

CMBI Credit Commentary**Fixed Income Daily Market Update 固定收益部市场日报**

- *New issues GZDZCD'25 rose 0.5pt while QDHTCO'27 was traded below-par this morning. Asian IG space widened 1-3bps with two-way balanced flows. EU AT1s and TH financials were weak. JP insurances were well-bid.*
- **NWSZF:** Completed redemption of USD1,019mn NWSZF 5.75 Perp. We maintain buy recommendation on NWDEVL 6.15 Perp, NWDEVL 5.25 Perp and NWDEVL 4.125 Perp. See below.
- **China Economy** – PMI signals weak demand & continuous deflation. CMBI maintains the forecast for GDP growth at 4.8% in 2024. See below for comments from CMBI economic research.

❖ **Trading desk comments 交易台市场观点**

Yesterday, the recent new DAESEC/WOORIB 29s tightened 1-3bps but KDB/EIBKOR 33s were 2-4bps wider under profit taking. JP bank and leasing names such as SUMIFL/SMBCAC 33s were still well bid and tightened 1-3bps. In Chinese IG benchmarks, HAOHUA/BABA/TENCNT 30-31s were 1-3bps tighter. In financials, the leasing name BOCAVI 25-33s widened 2-5bps under some profit taking. In AMCs, HRINTHs were 0.1-0.2pt higher (5-10bps tighter). CCAMCL/ORIEAS 26-30s were unchanged to 3bps tighter. In bank T2s, SHCMBK/DAHSIN 33s were 2-4bps tighter. AT1s remained better bid. The big-4 Chinese names ICBCAS 3.58 Perp/BCHINA 3.6 Perp were 0.1pt higher under RM buying. Thai/EU names such as BBLTB 5 Perp/KBANK 4 Perp/STANLN 7.75 Perp were 0.1-0.2pt higher under PB buying. In HK Corp space, NWDEVLs were 0.3-0.8pt higher. SHUION 24-26s and LASUDE '26 were 0.4-1.1pts lower. Chinese properties moved lower. GEMDAL '24 dropped 2.2pts. DALWAN 24-26s were 0.8-1.5pts lower. VNKRLE 27-29s were 1.2-1.4pts lower. LNGFORs/FTLNHDs were down 0.5pt. RDHGCL '24 closed stable at mid-50s after falling 25pts on Tue. Radiance launched the bondholder identification process for RDHGCL 7.8 03/20/24. In industrials, FOSUNI 25/27 were 0.5-1.2pts higher. Macau gaming names MPELs/SANLTDs were 0.2-0.7pt lower. In Indian space, VEDLNs were up 0.2-0.5pt. Indonesian names were quiet. Elsewhere, GLPSP '25/GLPCHI '26 were 2.0-2.4pts higher.

The LGFVs/Perps/high-beta names remained firm. On the new issues, GZDZCD priced a USD400mn 1.5-yr green bond at par to yield 6.8%. QDHTCO also priced a USD280mn 3-yr bond at par to yield 6.8%. On the secondary side, clients gradually sidelined ahead of the CNY holiday. The sentiment was constructive as we continued to see buying in high-yielding papers across LGFV and high-beta names from clients. Shandong names SHDOIS/SHUGRP 24s were 0.1-0.2pt higher. GUAMET '30 was 0.5pt higher. SXUCI '26/NJYZSO '27 were up 0.1-0.2pt. Meanwhile there were loose

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bonds from AMs on papers yielding below 6%, as the yield compression theme persisted. ZHONAN/SUNSHG 26s were up 0.1pt. In SOE perps, CHPWCN/HUADIA/RLCONS Perps were 0.1pt higher. Elsewhere, the insurance hybrids SUMILF/NIPLIF papers were under better buying, and sentiment on JP names was pretty upbeat amid the two-way active flows on the new RAKUTN '27.

❖ Last Trading Day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
GLPSP 3 7/8 06/04/25	78.4	2.4	GEMDAL 4.95 08/12/24	64.1	-2.2
GLPCHI 2.95 03/29/26	71.1	2.0	DALWAN 11 02/13/26	69.5	-1.5
FOSUNI 5.05 01/27/27	77.6	1.2	VNKRLE 3 1/2 11/12/29	56.4	-1.4
PEAKRN 5.35 PERP	88.9	1.1	VNKRLE 3.975 11/09/27	65.2	-1.2
AIA 4 1/2 03/16/46	91.4	1.1	DALWAN 11 01/20/25	78.9	-1.2

❖ Marco News Recap 宏观新闻回顾

Macro – S&P (-1.61%), Dow (-0.82%) and Nasdaq (-2.23%) were weak on Wednesday after Fed's chairman said rate cut in March is unlikely. US ADP employment in Jan'24 was 107k, lower than the expectation of 145k. China Caixin manufacturing PMI in Jan'24 was 50.8, same with the expectation. UST yields retreated yesterday, 2/5/10/30 yield reached at 4.27%/3.91%/3.99%/4.22%, respectively.

