

CMBI Credit Commentary

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

- *Markets were boosted by lower than expectation U.S CPI. AT1s and SOE Perps were lifted 1-2 pts after UST rallied 30-40bps, driven by AM reloading risks and short coverings. We saw RM offloaded risks into the rally while the strength gradually lose steam.*
- **China Policy:** *New credit slumped amid weakening demand. It is possible to see further moderate cut in RRR and LPRs in next three quarters. See below for comments from our economic research.*
- **MGMCHI:** *MGM China signed up to USD750mn two-year subordinated revolving loan facility agreement with MGM Resorts International on 10 Nov. MGMCHIs dropped 1.5 to 3.5pts this morning.*

❖ Trading desk comments 交易台市场观点

Yesterday, China IG space opened unchanged to 2-4bps tighter ahead of Oct CPI release and US holiday, flows were overall quiet amid overnight weak sentiment in equity/bitcoin dragged down the opening of Asia market. Financials space were unchanged to 2-3bps wider with small selling on leasing. BOCAVI widened 5-7bps. T2s/AMCs were muted except for some buying on HRINTH curve. AT1s were largely the same level, with some more balanced flows. AT1s and NC23 Perps were traded 0.125-0.25pt higher. There was better buying on BNKEAs/CHOHINs from PBs and they were marked 0.5-1pt higher at mid-70s. TMTs tightened for another 2-5bps but had some more two-ways at current levels. TAISEM 30-year benchmark 51s/52s showed better buying flows. BABA 31s were traded stable around T+190 level and MEITUA outperformed to tighten 10bps on street lifting. IG property was largely quiet except for selective names, with some more profit taking flows. GLPCHI '24/GLPSP '25 notably dropped 4.5-7pts amid Fitch downgraded GLP Pte's credit rating to BBB- from BBB. CHJMAO 7.125 Perp rebounded 3pts. FAEACO/FRESHK were traded down 6/3pts respectively. Overall IG space did not show any conviction in sectors. China HY space was quiet throughout the day, except for Seazen names after CBIC's "Second Arrow" program confirmed to provide RMB 20/15/5bn for Longfor Group/Seazen Holdings/Midea Real Estate, respectively. In the late afternoon, FUTLAN 24-25s/FTLNHD 25-26s got lifted multiple times to close 7-9.5pts higher by EOD, as HFs/Chinese accounts looking for bonds across all tenors and tickers under this name. COGARDs/GEMDALs dipped 1-2pts, in contrast with their onshore bonds' small rally. SINOCE 24-25s continued to be traded up 4pts. In industrial space, FOSUNIs were unchanged while there was slightly better buying flows on CHIOLI '23/GERGHK '23. Macau gaming space notably underperformed, with MGMCHIs/SANLTDs down 2-3pts amid the revolving loan news. MPELs/SJMHOLs dropped 1-2pts. Ex-China HY showed a peaceful day as well. India HYs were unchanged, ADANIG was up 1pt. Indonesian HYs were mixed, where APLNIJs/PERTIJs were up 2-2.5pts.

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The LGFV/SOE spaces had a consolidation session ahead of Friday US holiday, as the market took a short pause from after last week's selloff and earlier this week's short covering rebound. Flows were rather light, and if anything remained skewed to slight better selling. We saw the Asian Corp Perps slightly recovering from the previous beaten down levels, while SOE Perps retreated to 7%+ as offloading selling from Chinese asset managers firmed up into the WTD bounce. High-beta SOE Perps like HAOHUA 3.35/CNGB 3.875/CHALUM 5 Perps showed some better buying interests. Selective long-end quality SOE names like HAOHUA 49-50/CHGRID '44 were notably up 3-4pts under better buying interests. SINOPE 47-50s/CNOOC 41-44s the 30-year papers were traded up 2-2.5pts. LGFVs were mixed, with 22s/23s papers like HKIQCL/CONSON/NJYZSO were better demanded from onshore for cash management purposes, whilst long dated papers 25s/26s remained generally better sold with only short covering supporting bids. In fact, marginal buying interests only emerged at high-8% to ~10% for these 25s/ 26s bonds. Previously underperformer ZHHFGR '24 was up 2-3pts amid RM bottom fishing, whilst ZHHFGR 25s/ Perp were still better offered. BEIPRO '23 was traded up 3pts to end at 95 level.

❖ Last Trading Day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
FTLNHD 4 1/2 05/02/26	22.2	9.6	GLPCHI 4.974 02/26/24	54.2	-7.2
FUTLAN 6 08/12/24	27.9	7.6	FAEACO 7 3/8 PERP	81.1	-6.0
FUTLAN 4.45 07/13/25	23.7	7.4	HKJHCC 7.45 10/16/22	37.6	-3.9
FTLNHD 4 5/8 10/15/25	23.3	7.0	MGMCHI 5 7/8 05/15/26	81.0	-3.6
FUTLAN 6.15 04/15/23	61.4	5.4	MGMCHI 4 3/4 02/01/27	78.0	-3.0

❖ Macro News Recap 宏观新闻回顾

Macro – U.S. stock markets rallied a lot yesterday, the S&P (+5.54%), Dow (+3.70%) and Nasdaq (+7.35%) were boosted by lower than expectation Oct CPI data, which may decelerate the Fed's interest rate hike pace. October U.S. CPI data was published as +7.7% yoy and the market expectation is +8.0% yoy. Core CPI was +6.3% yoy and also lower than the expectation of +6.5% yoy. The U.S. treasury yields down yesterday, the 2/5/10/30 yields were bull flattened and reached 4.34%/3.95%/3.82%/4.03%, respectively.

