

CMBI Credit Commentary

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

- *Markets were stable this morning. China IG space tightened 1-2bps. LGFVs were under better selling. LNGFORs down 2-2.5pts post the downgrade by S&P and rebounded c0.2pt this morning.*
- **China Policy - Credit further slowed as capex demand remained weak.** *CMBI expects credit growth to gradually stabilize in 2H24. The growth of outstanding social financing may slightly moderate from 9.5% at end-2023 to 9.2% at end-2024. See below for comment from CMBI economic research.*
- *Media reported that China South City had missed end-Mar'24 quarterly principal amortisation and interest payments on its originally RMB6bn syndicated loan; The company had selected Haitong and CNGB as advisors for its offshore-debt restructuring. CSCHCNs down 0.5 to 3pts this morning.*

Glenn Ko, CFA 高志和
(852) 3657 6235
glennko@cmbi.com.hk

Cyrena Ng, CPA 吳蓓瑩
(852) 3900 0801
cyrenang@cmbi.com.hk

Jerry Wang 王世超
(852) 3761 8919
jerrywang@cmbi.com.hk

❖ Trading desk comments 交易台市场观点

Last Friday, Asia IG space remained firm in spread terms. In SG, SIASP '34 tightened by 2bps. In KR, the recent new SHNHAN '34 tightened 1bp. DAESSEC 26-29s were 2bps tighter amid mixed two-way flows. LGENSO/HYUELE/HYNMTR/ SAMTOT 29s were also under better buying and closed unchanged to 3bps tighter. In Chinese IGs, HAOHUAs were unchanged to 1bp tighter. The long-end of CHGRIDs were 5-10bps tighter (1.1-1.5pts higher). BABA 47-61s tightened 4-5bps. TENCNT 28-31s edged 1-3bps tighter. The high beta TMTs such as MEITUA/XIAOMI/WB 30-31s were 2-5bps tighter. In financials, BOCAVI 28-33s tightened 1-4bps. The bank T2s such as BCHINAs/NANYANs were under better selling and closed unchanged to 1bp wider. In AT1s, KTBTB/ANZ Perps were down 0.1pt. HSBC 8 Perp/UBS 7.75 Perp/INTNED 8 Perp were 0.1-0.4pt lower. In HK, HYSAN Perps were unchanged to 0.1pt higher. NWDEVL Perps were down another 0.8-1.1pts and closed 2-5pts lower WoW. Chinese properties performed mixed. SHUION '26 was 1.6pts higher. ROADKGs were up 0.4-0.9pt. On the other hand, CSCHCN 24-27s were 1.5-5.5pts lower. VNKRL 24-29s moved 2.4-4.2pts lower and closed 3-9pts lower WoW. LNGFORs also declined 1.9-2.8pts. FUTLAN/FTLNHD 24-26s were unchanged to down 1.2pts. CHJMAO '29 was down 0.8pt. In industrials, HILOHO '24/WESCHI '26 were up 0.4-0.7pt. In Macau gaming, MGMCHIs/MPLEs were unchanged to 0.4pt higher. Elsewhere, VEDLNs were 0.4-0.6pt higher. Indonesian names were quiet.

In the LGFV/higher beta spaces, the recent new FRESHK '27 was 0.2pt higher. On the other hand, CWAHK '26/HUANEN '31 were down 0.2-0.3pt. The new JNHTE '27 was up 0.1pt. The 5-6% LGFVs such as NJYZSO '27/SXUCI '26 were up 0.1pt. Shandong names such as JMUDIV/QDJZWD

25s were up 0.1pt. CPDEV Perp/BCDHGR '26 moved 0.1-0.2pt higher. SOE perps were subdued. COFCHK/CHPWCN/HUANEN/SPICPY Perps were down 0.1-0.2pt.

❖ Last Trading Day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
SHUION 5 1/2 06/29/26	63.2	1.6	CSCHCN 9 10/09/24	21.7	-5.5
TAISEM 2 1/4 04/23/31	85.0	1.6	VNKRLE 3.15 05/12/25	63.6	-4.2
CHGRID 4.85 05/07/44	96.0	1.5	VNKRLE 3.975 11/09/27	40.4	-3.8
CHGRID 4 3/8 05/22/43	90.4	1.5	VNKRLE 4.2 06/07/24	91.7	-3.2
CHGRID 4 05/04/47	84.0	1.2	LNGFOR 4 1/2 01/16/28	62.1	-2.8

❖ Marco News Recap 宏观新闻回顾

Macro – S&P (-1.46%), Dow (-1.24%) and Nasdaq (-1.62%) were weak on last Friday. US Michigan consumer sentiment in Apr'24 dropped to 77.9 from 79.4 in Feb'24 and was lower than the expectation of 79.0. UST yields were down on Friday, 2/5/10/30 yield reached 4.88%/4.54%/4.50%/4.61%.

