

CMBI Credit Commentary

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

The Asset Asian G3 Bond Benchmark Review 2023

We hope you found our commentaries and ideas helpful. We seek to elevate our efforts and value-add further in the coming year. We highly appreciate your support to us in Sell-Side Analysts of the polls of "[The Asset Asian G3 Bond Benchmark Review 2024](#)". Thank you for your support!

- *Active selling flows this morning post rates down. Asian IG financials/TMTs were under better selling. High-beta CN corps and developers were firm, FUTLAN/FTLNHD/VNKRLE were unchanged to 0.8pt higher.*
- *Asia ex-JP USD bonds issuance: 5M24 gross issuance increased 11.1% yoy to USD78.5bn. See below.*
- *Chinese Properties - Encouraging signs on both policy implementation and property sales, Reiterate buy. See below for comments from CMBI equity research.*

❖ Trading desk comments 交易台市场观点

Yesterday, the new POHANG 27/29 closed 1-2bps wider amid mixed two-way flows. DAESEC '29/HYUELE '31 were 1-3bps wider. OCBCSP 34s/SBIIN 29s also widened 2bps. In JP/AU insurance hybrids, NIPLIF 53/54 were up 0.3-0.5pt. QBEAU Perps were better bid by PBs/Prop desks and closed 0.2pt higher. In AU T2s, NAB 5.181 '34 widened 4bps on heavy selling. In Chinese IGs, HAOHUA/TENCNT 27-30s were 2-3bps wider. In Chinese AMCs, CCAMCL/ORIEAS 25-30s widened 1-3bps. HRINTHs were 0.1pt-0.3pt higher (unchanged to 5bps tighter). BOCAVI 28-33s were 1-2bps wider. In AT1s, KBTB/BTTLB Perps were 0.1-0.2pts higher. In EU AT1s, HSBC 8 Perp/STANLN 6 Perp/DB 7.5 Perp were up 0.1-0.3pt, while the new EUR DB 8.125 Perp was 0.8pt higher. In HK, NWDEVL '30/HYSAN '35 were up 0.5-1.0pt. CPREIT '30 was 0.7pt higher (10bps tighter) following the arrangement of 3-yr unsecured loan of HKD5.05bn for refinancing. See our comments on [4 Jun '24](#). Chinese properties moved higher. FUTLAN/FTLNHD 24-26s were another 1.4-3.9pts higher after gaining 5.5-22.7pts over the last month. CHIOLI 34-43s/COGO '26 were up 0.6-1.1pts on RM buying. LNGFOR 27/28 were 0.9-1.3pts higher. VNKRLE 25/27/29 were up 0.7-0.9pt despite some profit taking. SHUION 25/26, on the other hand, declined 0.5-0.8pt. ROADKs were down 0.6-1.2pts. In industrials, HILOHO '24/FOSUNI '26 were 0.1-0.5pt higher. In Macau gaming, SANLTDs/MGMCHIs were up 0.2-0.3pt. In India, ADSEZs/ADANEMs/ADTINs/ADGREGs were 0.4-1.0pt lower. VEDLNs were down 0.3-0.5pt. In Indonesia, APLNIJ fully repaid APLNIJ 5.95 06/02/24 upon maturity.

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In LGFVs/high beta spaces, the sentiment remained firm. We saw better buying from cross-border RMs for the quality LGFVs and better selling for low-yielding SOE perps. HUADIA 3.375 Perp/CHPWCN 3.45 Perp were unchanged to 0.1pt lower. In the high-beta IG names, GRPCIN/SUNSHG/ZHONAN/CNMDHL 26s were under better buying from RMs and closed 0.1-0.2pt higher.

❖ Last Trading Day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
FTLNHD 4 1/2 05/02/26	69.0	3.9	ROADKG 7 3/4 PERP	14.4	-1.2
FTLNHD 4.8 12/15/24	90.8	3.5	ADGREG 6.7 03/12/42	93.4	-1.0
FUTLAN 4.45 07/13/25	79.7	3.4	ADSEZ 3.828 02/02/32	80.6	-0.9
FTLNHD 4 5/8 10/15/25	77.0	2.8	ADANEM 3.949 02/12/30	84.8	-0.8
FUTLAN 6 08/12/24	99.2	1.4	SHUIION 5 1/2 06/29/26	73.0	-0.8

❖ Marco News Recap 宏观新闻回顾

Macro – S&P (+0.15%), Dow (+0.36%) and Nasdaq (+0.17%) rallied higher on Tuesday. China May'24 Caixin service PMI was 54.0, higher than the expectation of 52.6. UST yield retreated yesterday, 2/5/10/30 yield was 4.77%/4.35%/4.33%/4.48%.

