

CMBI Credit Commentary

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

- *The front end of Chinese SOEs such as HAOHUA 24s were under better buying. LENOVO/MEITUA 30s widened 2-3bps. Hong Kong's High Court dismissed the winding-up cases against Logan. LOGPHs stayed unchanged this morning.*
- **Chinese Economy:** *Credit growth beat expectations. China's outstanding social financing notably escalated and reached record high in Jan due to the expansion in undiscounted banks' acceptance and corporate bonds while government bonds moderated. See comments from our economic research below.*
- **HKCGAS:** *Hong Kong and China Gas redeemed in whole and canceled the USD300mn HKCGAS 4.75 Perp. There are no o/s USD bonds on the name following the completion of redemption.*

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❖ Trading desk comments 交易平台市场观点

Yesterday, overnight UST yield tightened 6-8bps across the curve. Asia IG space continued to be traded in a firm tone. In KR space, HYUELE/SAMTOT/HYUCAP/DAESEC 27-29s were 2-4bps tighter. In Chinese SOE/TMT benchmarks, HAOHUA 28-30s tightened 3-5bps and TENCNT 29-30s were also 1-3bps tighter. The high beta TMTs were traded in mixed two-way flows. MEITUA/LENOVO 30s tightened 3-5bps and WB/XIAOMI 30-31s closed unchanged to 1bp wider. In financials, Chinese leasing names/AMCs were under better buying. BOCAVI/CCAMCL 25-29s tightened 1-4bps. There was also small selling on BOCAVI 33s. Chinese AT1s such as BCHINA/ICBCAS Perps were unchanged to 0.1pt lower. In Thai/EU AT1s, KBANK 4 Perp/UBS 7.75 Perp were up 0.1-0.2pt. HK Corp space was mixed. SUNHUN/MTRC 30s were up 0.6-0.9pt, whereas SHUION 25-26s were down 0.3-0.8pt. Chinese properties were also mixed. CSCHCNs were up 0.4-0.6pt and stayed range-bound between high-20s to low-30s. CHIOLIs were 0.7-0.8pt higher. However, LNGFOR 27/32 were 0.5-1.2pts lower. FUTLAN/FTLNHD 25s and VNKRL 27-29s were down 0.4-0.9pt. In industrials, AACTECs were up 0.5-1pt, whilst HILOHO/EHICAR 24s were 0.3pt lower. Macau gaming names MPEL/WYNMAC 27-29s were up 0.4-0.9pt. In Indian space, VEDLN 26-28s were 3.3-4.8pts higher post report of the partial sales of stakes in Vedanta Ltd. for USD1bn. AZUPOE 24/26 were 0.5-0.8pt higher whilst UPLLIN Perp was 0.7pt lower. Indonesian SOEs such as FRIDPT/IDASAL/PERTIJ 44-52s were up 0.5-0.9pt. MDLNIJ '25 was 0.8pt lower.

The LGFVs/perps/high beta names were stable amid light flows. In the 5-6% LGFVs, NZYJSO '27/HZCONI '26 were unchanged to 0.1pt higher. In the higher yielding LGFVs, JMUDIV '25/KMRLGP '24 were up 0.1pt. In Guangzhou names, GZINFU '24/GZDZCD '25 were unchanged to 0.1pt higher. Elsewhere, SHGUOH '25 was down 0.1pt. In SOE perps, CHPWCN 4.25 Perp/HUADIA 3.375 Perp were up 0.1pt whilst RLCONS 3.97 Perp was down 0.1pt. In the high-beta names, SUNSHG/ZHONAN 26s were 0.1pt higher.

❖ Last Trading Day's Top Movers

| Top Performers | Price | Change | Top Underperformers | Price | Change |
|-----------------------|-------|--------|-----------------------|-------|--------|
| VEDLN 13 7/8 12/09/28 | 90.5 | 4.8 | LNGFOR 3 3/8 04/13/27 | 53.8 | -1.2 |
| VEDLN 9 1/4 04/23/26 | 87.4 | 4.5 | FTLNHD 4 5/8 10/15/25 | 27.2 | -0.9 |
| VEDLN 13 7/8 01/21/27 | 96.7 | 3.3 | SHUION 5 1/2 03/03/25 | 69.5 | -0.8 |
| FRIDPT 6.2 04/14/52 | 96.4 | 0.9 | MDLNIJ 5 06/30/25 | 33.9 | -0.8 |
| CNOOC 4 7/8 04/30/44 | 95.1 | 0.9 | FUTLAN 4.45 07/13/25 | 27.3 | -0.8 |

❖ Marco News Recap 宏观新闻回顾

Macro – S&P (+0.58%), Dow (+0.91%) and Nasdaq (+0.30%) closed higher on Thursday. US Jan '24 retail sales decreased 0.8% from Dec'23 compared to the expectation of -0.2%. UST yields retreated yesterday, 2/5/10/30 yield reached 4.56%/4.22%/4.24%/4.42%.

