

CMBI Credit Commentary

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

- *Constructive tone in Asia IG space. The front end of Chinese SOEs/bank T2s such as HAOHUA/CNOOC/BCHINA 24-27s were under better buying. HK IGs AIA/HKLSP 33s tightened another 3bps. CPDEV 5.75 Perp was 0.4pt higher.*
- **Chinese Properties:** *China may allow banks to offer unsecured short-term loan to developers. LNGFORs jumped 7.1-7.5pts, VNKRLs were up 1.3-5.9pts and FUTLANs/FTLNHDs gained 3.2-6.6pts yesterday; LNGFORs/VNKRLs/FUTLANs/FTLNHDs were up 1-1.4pts and COGARD/SINOCE 24-31s up 0.8-2pts by noon. See below.*
- **LNGFOR:** *Media reported Longfor plans to prepay HKD2bn on HKD4bn loan outstanding due on 2 Jan'24 next week*

❖ Trading desk comments 交易台市场观点

Yesterday, Asia IG space had a quiet session on US/JP holiday. Chinese SOE/TMT benchmarks CNOOC '29/HAOHUA '30/TENCNT '30 were better bid and closed unchanged to 2bps tighter. In financials, the front end of leasing papers were under better buying. BOCAVI/CMINLE 24-28s tightened 1-3bps. In AMC space, there were better selling flows on GRWALL's long end and perp papers. Chinese bank AT1s BOCOM 3.8 Perp/ICBCAS 3.2 Perp were up 0.1pt. In JP/KR credit space, SMCBAC/HYUELE 28s/33s were still under better buying. HK IGs CKHH/HKLSP 33s tighten 3bps. HK Corp space performed mixed. NWDEVL Perps opened 2-3pts higher and closed 0.5-1.5pts higher from Wed EOD, while NWDEVL 27-31s were up around 0.5pt after the announcement of tender offer. However, CKPH/LEEMAN Perps lowered 0.7-1.1pts. HK/Chinese properties performed strongly. Media reported Chinese regulators could allow banks to offer unsecured short-term loans to qualified developers. LNGFOR 27-32s jumped 7.1-7.5pts. FUTLAN/FTLNHD 24-26s and GRNCH '25/PINGRE '26 were 3.1-6.6pts higher. GEMDAL '24/CHJMAO '29 were up 4.2-4.5pts. VNKRLs rebounded 1.3-5.9pts to close 4-10pts higher WTD. COGARDs/SINOCEs gained another 1.4-3.0pts across the curve and closed at high single-digit. AGILEs were up 1.4-4.3pts and closed at high-teen. SHUION/ROADKG/DALWAN 24-26s were 0.9-2.5pts higher. In industrials, WESCHI/EHICAR 26s were up 0.3pt. Macau gaming names were muted on activities and prices were unchanged. Indian space was quiet. In Indonesian space, APLNIJ '24 dropped 5.1pts post the termination of the "half-hearted" tender offer on the APLNIJ 5.95 '24 as expected. Elsewhere, LPKRIJ 25/26 declined 0.7-1.6pts following Moody's one-notch downgrade.

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In the LGFV/Perp space, the sentiment remained firm and flows were light. CPDEV 25/26/Perp were up another 0.9-2.7pts to close 3-5pts higher WTD. Chongqing/Shandong LGFVs remained well-bid. CQNANA 26s were 0.2-0.3pt higher. Shandong names QDHTCO '24/SHDOIS '24/SHGUOH '26 were up 0.1-0.3pt. Guangzhou papers GZDZCD/GZINFU 26s were up 0.2-0.3pt. In the higher-yielding LGFVs, GSHIAV 24/25 gained 0.4-0.5pt. In SOE perps, CHPWCN 3.45 Perp/CHSCOI 4 Perp/HUADIA 4 Perp were 0.1-0.2pt higher. FRESHK '25 was up 1.5pts.