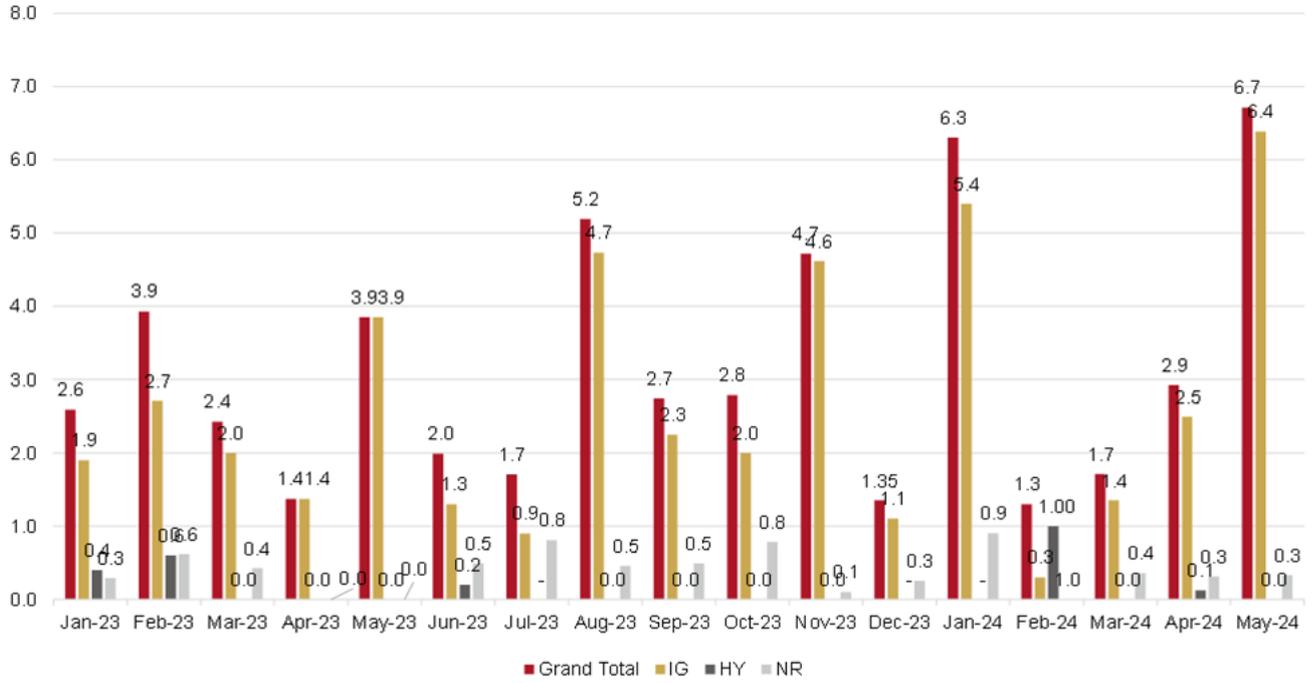
❖ Desk analyst comments 分析员市场观点

➤ Asia ex-JP USD bonds issuance: 5M24 gross issuance increased 11.1% yoy to USD78.5bn

In May'24, Asia ex-JP USD bond issuance increased 65.7% yoy to USD17.1bn from USD10.3bn in Apr'23. China (USD6.7bn), Asian Development Bank(USD3.5bn) and Philippines (USD2.4bn) are among the largest issuers. IG contributed 87.3% of the gross issuance in the month. Financial sector was the largest issuer. The issue amount of the sector was USD13.4bn, accounting for 78.2% of total gross issuance of the month. In 5M24, gross issuance of Asia ex-JP USD bonds increased 11.1% yoy to USD78.5bn. South Korea (USD23.0bn), China (USD19.0bn) and India (USD4.6bn) were amongst the largest issuers with most gross issuances. Over 5M24, financial institutions issued USD55.1bn bonds, accounting for 70.2% of gross issuance.

