

CMBI Credit Commentary

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

- *Asian IG benchmarks were stable this morning. The front end bonds in bank T2s, AMC sector were under better selling. We saw buying interests on Long-term CCAMCL and TAISEM.*
- *WB: Issued USD300mn CBs with 1.375% coupon. WBs were unchanged this morning. See below.*
- *China Economy – PMI contraction signals caution ahead. CMBI maintains the forecast for GDP growth at 5.3% in 2023 and 4.8% in 2024. See below.*

❖ Trading desk comments 交易台市场观点

Yesterday, overnight UST yield tightened another 7-9bps. Asia IG space experienced more profit taking especially on the front end papers. In Chinese SOE/TMT benchmarks, HAOHUA/CNOOC papers widened 1-2bps and BABA curve widened 3-5bps. The high beta TMTs remained under better selling. MEITUA 30s widened another 2bps and XIAOMI 30-31s widened 2-5bps. In financials, Chinese bank T2s ICBCAS/BCHINA names widened 2-5bps. The new CINDBK 10NC5 T2 were traded in active two-way flows and hovered unchanged in spreads. In KR/JP space, SMBCAC/HYUELE papers were under better buying. HK Corp space was mixed. CKINF Perps gained 1.7-2.5pts to close 3.5pts higher WTD. LIFUNG Perp was up 1.3pts to close 4.3pts higher WTD. NWDEVL Perps were down 0.3-0.5pt. HK/Chinese properties drifted lower. SHUION 24-26s were down 1.7-2.5pts. CSCHCNs fell another 2.1-4.5pts to close 13-17pts lower WTD. FUTLAN 24-25s and GEMDAL '24/YLLGSP '26 dropped 1.9-2.9pts. Moody's downgraded GEMDAL/YLLGSP/ROADKG by one notch with negative outlook. AGILEs declined 1.2-3.5pts. PWRLNGs were down 1.1-1.4pts, after failure to cure the missed coupon on PWRLNG 5.95 04/30/25. In industrials, EHICAR 24/26 were up 0.8-1pt, post the further repurchase of USD25.3mn of EHICAR 7.75 '24 since Mar'23. In Macau gaming names, MPEL 26-28s gained 0.4-0.8pt. Indian renewable AZUPOE 24/26 were another 0.7-0.9pt higher. ADSEZ/ADANEM 29-31s gained 0.4-0.8pt. Indonesian space was quiet.

In LGFV/Perp spaces, CPDEV 25/26/Perp dropped another 0.8-1.4pts to close another 3-5pts lower WTD amid some profit taking emerged. Among Chongqing names, CQLGST '24 gained 1.3pts. CQNANA 4.56 '26 was up 0.3pt. Shandong names QDJZWD '24/HKIQCL '25 were 0.1pt higher. The quality LGFV names remained under better buying from rebalancing needs. GZINFU/GZGETH 23-24s were up 0.1pt. Meanwhile SOE Perps were better bid in light of the overnight rates rally. CHPWCN 4.3 Perp/CHALUM 4.1 Perp were up 0.1pt.

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❖ Last Trading Day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
RDHGCL 7.8 03/20/24	73.0	3.5	CSCHCN 9 12/11/24	20.6	-4.5
CKINF 4.2 PERP	66.5	2.5	AGILE 5 1/2 05/17/26	14.3	-3.5
CKINF 4.85 PERP	74.8	1.7	GEMDAL 4.95 08/12/24	45.5	-3.0
LIFUNG 5 1/4 PERP	46.0	1.3	CSCHCN 9 10/09/24	21.5	-2.7
CQLGST 5.3 08/20/24	98.4	1.3	CSCHCN 9 04/12/24	27.1	-2.2

❖ Marco News Recap 宏观新闻回顾

Macro – S&P (+0.38%), Dow (+1.47%) and Nasdaq (-0.23%) were mixed on Thursday. US Oct core PCE index was +3.5% yoy, down from +3.7% yoy in Sep and same with the expectation. The latest US initial jobless claim was +218k, lower than the expectation of +220k. Euro-zone Nov CPI was +2.4% yoy, lower than the expectation of +2.7% yoy. China Caixin Nov manufacturing PMI was 50.7, higher than the expectation of 49.3. The UST yields rebounded yesterday, 2/5/10/30 yield reached 4.73%/4.31%/4.37%/4.54%, respectively.