❖ Last Trading Day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
LNGFOR 3.85 01/13/32	53.7	7.5	APLNIJ 5.95 06/02/24	84.3	-5.1
LNGFOR 3 3/8 04/13/27	66.8	7.4	LPKRIJ 8 1/8 01/22/25	85.1	-1.6
LNGFOR 3.95 09/16/29	56.4	7.2	CKPH 3.8 PERP	60.9	-1.1
LNGFOR 4 1/2 01/16/28	64.1	7.1	CKPH 3 1/2 PERP	56.4	-1.1
FUTLAN 6 08/12/24	57.0	6.6	LEEMAN 5 1/2 PERP	91.6	-0.7

❖ Marco News Recap 宏观新闻回顾

Macro – U.S. stock markets closed yesterday. A bi-monthly survey by the University of Michigan on consumer sentiment showed American households expected inflation to accelerate to 4.5% over 2024, up from 4.2% in Oct and 3.2% in Sep, the highest rate since Apr'23. The UST yield were unchanged yesterday, 2/5/10/30 yield reached 4.89%/4.44%/4.42%/4.55%, respectively.

❖ Desk analyst comments 分析员市场观点

➤ Chinese Properties: China may allow banks to offer unsecured short-term loan to developers for the first time

China is considering allowing banks to offer unsecured short-term loan, i.e. working capital loans, to qualified developers as a part of the new measures package. The facility would not require land or assets as collateral like typical loans available to the developers, and potentially allow developers with more capital to allocate towards debt repayment.

We view the recent round of high-profile discussions and potential support policies positively. That demonstrated a “turn” of policy direction. However, like what we discussed in [our daily on 21 Nov](#) regarding the whitelist of 50 developers eligible for financing, we believe the major beneficiaries will be SOEs. We are concerned on the implementation and timetable of these supportive policies. To us, we will be most interested in knowing how the KPI of banks and financial institutions will be set in order to incentivize them to accomplish the policy objectives.

One scenario we can envisage is that banks and financial institutions will focus on providing financing to non state-owned developers which remains current on its debts. These include larger players such as Longfor, Seazen, Vanke (as discussed, we think the line whether Vanke is local SOE or not getting more blurred) and even Agile, as well as smaller developers such as Hopson and Yanlord. Banks and financial institutions should remain reluctant to provide financing, especially unsecured loans, for developers which are undergoing holistic debt restructuring.

We believe that the concerns on these policies would bring additional risk on the asset quality of banks and financial institutions are mitigated as one of the key policy objectives for any supportive measure is to prevent systemic risk in the financial sector.

➤ Offshore Asia New Issues (Priced)

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

➤ Offshore Asia New Issues (Pipeline)

Issuer/Guarantor	Currency	Size (USD mn)	Tenor	Pricing	Issue Rating (M/S/F)
China Citic Bank International	USD	--	10NC5	-	Baa2/-/-
Luso International Banking	USD	-	10.5NC5.5	7.8%	-/-/-

➤ News and market color

- Regarding onshore primary issuances, there were 125 credit bonds issued yesterday with an amount of RMB133bn. As for Month-to-date, 1,287 credit bonds were issued with a total amount of RMB1,379bn raised, representing a 20.5% yoy increase
- Shenzhen Branch of PBOC issued a notice to adjust the minimum down payment ratio for personal housing loans for second homes to 40% from 70% for ordinary housing and 80% for non-ordinary housing, effective 23 Nov
- Media reported that Zhongzhi has acknowledged GBP30bn (cUSD37.5bn) shortfall and it is severely insolvent
- [DALWAN]** Moody's downgraded Dalian Wanda to Caa2 from Caa1, Wanda HK to Ca from Caa3, maintained negative outlooks
- [EXCECP]** Excellence Commercial Properties has raised RMB500mn (cUSD70mn) 3-year MTNs at 4.5% to fund project development, repay debts and boost working capital
- [FRESHK]** Far East Horizon proposes to offer RMB1bn (cUSD140mn) 179-day bills to repay debts
- [LNGFOR]** Media reported Longfor plans to prepay HKD2bn on HKD4bn loan outstanding due on 2 Jan'24 next week
- [NWSZF]** NWS Holdings announced the close of the HKD9.15 per share conditional voluntary general cash offer from Chow Tai Fook Enterprises. NWS has applied to HKEx for a temporary waiver as the public float following the close of the offer is 22.17%, lower than the HKEx requirement of 25%
- [ORIEAS]** Orient Securities issued RMB2bn (cUSD280mn) 3-year subordinated bonds at 3.18% to repay debts

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