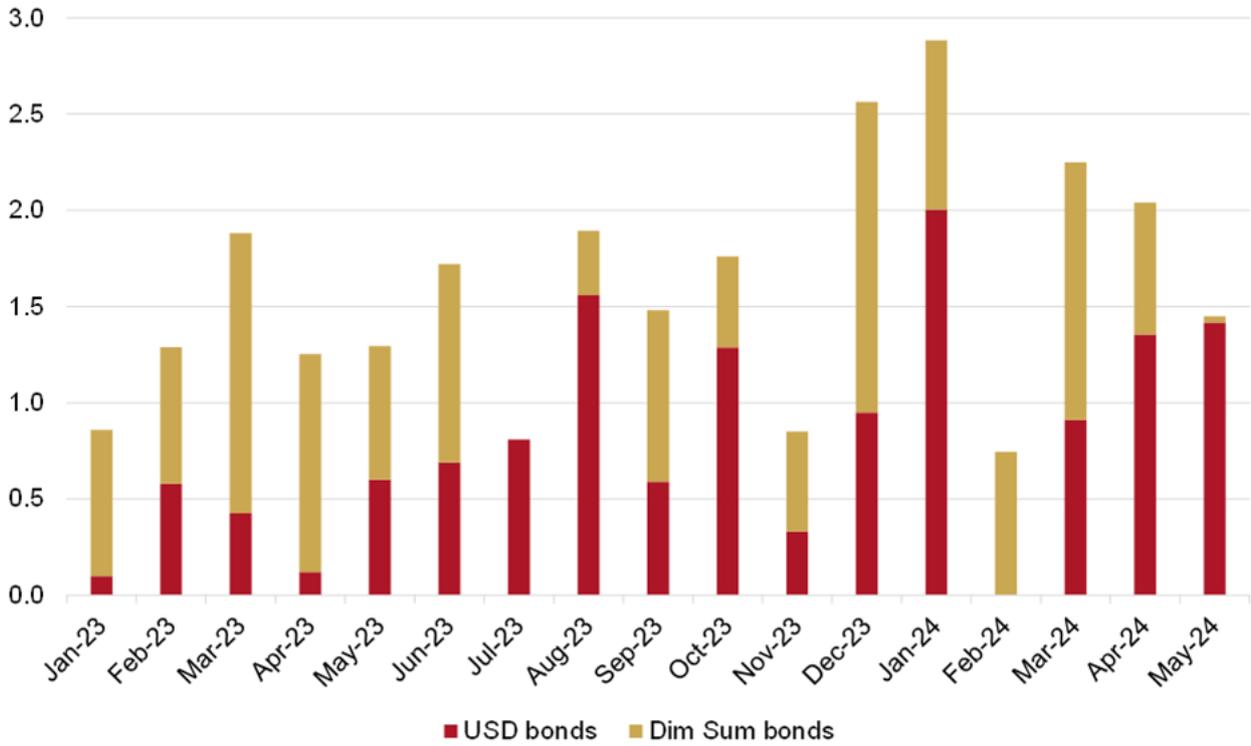
In 5M24, Chinese issuers issued USD bond totaled USD19.0bn, rose 33.8% yoy from USD14.2bn in 5M23. LGFV USD bond issuance increased 211.5% to USD5.7bn from USD1.8bn in 5M23 while LGFV Dim Sum bonds issuance decreased 22.5% yoy to USD3.7bn in 5M24. In 5M24, the weighted average coupons of new LGFV USD issuance and LGFV Dim Sum issuance were 6.4% and 4.8%, respectively. In 3Q24, the maturing LGFV USD bonds totaled cUSD7.6bn. We expect LGFV issuance to be active in the near-term and there would be more LGFV Dim Sum bond issuance given its lower funding cost compared to LGFV USD bonds issuance.

Chinese USD bonds new issuance amount (USD bn)



Source: Dealogic.

LGFV Dim Sum bonds issuance (USD bn)



Source: Dealogic.

➤ **Property - Encouraging signs on both policy implementation and property sales, Reiterate buy**

China's destocking scheme showed encouraging progress, with Guangzhou announcing to purchase developers' unsold inventory at cost prices, which could serve as an example for other cities. We think the scheme currently may only benefit SOEs/semi-SOEs as LGFVs may need to divest their financing function at first. A number of regions actively implemented mortgage rate related policies after 17 May, and we think there is still room for further adjustment in Beijing, Shanghai and Shenzhen. Noticeable recovery on property sales was shown with the daily transaction volume post-517 policy for new/second hand home increasing by 23%/21% compared to pre-517 policy (Figure 2). Based on the assessment of the impact of policies on buying sentiment, potential relaxation in tier 1 cities, the sales boost from destocking, and the diminishing impact of NBS's statistical criteria adjustment, we revised down property sales forecast in 2024E to a YoY change of -20%/+1% to RMB 8.2/7.1tn for primary/secondary markets. Our adjustment is mainly to fine-tune the overly optimistic attitude at the beginning of the year, without changing our positive LT outlook for the sector. We believe that the stock price for the sector will continue the recovery trend on a medium to long-term basis, and the ST pullbacks may provide opportunities to enter the market. We reiterate our advice for investors to buy the dip. For stocks, we prefer PM companies like CR MixC, Poly Services, Binjiang Services and Onewo, property agents BEKE, and PJM company Greentown Mgmt. For developers, we recommend CR Land with LT value.