❖ Desk analyst comments 分析员市场观点

➤ **WB: Issued USD300mn CBs with 1.375% coupon**

Yesterday, Weibo issued USD300mn CBs with a coupon rate of 1.375%. The conversion price is USD13.7565 and parity is 74.5 on Weibo shares' last close of USD10.11. The company mentioned that it would use the proceeds to partly repay USD800mn WB'24 due Jul'24 and USD1.2bn syndicated loan due Aug'27. In our view, Weibo does not have a pressing need to raise money for refinancing, especially it has been in net cash position over the past few years. As of Sep'23, Weibo had USD2.46bn cash on hand and ST investments of USD314.6mn, compared with total debts are USD2.44bn and ST debts of cUSD800mn. The CB size of USD300mn appears to be too small for major acquisitions.

To us, one possible use of the CB proceeds could still be share buy-back despite the apparently reluctance of the company. Weibo's USD500mn share repurchase program ended in Mar'23. The CB offers a low-cost option to support its share price after the initial slippage, while maintaining size of equity base if stock price goes higher than the conversion price. Nonetheless, we believe that the CB issue is largely credit neutral to Weibo. We have [Buy recommendation on WB 3.375 07/08/30](#).

Security Name	Amt Out (USD mn)	Ask Price	Ask YTM	Mod Duration	Rating (M/S/F)
WB 3.5 07/05/24	800	98.5	6.1	0.6	Baa2/BBB/-
WB 3.375 07/08/30	750	84.5	6.3	5.6	Baa2/BBB/-

Source: Bloomberg.

➤ China Economy – PMI contraction signals caution ahead

China's manufacturing PMI dropped 0.1 to 49.4% in Nov, falling short of market expectation again. New order, export order and existing order further contracted, signalling weak demand for goods both domestically and internationally. The hindrance from demand side on final products also transmitted to corporate procurement activities as both material purchase volume and import order edged down. Material purchase price index dipped again while ex-factory product index stayed in contraction, extending the deflation process. Employment minimally improved although remained in contraction. Service PMI noticeably dropped into contraction for the first time in 2023 as national holidays ended in Oct, while construction rebounded thanks to the fiscal expansion. China's economy has softened recently, calling for additional policies ahead. China may maintain its GDP growth target at 5% for 2024 with more expansionary fiscal policies and additional monetary policy easing. We maintain our forecast for GDP growth at 5.3% in 2023 and 4.8% in 2024.

Manufacturing activities remained in contraction dragged by still-soft domestic and external demands.

China's manufacturing PMI came in below expectation and contracted to 49.4% in Nov from 49.5% in Oct. Production index inched down to 50.7% in Nov from 50.9% in Oct. New order, export order and existing orders all remained in contraction at 49.4%, 46.3% and 44.4%, respectively, from 49.5%, 46.8% and 44.2%, showing no signs of alleviation from the demand side, both domestically and externally. Material purchase volume and import order both edged down from 49.8% and 47.5% to 49.6% and 47.3%, indicating the weak demand is weighing on corporate procurement activities. Breaking down by sector, new order indexes in medicine, automobile and other transportation equipment reached above 53% while more than 60% of surveyed companies indicated insufficient market demand. The PMI of large and small enterprises worsened in Nov, while both small and medium enterprises remained in contraction.

