4.2% in 2024, with growth in manufacturing, infrastructure, and property development respectively at 7.5%, 8% and -9% in 2024.

China needs additional policy support, especially on the demand side. China economy showed tentative improvement in 1Q24, yet still with severe challenges ahead. Property sales & starts further slumped with confidence deterioration as more developers became insolvent. Deflation pressure persisted as GDP deflator extended its decline. Unemployment pressure remained high while consumer confidence remained low. China needs additional policy support especially on the consumer demand side. While the possibility of comprehensive strong policy stimulus remains low, China may launch targeted policy support to stabilize the housing market and boost durables consumption. Higher-tier cities may continue to loosen restrictions on home purchase and the hukou system while the central bank may further cut mortgage rates by 25bps this year. To protect banks' NIMs, the central bank may guide banks to further lower deposit rates. The central bank may also cut RRR by 50bps in the remainder of this year to further ease the liquidity condition. Meanwhile, China may enhance its credit and fiscal support to tech innovation and industrial upgrading for the high-quality development. We maintain our forecast on China's GDP growth at 4.8% in 2024, compared to the 2Y CAGR of 4.1% in 2022-2023.

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➤ Offshore Asia New Issues (Priced)

Issuer/Guarantor	Size (USD mn)	Tenor	Coupon	Priced	Issue Rating (M/S/F)
Agricultural Bank of China London Branch	300	3yr	5.835%	SOFR+48	A1/-/-
KEB Hana Bank	300/300	3/5yr	5.375%/5.375%	T+70/78	Aa3/A+/-

➤ Offshore Asia New Issues (Pipeline)

Issuer/Guarantor	Currency	Size (USD mn)	Tenor	Pricing	Issue Rating (M/S/F)
Guangzhou Finance Holdings	USD	-	2yr	6.0%	-/-/A-
Huainan Construction Development Holding Group	USD	-	3yr	5.8%	-/-/-
Hyundai Card Co Ltd	USD	-	5yr	T+170	Baa1/-/BBB+

➤ 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, 819 credit bonds were issued with a total amount of RMB788bn raised, representing a 16.1% yoy decrease
- **[APLNIJ]** Media reported that Agung Podomoro will announce improved exchange offer in this week; the company proposed to extend its USD132mn APLNIJ 5.95 06/02/2024 by 3.5 years
- **[BABA]** Fitch revised Alibaba outlook to negative following the revision in China's outlook to negative
- **[COGARD]** Country Garden failed to pay RMB2bn 21Bidi01 bonds within 30-day grace period; Media reported that Country Garden plans to delay payments on some onshore bonds
- **[CSCHCN]** Media reported that China South City bond trustee request sparks talk that noteholders may accelerate USD bonds
- **[DEXICN]** Dexin China said outstanding audit confirmations mainly relate to other receivables, payables; expects to publish FY23 results on 25 Apr'24
- **[ROADKG]** Road King's chairman cut its holding in ROADKG 6.7 09/30/24 by USD8mn to USD3.5mn

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