

CMBI Credit Commentary

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

- *IG benchmarks were stable this morning. VNKRLEs moved +0.3 to -1.5pts. CPDEVs down up to 0.3pt while low-beta LGFVs were well-bid. EHICAR announced Exchange and concurrent new issue. EHICARs rose another 1.75-2pts this morning. See below.*
- *LNGFOR: Prepaid CMBS of RMB4.65bn which is puttable in Dec'24. Maintain buy on LNGFORs. LNGFORs rose 1-2pts post the prepayment. See below.*
- *China CPI - CPI beat while PPI remained subdued. CMBI maintains the forecasts of CPI and PPI growth rates in 2024 at 0.7% and -0.3%. See below for comments from CMBI economic research.*

Glenn Ko, CFA 高志和
(852) 3657 6235
glennko@cmbi.com.hk

Cyrena Ng, CPA 吳蓓瑩
(852) 3900 0801
cyrenang@cmbi.com.hk

Jerry Wang 王世超
(852) 3761 8919
jerrywang@cmbi.com.hk

❖ Trading desk comments 交易台市场观点

Asia IG space was mixed last Fri. In KR, the security house papers such as DAESSEC 27-29s/DFHOLD '26 widened 5-10bps. S&P revised the outlooks of Mirae Asset Securities/Korea Investment & Securities to negative from stable on their high property risk and affirmed their "BBB" ratings. HYUELEs closed 2-5bps wider. POHANG '28/SAMTOT '29 widened 1-2bps. In AU/NZ, CBAAU '34 was sought-after by PBs/AMs and tightened 2bps. WSTP/NAB T2s also tightened 3-4bps under PB buying. In JP, SUMIFLs/SMBCACs/SUMITRs widened 2-3bps under profit taking, and the insurance hybrids such as FUKOKU/SUMILF Perps grinded around 0.1-0.3pt higher on the back of lower rates. In Chinese IGs, HAOHUA 29-30s closed unchanged to 1bp wider. BABA/TENCNT 30-31s widened 3-4bps. The BBB TMTs MEITUA/LENOVOWB 30s were also unchanged to 3bps wider amid profit taking from clients. In financials, the leasing name BOCAVI 28-33s widened 3bps. Chinese bank T2s/AMCs were mixed. BNKEA 27s tightened 3bps. CCAMCL 24-30s tightened 1-4bps, whilst ORIEAS '27 remained better offered and widened 2bps. In AT1s, WSTP/BBLTB Perps were better offered and closed 0.1pt lower, whilst EU AT1s such as BACR 6.125 Perp/INTNED 3.375 Perp gained another 0.25-0.5pt higher from the previous Asia closes. In HK, NWDEVL Perps were 1.2-1.6pts higher. CPREIT '30 was up 0.7pt, whilst LASUDE '26 declined 0.9pt. Chinese properties performed mixed. China Vanke announced that it remitted funds for payment on the USD630mn VNKRLE 5.35 03/11/24 maturing today. VNKRLE 4.2 06/07/24 and VNKRLE 25/29 rebounded another 1.9-2.4pts under the strong buying from RMs/PBs, after gaining 1.1-1.3pts on last Thu. GEMDAL '24 increased 2.9pts and closed 4.5pts higher WoW. LNGFOR 27-32s were 1.1-2.2pts higher. On the other hand, CHJMAOs/CHIOLIs were under better selling. RDHGCL '24 was 1.1pts lower. SHUION '26/ROADKG '25 were down 0.7-0.8pt. In industrials, WESCHI '26 rose 2.3pts. EHICAR 24/26 were up 0.3-0.4pt. Macau gaming.

names were quiet. Indonesian name LMRTSP '24/KIJAIJ '27 were down 0.2-0.5pt.

LGFVs and SOE perps remained largely stable. The 5-6% LGFVs GZDZCD '26/HZCONI '25/SXUCI '26 were up 0.1pt. Shandong names SHDOIS '24/QDJZWD '25 were 0.1pt higher. CHPWCN 3.55 Perp/ SPICPT 3.45 Perp were up 0.1pt. There were selling on CPDEVs, while the loose bonds were absorbed fairly well by Chinese RMs despite a price drop of up to 1-2pts. The non-property high-beta names were mixed. SUNSHG '26/ZHONAN '25 were 0.1-0.2pt higher, whilst GRPCIN '26 was 0.2pt lower.

