

CMBI Credit Commentary

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

- *Market sentiment was firm this morning. New issues MIZUHO'30/35 tightened 8-10bps. KHFC'27 tightened 5bps. WSTPNZ'27/29 were 4-5bps tighter. CN/KR/JP IG spaces were 0-2/1-3/1-2bps tighter. LGFV sector was actively two-way traded especially on high-yielding names.*
- **China Policy - 5Y LPR Cut to Boost Housing Demand.** *CMBI expects two more RRR cuts by 50bps in total and one more LPR cut by 10bps in the remainder of this year. See below for comments from CMBI economic research.*
- **GEMDAL:** *Media reported that Gemdale is in discussions for two bilateral loans totaled cRMB6.8bn from CMB for cRMB2.5bn and Bank of Communications for cRMB4.3bn. GEMDAL'24 rose 2.8pts yesterday and continued to rally 0.9pt this morning*

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❖ Trading desk comments 交易台市场观点

Yesterday, MIZUHO priced 6.25NC5.25 and 11.25NC10.25 bonds (both of USD750mn), at T+112 and T+130, respectively. WSTPNZ priced 3-yr and 5-yr bonds (both of USD750mn) at CT3+75 and CT5+95, respectively. KHFC priced a 3.5-yr social bond of USD500mn at CT3+58. HYUELE/DAESEC 27s/29s were unchanged to 3bps tighter. In Chinese IGs, TENCNT/BABA 30-31s were unchanged to 4bps tighter and the longer-dated of TMTs were 5-10bps tighter. The high beta TMTs such as MEITUA/WB 30s were also 3-7bps tighter. HAOHUA 25-30s were 5-7bps tighter. In financials, bank T2s such as DAHSIN 33s were 5-10bps tighter. In AMCs, GRWALLs/CCAMCLs/ORIEASs were better bid. The front-end leasing names such as BOCAVI 24s/CMINLE 26s were 1-3bps tighter. Chinese AT1s such as CINDBK 4.8 Perp/ICBCAS 3.58 Perp were down 0.1pt. EU AT1s remained sought-after. HSBC/BNP/STANLN/BACR/INTNED/ACAFP Perps were better bid and closed unchanged to 0.3pt higher. In HK space, IG name HKLSP 33s tightened 7bps. HK/Chinese properties performed strongly post PBOC cut 5-yr LPR by 25bps. NWDEVL Perps were another 0.8-1.5pts higher. SHUION 24-26s and LASUDE '26/LIHHK '25/HYSAN '35 were up 0.4-2pts. RDHGCL '24 was up 8.4pts to close at high-60s. PINGRE 25-26s jumped another 4.8-5.6pts after gaining 1.4-2.1pts on Mon. Ping An Real Estate (PARE) secured additional RMB8bn 1-yr credit line from Ping An Bank. GEMDAL '24 was 2.8pts higher. Media reported that Gemdale is in discussion with CMB and BOCOM to get two bilateral loans totaled cRMB6.8bn. FUTLAN/FTLNHD/ROADKG 24-26s and VNKRL 24-28s were up 0.4-1.8pts. On the other hand, AGILE/JINKE 24-25s were down 0.5-0.9pt. In industrials, WESCHI '26 increased 2.8pts, HILOHO '24 was 1.4pts higher. Macau gaming names such as STCITY/WYNNMAC 24-29s were up 0.3-0.7pt.

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In Indian space, VEDLN 26-28s were up 0.5-0.9pt. Indonesian name MDLNIJ '25 was 4.5pts higher.

In the LGFVs/perps/high beta spaces, the flows were mixed with better buying in high-yielding ($\geq 7\%$) bonds and better selling in low-yielding ($< 6\%$) papers. The yield hunting/optimization theme continued and we saw one-way buying flows from asset managers in the few remaining names on radar that offered $\geq 7\%$ yield, such as FRESHK/CHOHIN/BNKEA/ POLHON/CPDEV. FRESHK/POLHON 24-26s were up 0.1-0.2pt. The insurance names ZHONAN/GRPCIN 25-26s moved 0.3-0.7pt higher and SUNSHG '26 was unchanged to 0.1pt higher. On the other hand, there were better selling in the mid-5% yielding SOE Perps, and selected LGFVs GZGETH/HNYUZI, as these papers were switched out by AMs/PBs and traded towards high-5%. HUADIA 3.375 Perp/HUANEN 3.08 Perp were down 0.1pt. The 5-6% LGFVs GZINFU '24/GZDZCD '26 and HZCONI/YWSOAO 25-26s were down 0.1pt. Shandong names SHGUOH 25-26s were down 0.2pt.

❖ Last Trading Day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
RDHGCL 7.8 03/20/24	68.8	8.4	FAEACO 7 3/8 PERP	92.7	-2.4
PINGRE 3.45 07/29/26	81.3	5.6	AGILE 5 1/2 04/21/25	15.6	-0.9
PINGRE 3 1/4 06/23/25	91.1	4.8	JINKE 6.85 05/28/24	7.9	-0.6
MDLNIJ 5 06/30/25	38.3	4.5	AGILE 6.05 10/13/25	13.6	-0.5
GEMDAL 4.95 08/12/24	65.8	2.8	GRNLGR 7 3/4 06/25/28	14.8	-0.5

❖ Marco News Recap 宏观新闻回顾

Macro – S&P (-0.60%), Dow (-0.17%) and Nasdaq (-0.92%) were weak on Tuesday. The mortgage rates for first-home buyer have decreased to 3.95%/3.85% in Beijing/other three tier-one cities after PBOC cut 5yr LPR by 25bps to 3.95%. UST yields were stable yesterday, 2/5/10/30 yield stayed at 4.59%/4.25%/4.27%/4.44%.