Deflation pressure increased after the pullback of energy and commodity prices. Ex-factory price index stayed in contraction but slightly rebounded from 47.7% to 48.2%, while manufacturing material purchase price worsened from 52.6% to 50.7%. The deflation pressure increased in manufacturing goods with the retreat of energy and commodity prices. Inventory for materials and finished products worsened, as firms continued to destock proactively amid weak demand and confidence. Service price index moderately dropped, while construction price rebounded. Looking forward, China's CPI and PPI may gradually rebound in 2024 thanks to base effect, demand improvement and the end of de-stocking cycle.

Service sector dropped into contraction for the first time in 2023, while construction mildly rebounded.

Non-manufacturing PMI dropped to 50.2% from 50.6%. PMI in service fell from 50.1% in Oct to 49.3%, the first contraction in 11 months as pent-up demand in the post-Covid era came to an end. Breaking down by sector, output in railroad & air transportation, catering and lodging, and sports & entertainment pulled back from high level as national holidays ended in October. Capital market and financial services, real estate services and TV & broadcast kept booming. Construction PMI bounced to 55% from 53.5% thanks to the fiscal and infrastructure stimulus, while the new order index continued to worsen to 48.6% from 49.2%. Business sentiment indexes in construction and services both improved and remained in high expansion zones.

Employment minimally improved but remained weak. Employment indexes in manufacturing, service and construction recovered to 48.1%, 46.7% and 48.2% from 48%, 46.5% and 46.4% in Oct, but remained in contraction. The weak employment condition will restrain the recovery momentum of household consumption and become a major drag on the economic growth.

China's economy dipped again calling for additional policy support ahead. The PMI in November signaled China's economy may have weakened again recently. The policymakers may maintain the GDP growth target at 5% for 2024. However, it is more difficult to achieve the 5% growth next year as the lower base effect should decline. China may adopt more expansionary fiscal policies and further loosen monetary policy & property policy to boost the growth. Broad fiscal deficit ratio may reach 8% of GDP in 2024. The PBOC may launch additional cuts in RRR, deposit rates and LPRs in the next several quarters. Municipal governments may further loosen

property policy to stabilize the property sector. We maintain the GDP forecast for 2023 at 5.3% and that 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)
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 Development District Holding Group Co. Ltd	USD	-	2yr	6.75%	-/-/BBB+
Hangzhou Qiantang New Area	USD	-	364d	7.0%	-/-/-

➤ News and market color

- Regarding onshore primary issuances, there were 59 credit bonds issued yesterday with an amount of RMB43bn. As for Month-to-date, 1,684 credit bonds were issued with a total amount of RMB1,703bn raised, representing a 17.3% yoy increase
- [CARINC]** S&P withdrawn CAR Inc's B- rating at company's request
- [CIFIHG]** CIFI Holdings (Group) CEO Lin Feng resigned due to health reason; Ru Hailin appointed as new CEO
- [COGARD]** Country Garden was invited to attend real estate symposium held by ICBC
- [CSCHCN]** Media reported that China South City USD bondholders coalescing to push back on planned term-out; the company to postpone payment of HKD0.2/share final dividend for FY23 due to shortage of funds
- [GEMDAL]** Moody's downgraded Gemdale's rating for one notch to Caa2 and maintained negative outlook
- [HENINV]** Fitch upgraded Henan Investment Group to A from A- and placed stable outlook
- [MEDCIJ]** Medco Energi obtained approval from Oman Government to acquire interests in two oil-gas blocks in Oman
- [ROADKG]** Moody's downgraded Road King's rating for one notch to B3 and maintained negative outlook
- [SINOCE]** Media reported that Chinese developer Sino-Ocean Group is engaged in discussions with China Cinda Asset Management regarding financial support

- **[VNKRLE]** Agricultural Bank of China held meetings with developers including China Vanke, Longfor and Hopson to listen to demands
- **[YLLGSP]** Moody's downgraded Yanlord's rating for one notch to B2 and maintained negative outlook

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