❖ Desk analyst comments 分析员市场观点

➤ China Policy - Credit further slowed as capex demand remained weak

China's credit growth continued to slow in Mar as business capex and home sales remained weak while government bond financing declined. The weak credit growth reminded policymakers that China economy was far from full recovery as property continued to slump and private business and household confidence remained low. As deflation pressure persisted, real-term interest rates remained high especially for mortgage loans. Looking forward, the PBOC may further lower mortgage rates by 25bps while keeping LPRs basically stable this year as contract loan rates for large enterprises and SOEs are already very low. To protect banks' NIMs, the central bank may guide banks to reduce deposit rates before the mortgage rate cut. Meanwhile, banks will continue to expand credit supply to tech enterprises, manufacturers and green projects to facilitate high-quality development. We expect credit growth to gradually stabilize in 2H24 as the growth of outstanding social financing may slightly moderate from 9.5% at end-2023 to 9.2% at end-2024.

Social financing growth slowed down to historic low. Growth of outstanding social financing slowed to 8.7%% YoY (all in YoY terms unless otherwise specified) in Mar, marking the lowest rate in recorded history. Social financing flow dipped 9.5% to RMB4.9trn in Mar, compared to RMB1.5trn in Feb. The decline of government bond issuance and new RMB loans were key factors contributing to the contraction in social financing flow. But government bond issuance may accelerate in the next two quarters given the stronger fiscal support this year. On shadow financing, new entrusted loans continued to fall while trust loans and undiscounted banks' acceptance notably rebounded YoY. Corporate bond issuance notably rebounded in Mar thanks to the historically low bond yields. 10Y CGB yield plunged to historic lows below 2.3% due to weak economic prospects and limited options of safe-haven investment. M1 growth dipped to 1.1% in Mar and remained much lower than M2 growth as business activity was still weak.

New RMB loans dipped amid sluggish household & business capex demand. Growth of outstanding RMB loans eased to 9.6%, the lowest reading in nearly 45 years. New RMB loans dropped 20.6% YoY to RMB3.1trn in Mar. New loans to households decreased 24.4% to RMB940.6bn with new short-term loans down 19.5% and new M&L loans down 28.9%. Property sales extended its deep contraction while durables consumption also weakened in Mar. New loans to the corporate sector declined 13.3% to RMB2.34trn partly due to a higher base

last year. Demand was still lethargic for both short-term and M&L loans. Bill financing contracted by RMB250bn. New loans to non-bank financial institutions retracted by RMB195.8bn compared to an RMB404.5bn increase in Feb.

The PBOC may further loosen credit policy ahead. Real-term interest rates remained high especially for mortgage rates as deflation pressure persisted. The PBOC may further lower mortgage rates by 25bps while keeping LPRs basically stable this year as contract loan rates for large enterprises and SOEs are already very low. To protect banks' NIMs, the central bank may guide banks to reduce deposit rates before the mortgage rate cut. Meanwhile, banks will continue to expand credit supply to tech enterprises, manufacturers and green projects to facilitate high-quality development. We expect credit growth to gradually stabilize in 2H24 as the growth of outstanding social financing may slightly moderate from 9.5% at end-2023 to 9.2% at end-2024.

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➤ Offshore Asia New Issues (Priced)

Issuer/Guarantor	Size (USD mn)	Tenor	Coupon	Priced	Issue Rating (M/S/F)
No Offshore Asia New Issues Priced Today					

➤ Offshore Asia New Issues (Pipeline)

Issuer/Guarantor	Currency	Size (USD mn)	Tenor	Pricing	Issue Rating (M/S/F)
Guangzhou Finance Holding Group	USD	-	2yr	-	-/-/A-

➤ News and market color

- Regarding onshore primary issuances, there were 88 credit bonds issued yesterday with an amount of RMB56bn. As for month-to-date, 628 credit bonds were issued with a total amount of RMB627bn raised, representing a 13.2% yoy decrease
- **[CCAMCL]** Media reported that China Cinda Asset Management plans to raise up to USD800mn via five-year bond as early as May
- **[CSCHCN]** Media reported that China South City has missed end-Mar'24 quarterly principal amortisation and interest payments on its originally RMB6bn syndicated loan; The company has selected Haitong and CNCB as advisors for its offshore-debt restructuring
- **[DALWAN]** Media reported that Dalian Wanda Group sold its own headquarters in Beijing for undisclosed sum
- **[FOSUNI]** Fosun International is going to sell an 8.2% stake in Belgian insurer Ageas for up to USD713mn
- **[FTHDGR]** Fantasia Holdings further extended long stop date of RSA to 19 Apr'24
- **[GEMDAL]** Gemdale's chairperson said the company has series of measures to tackle its maturing bonds, including disposal of major assets, de-inventory, and expansion of financing channels
- **[GRNCH]** Moody's downgraded Greentown's ratings to B1 and placed negative outlook

- **[LNGFOR]** S&P downgraded Longfor to BB+ from BBB- and placed negative outlook; Longfor Group remitted funds for interest payment on USD250mn LNGFOR 3.375 04/13/27
- **[VEDLN]** Media reported that Vedanta plans to raise up to INR40bn (cUSD480mn) from Power Finance Corp
- **[WFURCD]** Fitch affirmed Weifang Urban Construction at BB+ and placed stable outlook
- **[YXREIT]** Fitch affirmed Yuexiu REIT at BBB- and revised outlook to negative

Fixed Income Department

Tel: 852 3657 6235/ 852 3900 0801

fis@cmbi.com.hk

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