

CMBI Credit Commentary**Fixed Income Daily Market Update 固定收益部市场日报**

- *Markets were quiet amid weak sentiment and flows were skewed to sell. Recent new issues CHILOV'33, HKLSP'33 widened 1-2bps. HRINTHs were affected by COGARD and curve down 1-1.5pts. TMT benchmark BABA/TENCNT were unchanged.*
- *COGARD: Trading suspension in 11 onshore bonds totaled RMB15.7bn from today ahead of plan to convene bondholders' meeting. COGARs were unchanged this morning. See below.*
- *China Policy – New loans slumped as capex demand weakened. See below for comments from our economic research.*

❖ Trading desk comments 交易台市场观点

Last Friday, UST yields widened 4-7bps despite the moderating Jul CPI data. CHILOV 33s tightened 3bps. Japanese papers such as SUMI/SMBAC/SUMIFL 28s/33s were under better buying. In AU space, the recent new issues such as ANZNZ/WSTPNZ 28s were under better buying. In Chinese SOEs, SINOCH 31s widened 3bps. HAOHUA 27-30s edged 1-2bps wider with mixed two-way flows. The front-end of HAOHUAs were better bid. TMT benchmarks TENCNT 28-31s were unchanged to 2bps wider. The high-beta TMTs such as MEITUA/LENOVO 30s widened 6-7bps. In financials, AMC space performed mixed. HRINTH 29s/30s were traded 0.25-0.5pt lower (20bps wider). Selected CCAMCL/ORIEAS papers were better bid. Chinese properties remained lackluster. CSCHCN 24s dropped 2-3pts. FUTLANs/FTLNHDs were traded 0.75-2.75pts lower. LNGFORs/DALWANs declined 1-1.75pts. In industrials, FOSUNI/EHICAR 24-25s were marked 0.75-2.75pts lower. Macau gaming papers such as MPELs/SANLTDs were marked 0.5-0.75pt higher. In Indian space, VEDLNs gained 0.75-1.25pts. Indonesian SOEs PERTIJs/PLNIJs were marked 0.5pt lower.

The LGFV/Perp spaces were largely quiet. The high-yielding LGFV papers such as Chongqing/Shandong names performed mixed. CQLGST 24s were indicated 0.125-0.25pt higher. Whilst SHGUOH/SHUGRP 24-26s were marked 0.25pt lower. There were small cash deploying interests from Chinese AMs in the front-end 23/24 LGFVs. KMRLGP 3.9 '24 were indicated 0.5pt higher. SOE perps such as HAOHUA 3.35 Perp/SINOCH 3 Perp were better bid. HK Corp perps were mixed. FWDGRP/CKPH perps were quoted 0.5-0.75pt higher. Whilst NWDEVL Perps lowered 0.75-1.25pts.

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❖ Last Trading Day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
CCAMCL 5 02/08/48	75.9	1.3	CSCHCN 9 06/26/24	62.3	-3.0
VEDLN 6 1/8 08/09/24	71.3	1.1	HYSAN 3.55 06/16/35	81.3	-2.9
YLLGSP 6.8 02/27/24	93.4	0.9	FTLNHD 4.8 12/15/24	33.3	-2.8
GEMDAL 4.95 08/12/24	52.2	0.9	FOSUNI 6.85 07/02/24	90.4	-2.8
ORIEAS 4 1/2 12/21/26	95.3	0.9	ROADKG 7.95 PERP	21.3	-2.7

❖ Marco News Recap 宏观新闻回顾

Macro – S&P (-0.11%), Dow (+0.30%) and Nasdaq (-0.56%) were mixed on last Friday. US Jul'23 PPI was +0.8% yoy, increased from +0.2% yoy in Jul'22 and was higher than expectation of +0.7% yoy. The Aug Michigan Consumer Sentiment Index is 71.2, down from 71.6 in last month. US treasury yields continued to rise on Friday, 2/5/10/30 yield reached at 4.89%/4.31%/4.16%/4.27%, respectively.

❖ Desk analyst comments 分析员市场观点

➤ **COGARD: Trading suspension in 11 onshore bonds from today ahead of bondholders' meeting plan**

Country Garden's 11 onshore bonds totaled RMB15.7bn enter into trading suspension from 14 Aug. These are 16BiYuan05, 19Bidi03, 20Bidi03, 20Bidi04, 21Bidi01, 21Bidi02, 21Bidi03, 21Bidi04, 22Bidi02, 22Bidi03, and 16TengYue02. COGARD said that it proposed to convene bondholders' meetings in respect of the redemption arrangement for these bonds, and the trading resumption time will be determined separately. The trading suspension should be a sign of debt restructuring to be conducted onshore soon, and offshore liability management exercise is likely to follow, given our expectation of weak sales in lower tier cities to continue and its lumpy debt maturity profile over the next few years. Please refer to [our comments: COGARD: our reflections after COGARD's published last Friday](#) for more detailed discussions. COGARs were unchanged this morning.