❖ Desk analyst comments 分析员市场观点

➤ China Policy - 5Y LPR Cut to Boost Housing Demand

The PBOC cut 5Y LPR by 25bps to support the property market while 1Y LPR remained unchanged to alleviate the pressure on RMB exchange rates and banks' NIMs. The asymmetric rate cut is positive for property, public utility, infrastructure construction and capital goods by reducing long-term debt financing costs. But the positive impact may be limited given weak economic prospects, declining housing prices and continued deflation expectation. Looking forward, the PBOC may further loosen monetary policy with additional moderate cuts in RRR, LPRs and deposit rates. But concerns about RMB depreciation, banks' NIM shrinkage and market arbitrage may continue to restrain the room of interest rate policy. We expect two more RRR cuts by 50bps in total and one more LPR cut by 10bps in the remainder of this year. Meanwhile, core cities will accelerate the construction of affordable housing and further relax or even eliminate housing purchase restrictions ahead. China's broad fiscal deficit is expected to reach at least 7.1% of GDP in 2024, which is not low compared to other economies. But China's fiscal expenditures are mainly on public sector operation, infrastructure investment and supply-side subsidy as the transfer support to households and boost effect on consumption is limited.

Asymmetric LPR cut to support property market. The PBOC cut 5Y LPR by 25bps from 4.2% to 3.95%, while 1Y LPR remained unchanged at 3.45%. 5Y LPR is the key reference rate for mortgages and other long-term loans. The rate cut sends a signal that China will further ramp up support to property sector, which has continued

to slump since 2022. The policy move is positive for property, public utility, infrastructure construction and capital goods by lowering long-term financing costs for the real sector. For instance, with a 2 million & 30 year mortgage loan, the LPR cut reduces the monthly payment for homebuyers by approximately 3%. The LPR cut is expected to reduce the annual interest cost of the outstanding RMB38.2trn mortgage loans in the next repricing window (either beginning of 2025 or the corresponding loan issuance date) by nearly 0.2% of household disposable income.

The actual boost effect may be limited by weak fundamental factors. 1) Weak economic prospects and declining housing prices may continue to restrain households' willingness to buy homes. 2) Deflation may last longer than expected as real-term interest rates are still high. Deflation will increase real debt burden, postpone durables consumption and hurt business earnings. 3) Domestic policy uncertainty and geopolitical risk may continue to dampen business confidence, which is negative for capex and employment recovery.

More aggressive policy response is needed yet its possibility is still low. In theory, China needs aggressive interest rate cuts and substantial fiscal transfer to households to boost demand and defy deflation. In reality, however, three factors continue to limit the downside room for policy rates as we expect two more reserve requirement ratio cuts each by 25bps and one additional LPR cut by only 10bps in the remainder of this year. Firstly, the policymakers are concerned about RMB depreciation pressure amid high US-China interest spreads. Secondly, they are concerned about banks' NIMs, which is related to banking system stability and MoF's dividend income from state-owned banks. Thirdly, the policymakers have some other targets like economic restructuring and arbitrage control as restraints on interest rate policy. For fiscal policy, broad deficit ratio should reach at least 7.1% of GDP in 2024 based on our estimates, which is not low compared to other economies. However, China's fiscal expenditures are mainly on public sector operation, infrastructure investment and supply-side subsidy as the support to households and boost effect on consumption is limited..

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➤ Offshore Asia New Issues (Priced)

Issuer/Guarantor	Size (USD mn)	Tenor	Coupon	Priced	Issue Rating (M/S/F)
Mizuho Financial Group Inc	750/750	6.25NC5.25/ 11.25NC10.25	5.376%/ 5.579%	T+112/130	A1/A/-
Korea Housing Finance Corp	500	3.5yr	4.875%	T+58	Aa2/AA/-
Saudi National Bank	850	5yr	5.129%	T+90	-/A-/A-
Westpac New Zealand Ltd	750/750	3/5yr	5.132%/ 5.195%	T+75/95	A1/AA/-

➤ 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 35 credit bonds issued yesterday with an amount of RMB36bn. As for month-to-date, 413 credit bonds were issued with a total amount of RMB438bn raised, representing a 40.1% yoy decrease

- **[ADTIN]** Fitch affirmed Adani Energy Solutions RG's notes at BBB- and placed stable outlook
- **[ASRIIJ]** Fitch affirmed Alam Sutera's B- rating and revised outlook to negative
- **[EHICAR]** Fitch withdrew eHi Car's CCC+ ratings as eHi has chosen to stop participating in the rating process
- **[GEMDAL]** Media reported that Gemdale is securing two bilateral loans totaled cRMB6.8bn from CMB for cRMB2.5bn and Bank of Communications for cRMB4.3bn
- **[HAIDIL]** Haidilao expects FY23 revenue to rise at least 33% to RMB41.4bn
- **[JIAYUA]** Jiayuan International missed outstanding principal, interest payment on 11% senior notes due 2024
- **[YESTAR]** Yestar scheme creditors approve planned restructuring of USD notes

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