❖ Desk analyst comments 分析员市场观点

➤ NWSZF: Completed redemption of USD1,019mn NWSZF 5.75 Perp

NWS Holdings redeemed USD1,019mn NWSZF 5.75 Perp on first call date of 31 Jan'24. The Perp would have a coupon step-up of 300bps if not being redeemed on 31 Jan'24. After the redemption, the only outstanding USD bonds of NWS is NWSZF 4.25 06/27/29 with an outstanding amount of USD247.7mn. Recalled that NWS announced to fully redeem the Perp on 21 Dec'23

For NWD complex, we continue to prefer the 3 perps with high coupon step-up: **NWDEVL 6.15 Perp**, **NWDEVL 5.25 Perp** and **NWDEVL 4.125 Perp**. We believe that these perps will be called on their first call day given the high coupon step-up and NWD's ability to access lower-cost funding.

Table 1: Bond profile of NWDEVL

	O/s (USD mn)	Maturity	Next call date	Coupon	Coupon reset	Coupon Step-up	Ask price	YTM/YTC (%)
NWDEVL 4 ¾ 01/23/27	504.22	1/23/2027	-	4.75	-	-	87.1	9.8
NWDEVL 5 ½ 06/16/27	172	6/16/2027	-	5.875	-	-	88.7	9.9
NWDEVL 4 ¼ 07/18/29	717.799	7/18/2029	-	4.125	-	-	75.9	10.0
NWDEVL 4 ½ 05/19/30	442.587	5/19/2030	-	4.5	-	-	73.9	10.2
NWDEVL 3 ¾ 01/14/31	76.05	1/14/2031	-	3.75	-	-	73.1	9.1
NWDEVL 4.8 PERP	700	-	2/28/2024	4.8	-	-	40.3	11.9
NWDEVL 6 ¼ PERP	1300	-	3/7/2024	6.25	-	-	52.2	12.0
NWDEVL 6.15 PERP	453.88	-	3/16/2025	6.15	3yrUST+6.201%	300bps	80.1	28.0
NWDEVL 5 ¼ PERP	999	-	3/22/2026	5.25	5yrUST+7.889%	300bps	65.5	27.7
NWDEVL 4 ¼ PERP	1,140	-	3/10/2028	4.125	5yrUST+5.858%	300bps	51.8	22.8
Total	6,505.50							

Source: Bloomberg.

➤ China Economy – PMI signals weak demand & continuous deflation

China's manufacturing PMI subtly edged up in Jan yet remained in contraction for the fourth consecutive month. The production index modestly improved while new order and export order continued to contract as demand remained weak. Inventory and material purchase indexes remained in contraction as businesses were cautious to increase inventory amid weak demand prospect. Service PMI came out of the woods while construction slowed down. Ex-factory price indexes in manufacturing and service further contracted, indicating escalated deflation pressure in Jan. Employment remained acute as private business confidence was still weak. Considering the experience from Japan in 1990s, faltering economy with asset price decline and real sector deflation require more aggressive policy support before it is too little too late, including drastic and unconventional monetary easing, fiscal expansion and structural reform. Looking forward, the PBOC may lower LPRs by 10 or 20 bps in February and further cut deposit rates to alleviate the pressure on banks' NIMs. The authority may further lower mortgage rates for first-home buyers and municipal governments may continue to loosen home purchase restrictions in future to boost housing market. The MoF would moderately increase the magnitude of fiscal policy as broad fiscal deficit is expected to rise from 6.4% of GDP in 2023 to 7% of GDP in 2024. We maintain our forecast for GDP growth at 4.8% in 2024.

Manufacturing activities continued to shrink with weak demand. China's manufacturing PMI came in below expectation and marginally rebounded to 49.2% in Jan from 49% in Dec, contracting for the fourth consecutive month. Production index rose to 51.3% from 50.2% in Dec. New order and export order further contracted but at a slower pace, edging up to 49% and 47.2% in Jan from 48.7% and 45.8% in Dec; while existing orders further dropped to 44.3%, showing limited signs of alleviation from the demand side. Material purchase volume and import order marginally picked up from 49% and 46.4% to 49.2% and 46.7%, indicating still-soft corporate procurement activities. Raw materials inventory continued to decline from 47.7% to 47.6% in Jan while finished goods inventory notably increased from 47.8% to 49.4. Breaking down by sector, new order indexes in equipment manufacturing, high-tech manufacturing and consumer goods reached above 50%, while most industries indicated insufficient market demand. PMI of medium and small enterprises remained in contraction while large enterprises rebounded and resumed expansion.