❖ Desk analyst comments 分析员市场观点

➤ China Policy – New credit slumped amid weakening demand

China's new credit slumped in October as housing sales, individual consumption and business capex weakened. New mortgage, consumer credit and short-term business operation loans all declined. Medium and long-term loans to enterprises remained strong amid strong credit policy support to manufacturing & infrastructure investment. China may gradually adjust its zero covid policy as the policymakers urged local governments to deploy targeted restrictions to seek a balance between reining in the epidemic and resuming normal life. Some investors may continue to bet possible reopening of China in future in the stock market. As housing market and consumption resume very slowly with the GDP growth below potential growth, the PBOC has to maintain accommodative monetary policy to boost the growth. It is possible to see further moderate cut in RRR and LPRs in next three quarters.

New credit slumped again as demand weakened. Total social financing dropped 43.9% YoY in October after rising 21.5% YoY in September. The YoY growth of outstanding social financing decelerated from 10.6% at end-September to 10.3% at end-October. New renminbi loans to real sector dropped 42.8% YoY in October as housing sales, individual consumption and business capex deteriorated amid tightening of zero covid policy. Meanwhile, local government bond financing continued to decline by 54.7% YoY as local governments used up

the quotas for this year. New foreign currency loans remained negative amid renminbi depreciation expectations. Trust loans continued to see MoM declines amid risk aversion sentiment over real estate projects.

New mortgage, consumer credit and short-term business loans declined as housing market, individual consumption and business operation deteriorated. New medium to long-term loans to households dropped by 92.1% YoY in October after decreasing 25.9% in September, indicating significant weakening of housing demand. Meanwhile, new short-term loans to households turned negative in October as individual consumption weakened. In October, short-term loans to enterprises also experienced MoM declines as business operation deteriorated. However, new medium & long-term loans to corporates rose 111.1% YoY thanks to credit policy support to manufacturing and infrastructure sectors.

China may gradually adjust its zero covid policy in future. The new Politburo Standing Committee held a meeting yesterday, urging local officials to be more targeted with restrictions to minimize damage to the economy. Top leaders also called for more decisive measures to curb the spread of the virus to resume normal life and production as soon as possible. They required local governments to accelerate vaccinations to vulnerable people. It seems the policymakers try to gradually adjust the zero covid policy with more emphasis on normal life and economic development. The progress towards possible reopening next year is still unknown. However, the fiscal cost and social cost are increasingly high with the new virus variants. It becomes increasingly difficult to control the spread of the new virus. Some investors may continue to bet on possible reopening of China in future in the stock market.

The PBOC should maintain accommodative monetary policy to stabilize property market and boost economic growth. As housing market and consumption resume very slowly and the GDP growth remains far below the potential growth, the PBOC has to maintain accommodative monetary policy to boost the economic growth. The central bank is likely to maintain easing liquidity condition with possible further RRR cut in next three quarters. The LPR has room for moderate downside as credit demand remains weak.

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➤ Offshore Asia New Issues (Priced)

Issuer/Guarantor	Size (USD mn)	Tenor	Coupon	Yield	Issue Rating (M/S/F)
Danyang Investment Group Co Ltd	USD19.2	2.75yr	6.4%	7.2%	-/-/-

➤ 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 67 credit bonds issued yesterday with an amount of RMB106bn. As for Month-to-date, 506 credit bonds were issued with a total amount of RMB651bn raised, representing a 9.1% yoy decrease
- [ASRIIJ]** Alam Sutera announced to fully redeem USD171.4mn ASRIIJ 11 05/02/2024 on 10 Dec

- **[CHFOTN]** China Fortune Land Development further extended cash prepayment fee deadline to 24 Nov
- **[FOSUNI]** Fosun international sold 20% stakes of Zhaojin Mining to Zijin Mining for HKD4.4bn (cUSD560mn)
- **[GLPSP]** Fitch downgraded GLP to BBB- due to unexpected large cash flowout to GLP's immediate holding company (Bidco) in 1H22 and placed stable outlook
- **[GRNLGR]** Media reported that China Construction Bank fund plans to buy four office buildings from Greenland
- **[LNGFOR]** Longfor's application for RMB20bn bond issuance accepted by NAFMII
- **[MGMCHI]** MGM China signed up to USD750mn two-year subordinated revolving loan facility agreement with MGM Resorts International
- **[RSMACA]** Media reported that Red Star Macalline is seeking to waive 26 Nov put on RMB2.5bn due-2023s
- **[SUMDIG]** Summit Digitel launched tender offer for up to USD 100mn of USD500mn SUMDIG 2.875 08/12/2031

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