➤ **China Policy – New loans slumped as capex demand weakened**

China's new loans declined in July as households and private businesses were reluctant to increase debt for capex. Housing sales continued to deteriorate while fixed investment of private enterprises may have further declined. The economy continued to weaken with deflation pressure. The policymakers may further loosen credit supply with additional cuts in RRR, deposit rates and LPRs. Meanwhile, most cities may loosen property policy with continuous declines in down-payment ratios and mortgage rates for first-home and second-home buyers. In addition, credit and fiscal support for hard-technology and high-end manufacturing sectors may further increase.

Social financing slumped as credit demand remained weak. Social financing flow further dropped 32.2% YoY (all in YoY terms unless otherwise specified) in July after decreasing 18.7% in June. New renminbi loans to real sector plunged 91.1% in July after rising 15% in 1H23. New foreign currency loans remained negative due to high US dollar rates and weak renminbi. New trust loans was also weak as investors' risk aversion towards property projects remained high. Banks' acceptance balance dropped by RMB196.2bn or its new financing was at RMB-196.2bn in July as financing demand of small business was low. Corporate bond financing rebounded by rising 22.8% in July, compared to the YoY decline of 40.3% in 1H23. Government bond

financing picked up 2.8% in July after dropping 27.4% in the first half year as local governments were guided to accelerate their bond issuance to boost the growth.

New loans to households turned negative again as more people chose to repay the mortgage in advance due to high outstanding mortgage rates and low confidence for financial investments. New loans to households turned negative at RMB 200.7bn in July. New short-term loans reached RMB 133.5bn as consumer demand especially for durables remained weak. New medium and long term loans was also negative at RMB 67.2bn as more households chose to repay their mortgages due to high outstanding mortgage rates and low confidence about financial investments. Due to limited cuts in LPRs, outstanding mortgage rates remained high considering the current economic condition. Due to the sharp correction of A share market, investors had low confidence about risky asset investment. Looking forward, loans to households may see the trough in 3Q23 and gradually improve in next four quarters.

New corporate loans declined as credit demand of private businesses was weak. New loans to enterprises dropped 17.3% in July after rising 3.1% in 1H23. New short-term loans turned negative at RMB 378.5bn, while new medium to long term loans decreased 21.6%. Private business confidence remained low as they were cautious to increase debt for capex expansion. Bill discount financing rose 14.7% to RMB359.7bn as bill discount rates dropped to historical low.

China may further ease credit supply and property policy to boost the growth. The slump of new loans in July indicates weakening of economic growth and credit demand in China. Both housing sales and exports of goods further deteriorated in July while the CPI growth turned negative with deflation in most sectors. The policymakers may further loosen credit supply and property policy in 2H23. The PBOC may cut RRR, deposit rates and LPRs in next several months and guide banks to expand credit supply to real sector. Meanwhile, most cities may loosen property policy with possible declines in down-payment ratios and mortgage rates for first-home and second-home buyers. In addition, credit and fiscal support for hard-technology and high-end manufacturing sectors may further increase.

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)
Continuum Energy Aura Pte	USD	450	3.5yr	-	-/B+/B+

➤ News and market color

- Regarding onshore primary issuances, there were 58 credit bonds issued last Friday with an amount of RMB44bn. As for Month-to-date, 723 credit bonds were issued with a total amount of RMB547bn raised, representing a 18.5% yoy decrease

- Media reported that Qingdao Government is considering options such as asset to equity swaps to rescue its distressed LGFVs
- **[ADSEZ]** Adani Ports statutory auditor Deloitte resigned after raising concerns over the company's dealings with three entities, board approves appointment of MSKA & Associates as replacement
- **[CHJMAO]** China Jinmao expects its profit to drop c80% in 1H23 due to gross profit margin decline of some of group's projects
- **[GRNLGR]** Greenland Holding Group to suspend trading in GRNLGR 5.875 07/03/26 due to non-payment of interest
- **[LNGFOR]** Media reported that Longfor recently closed HKD3.2bn five-year bullet to refinance originally HKD15.3bn bullet due Jan'24
- **[ROADKG]** RoadKing expects to turn to loss of HKD800-900mn in 1H23 due to increase in impairment provision for properties, it got net profit of HKD469mn in 1H22
- **[SINOCE]** Sino-Ocean suspends trading in SINOCE 6 07/30/24 following event of default triggered by non-payment of interest
- **[ZHLGHD]** Zhongliang Holdings announced that it may turn to loss for 1H23 due to weak real estate market

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