What is new? **1)** As we anticipated, the "destocking" scheme showed progress with the government of Zengcheng District in Guangzhou announced to purchase unsold inventory from independent developers at cost prices to convert into affordable housing. Such companies as Jinmao and Vanke already registered to participate. **Our read:** **a)** this initiative is highly proactive because it may provide a reference for other local governments in terms of acquisition models and pricing, thereby accelerating the overall progress of destocking. **b)** The scheme may currently only benefit independent developers with state-owned capital background. Previously, the market believed that LGFVs would be the beneficiaries. However, for these companies to gain substantial benefits on a large scale, they may still need to further divest from their functions as government financing vehicles to meet the local fiscal requirements of "separation of income and expenditures". **2)** A number of regions implemented new policies announced by PBOC on 17 May. According to Beike's data in May, mortgage rates for major 100 cities have fallen to 3.45%/3.9% for first/second home, down by 12/26 bps respectively from the previous month. More than 80 cities out of 100 have adopted the minimum down payment ratio of 15%/25% for first/second home. Only top-tier cities like Beijing, Shanghai and Shenzhen still apply higher requirements with 20-30% / 30-50% for first/second home which **we think** that there is potential to be adjusted down given the policy's adeptness at managing buying sentiment (Figure 4).

Property Sales: We have observed a remarkable rise in the transaction volume of both primary and secondary markets in several cities following the 517 policy. According to the High-frequency data we are tracking, as of 3 June, the daily transaction volume of new home in 30 major cities post 517 policy went up 20%/23% compared to that of pre-517 policy/YTD, in which Suzhou, Hangzhou and Chengdu delivered 37-45% growth. Daily transaction volume of second-hand home in 17 major cities post-517 policy increased 21%/18% compared to that of pre-517 policy/YTD. Suzhou, Hangzhou and Nanjing saw 26-46% growth. Our transaction watch in tier-1 cities (weekly) witnessed a considerable recovery for second hand house in the 22 nd week of 2024 (27 May - 02 June) with units of secondary homes sold in SH, BJ, GZ and SZ in 22W surpassing their weekly avg. by 42%, 21%, 10% and 8%.

We revised down our 2024E property sales forecast to -20%/+1% for primary/secondary markets. We have revised our sales forecasts for both primary and secondary markets, primarily as an adjustment to the overly optimistic stance at the beginning of the year. Having assessed the impact of proactive policies on boosting sales through recent data, and considering that 1) the top-level policy direction will keep accommodative and may further loosen (such as the reduction of down payment ratios in tier-1 cities and the further cancellation of purchase restrictions), 2) the continued implementation of inventory reduction measures to stimulate sales, and

3) the gradual dissipation of the impact from NBS's base adjustments, we estimate the full-year primary/secondary sales value to change by -20%/+1% YoY in 2024E. This implies sales volume changes of -15%/+12% YoY, and sales price changes of -6%/-10% YoY, respectively. In our bull case and bear case scenarios, we estimate the primary/secondary sales value to change by -15%/+5% and -23%/-3% YoY, respectively (Figure 1).

Click [here](#) for full report

➤ 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 80 credit bonds issued yesterday with an amount of RMB79bn. As for Month-to-date, 150 credit bonds were issued with a total amount of RMB190bn raised, representing a 8.1% yoy increase
- **[APLNIJ]** Agung Podomoro Land unit APL Realty fully repaid 5.95% senior notes due June 2024
- **[CSCHCN]** China South City creditors sued keep-well provider state-owned Shenzhen SEZ Construction and Development to recover USD1.4bn
- **[SAKAEI]** Moody's affirmed Saka Energi Indonesia's B2 ratings and placed stable outlook on the rating
- **[SHAGAN]** S&P withdrew Jiangsu Shagang Group's BBB- rating

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