❖ Desk analyst comments 分析员市场观点

➤ China Policy – Credit growth beat expectations

China's outstanding social financing notably escalated and reached record high in Jan due to the expansion in undiscounted banks' acceptance and corporate bonds while government bonds moderated. Credit growth in the household sector saw surprisingly robust growth in Jan despite sluggish housing sales during the month. But new loans in corporate sector mildly declined YoY. We expect the PBOC may cut LPR by 10 or 20 bps in Feb as the economy remains weak with continuous deflation pressure. The central bank may continue to loosen liquidity and credit supply in the remaining of 2024. Credit growth may slightly pick up this year thanks to more expansionary fiscal policies and more accommodative monetary policies. We expect outstanding social financing growth to rise from 9.5% at end-2023 to 10% at end-2024.

- **Social financing reached a historic high thanks to strong banks' acceptance and corporate bond financing.** Social financing flow increased 8.4% YoY (all in YoY terms unless otherwise specified) to RMB6.5tn in Jan from RMB1.94tn in Dec, above market expectation and reaching a historic high in Jan. The major contribution was from banks' acceptance financing and corporate bond financing, which respectively rose 90.2% and 195.2% to RMB563.5bn and RMB483.5bn in Jan. Bill and bond financing costs further declined amid continuous weakening of economic prospect. Government bond financing dropped to RMB 294.7bn in Jan from RMB932.4bn in Dec, down 28.8% YoY, after the large-scale issuance of special CGB in Nov and Dec. New RMB loans fell 1.9% in Jan to RMB4.8tn. New foreign currency loans returned to positive at RMB98.9bn. For shadow financing, new entrusted loans continued to drop while trust loans mildly improved. M2 growth further slowed to 8.7% in Jan due to high base last year while M1 growth accelerated to 5.9%, possibly due to the mismatch from Lunar New Year.
- **New RMB loans came in above market expectation due to rebounding household borrowing.** New RMB loans stayed almost flat YoY at RMB4.92tn in Jan after dropping 16.4% in Dec at RMB1.17tn. New loans to households remarkably increased as short-term loans rocketed 934% to RMB352.8bn from RMB75.9bn in Dec. New medium and long-term loans to households rebounded 181% to RMB627.2bn in

Jan from RMB146.2bn in Dec, although housing sales remained subdued in Jan and early Feb. Loans to corporate sector saw strong growth at RMB3.86tn despite a historic high base last year. New bill financing contracted by RMB973.3bn in Jan while new short-term loans and medium and long-term loans saw robust reading of RMB1.46tn and RMB3.31tn.

- Credit growth may mildly rebound with stronger fiscal expansion and accommodative monetary policy.** We expect to see further fiscal expansion to support the 5% growth target in 2024. Government bond issuance may remain strong as broad fiscal deficit may rise to 7.1% in 2024 from 6.4% in 2023. PBOC has injected RMB0.5tn PSL into policy banks in Dec and Jan while we expect additional RMB0.5-1tn PSL in the remaining of the year for “3 major projects”. The PBOC may cut LPRs by 10 or 20 bps in Feb as the economy has remained weak with continuous deflation pressure. The central bank may further loosen liquidity and credit supply in the remaining of 2024. Credit growth may mildly rebound amid stronger fiscal expansion and more accommodative monetary policies. Outstanding social financing growth is expected to rise from 9.5% at end-2023 to 10% at end-2024. We expect the GDP growth to reach 4.8% in 2024.

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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) |
|--|----------|---------------|-------|---------|----------------------|
| No Offshore Asia New Issues Pipeline Today | | | | | |

➤ News and market color

- Regarding onshore primary issuances, there were 0 credit bonds issued yesterday with an amount of RMB0bn. As for month-to-date, 370 credit bonds were issued with a total amount of RMB393bn raised, representing a 25.7% yoy decrease
- [BSDEIJ]** Fitch affirmed Bumi Serpong Damai at 'BB-'; outlook stable
- [EHOUSE]** E-House (China) Enterprise announces filing of Verified Petition in accordance with Cayman Scheme, debt restructuring plan
- [HKCGAS]** Hong Kong and China Gas completes redemption in whole of the USD300mn perpetual subordinated guaranteed capital securities
- [LOGPH]** Hong Kong's High Court dismissed the winding-up cases against Logan Group's two lynchpin offshore subsidiaries
- [REDSUN]** Redsun Properties is seeking legal advice in respect of its appropriate response to the winding-up petition filed by The Bank of New York Mellon in connection with a not less than USD228.5mn financial obligation under the 9.50% senior notes due 2023

- [VEDLN] Media reported Vedanta shares traded via block deals for INR22.55bn, buyer may be GQG
- [UPLIN] Fitch downgraded UPL Corp to 'BB+' from 'BBB-'; outlook negative

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