Deflation pressure may escalate due to weakening demand and overcapacity of supply. Ex-factory price index further dropped to 47% in Jan from 47.7% in Dec, while manufacturing material purchase price eased to 50.4% from 51.5%, indicating that PPI may have remained in severe deflation in Jan. Service price index stayed in contraction and inched down to 49.2%, while construction price slowed down to 50.4% from 51.7%. Looking forward, China's CPI and PPI still face downward pressure in the short term due to slack demand and supply overcapacity.

Service sector came out of the woods while construction slowed down. Non-manufacturing PMI inched up to 50.7% from 50.4%. PMI in service rebounded to 50.1% from 49.3%, back to expansionary territory. Breaking down by sector, activities in retails, land & air transportation and catering services resumed expansion while rail transportation, postal service and money market service remained above 60%. Capital market service and real estate remained in contraction. Construction PMI slowed down to 53.9% from 56.9, in line with the deceleration of government bond issuance in Jan. Business sentiment indexes in construction and services both slightly dropped but remained in expansion zones.

Employment remained acute. Employment indexes in manufacturing and service further contracted at 47.6% and 46.4% from 47.9% and 46.3% in Dec. Employment in construction dropped to 50.1% from 51.7%. The sluggish employment condition showed that private sector is yet to gain significant momentum in driving economic recovery.

The faltering economy requires more aggressive policy support. Policymakers have ramped up policy support recently by cutting RRR, stabilizing financial markets and loosening property policies. But China needs more aggressive policy moves as continuous asset price slump and real sector deflation could easily turn into a downward economic spiral. Given Japan's experience in 1990s, China needs a package of strong policies including aggressive mortgage rate cuts, substantial fiscal transfers to households and market-oriented structural reforms. Looking forward, we expect the PBOC to cut LPRs by 10 or 20 bps in Feb and to further lower deposit rates in future to alleviate the pressure on banks' NIMs. The authority may also lower mortgage rates for first-home buyers and municipal governments may continue to loosen home purchase restrictions. The MoF would moderately increase the magnitude of fiscal policy as broad fiscal deficit is expected to rise from 6.4% of GDP to 7% of GDP in 2024. We maintain the GDP forecast for 2024 at 4.8%.

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➤ Offshore Asia New Issues (Priced)

Issuer/Guarantor	Size (USD mn)	Tenor	Coupon	Priced	Issue Rating (M/S/F)
Huatong International Investment Holdinggs	280	3yr	6.8%	6.8%	-/-/-
Science City (Guangzhou) Investment Group	400	1.5yr	6.8%	6.8%	-/-/BBB

➤ Offshore Asia New Issues (Pipeline)

Issuer/Guarantor	Currency	Size (USD mn)	Tenor	Pricing	Issue Rating (M/S/F)
Greenko Mauritius	USD	-	-	-	Ba2/-/BB

➤ News and market color

- Regarding onshore primary issuances, there were 99 credit bonds issued yesterday with an amount of RMB72bn. As for Month-to-date, 1,893 credit bonds were issued with a total amount of RMB1,600bn raised, representing a 69.9% yoy increase
- [CHIGRA]** China Grand Automotive Services unit receives NAFMII approval for RMB1bn note offering
- [CHNAAR]** China Aircraft Leasing launches up to USD500mn unsecured revolving syndicated loan to finance part of new aircraft orders
- [COGARD]** Media reported that Country Garden denies report on bondholders planning to liquidate company
- [EHOUSE]** E-House (China) Enterprise's shareholders approve disposal of controlling equity interest in TM Home as part of restructuring
- [FTHDGR]** Fantasia further extends closing of offshore restructuring to 29 Feb
- [GEMDAL]** Gemdale forecasts RMB750-900mn net profit for FY23; compared with RMB6.11bn net profit in FY22
- [GLPSP]** GLP Capital Partners completed sale of 12 logistics assets in Brazil totalling USD300mn

- **[JINKE]** Jinke Property forecasts RMB4.8-7.8bn net loss for FY23 compared with RMB21.4bn net loss in FY22
- **[KAISAG]** Kaisa Group's winding-up petition hearing further adjourned to 8 Mar
- **[LMRTSP]** Fitch upgraded Lippo Malls to CC from C
- **[NWSZF]** NWS Holdings completed redemption of all outstanding USD1.019bn 5.75% guaranteed senior perps
- **[RAKUTN]** Rakuten Group to raise USD1.80bn via three-year senior notes
- **[RDHGCL]** Radiance Holding engaged Morrow Sodali to identify holders of USD300mn RDHGCL 7.8 03/20/24
- **[VEDLN]** Vedanta Resources announced to conduct upfront redemption for due-2024, due-2025 bonds in consent solicitation on 7 Feb. The total amount is cUSD780mn

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