❖ Last Trading Day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
GEMDAL 4.95 08/12/24	75.5	2.9	AGILE 5 3/4 01/02/25	16.4	-1.2
VNKRL 3.15 05/12/25	69.0	2.4	RDHGCL 7.8 03/20/24	56.1	-1.1
WESCHI 4.95 07/08/26	84.9	2.3	LASUDE 5 07/28/26	68.6	-0.9
VNKRL 4.2 06/07/24	91.4	2.3	SHUION 5 1/2 06/29/26	58.8	-0.8
LNGFOR 4 1/2 01/16/28	48.0	2.2	ROADKG 6 09/04/25	51.8	-0.7

❖ Marco News Recap 宏观新闻回顾

Macro – S&P (-0.65%), Dow (-0.18%) and Nasdaq (-1.16%) were weak on last Friday. US Feb'24 NFP increased 275k, higher than the expectation of 198k. US Feb'24 unemployment rate was 3.9%, higher than the expectation of 3.7%. UST yields were stable on last Friday, 2/5/10/30 yield reached 4.48%/4.06%/4.09%/4.26%.

❖ Desk analyst comments 分析员市场观点

➤ EHICAR: Exchange and concurrent new issue

EHICAR announced the well-expected exchange offer for EHICAR 7.75 11/14/24 and concurrent new issue. The terms of the exchange offer are in line with what the company has communicated with the market. The coupon of the new 3.5yr bonds will be announced on 13 Mar'24 and the new bonds will be re-offered at 95.5. The coupon of these bonds will step up 0.5% if EHICAR is not able to secure ratings from any international rating agencies 18 months after the issue date. Currently, EHICAR is not rated by any international rating agencies after Fitch withdrew the ratings on EHICAR in late Feb'24. We continue to see the exchange offer and concurrent new issue a positive step to lengthen its debt maturity profile and maintain buy on EHICARs. Please read our comments on last Thursday. EHICARs rose 1.75-2pts this morning.

The key terms of the exchange offer are:-

Exchange consideration EHICAR 7.75 11/14/24

Upfront payment	20pts
New bonds	Remaining 80pts to be exchanged into new 3.5yr bonds with a principal amount of 105
Consent fee	0.35pt
Accrued interests	to be paid in cash
Minimum acceptance amount	70% of the o/s amt

Important dates

Announcement of minimum coupon of new bonds	13 Mar'24
Exchange expiration date	18 Mar'24

➤ **LNGFOR: Prepaid RMB4.65bn due Dec'24 CMBS**

On 8 Mar'24, Longfor early repaid onshore CMBS of RMB4.65bn (cUSD647mn). The CMBS was issued in May'20 and is puttable on 23 Dec'24. After the prepayment, Longfor has no other outstanding ABS. Besides, Longfor does not have offshore bond maturity before Apr'27. Its next bond maturity is onshore RMB1.5bn LNGHDV 3 ½ 05/21/26 which is puttable in May'24 and media reported that the company has prepared funds for repayment. Longfor's bond maturities and put redemption in 2024 totaled RMB6.01bn (cUSD836mn). As of Jun'23, it has cash on hand of RMB71.3bn and short-term debts of RMB38.6bn. We consider Longfor's near-term debt maturities manageable.

In 2023, Longfor's contracted sales were down 9.8% yoy to RMB114.8bn, performed more resiliently than most of the non-SOE developers. Longfor issued profit warning for the FY23 results on 8 Mar'24. The company expects its net profit attributable to shareholders to drop up to 50% to RMB11bn in FY23 while record positive operating cash flows in the year. We believe that Longfor would be a survivor of the sector as it mainly operates in Tier1/2 cities, has matured investment properties and manageable debt maturities. We maintain buy on LNGFORs. LNGFORs rose 1-2pts post the prepayment of CMBS.

Security Name	Currency	o/s amount (mn)	Maturity	Next Put Dt	Ask Price	YTM (%)
LNGHDV 3.9 07/19/24	CNY	10	07/19/2024	-	82.4	61.4
LNGHDV 3 ½ 05/21/26	CNY	1,500	05/21/2026	05/21/2024	99.0	4.0
LNGHDV 4.67 07/19/26	CNY	1,500	07/19/2026	07/19/2024	98.0	5.6
LNGHDV 3.35 08/11/26	CNY	2,000	08/11/2026	08/11/2024	95.9	5.2
LNGHDV 3.7 12/09/36	CNY	1,000	12/09/2036	12/09/2024	81.5	5.8
Total		6,010				

Source: Bloomberg.

➤ **China CPI - CPI beat while PPI remained subdued**

China's CPI in Feb beat expectations at 0.7% YoY thanks to the Chinese New Year (CNY) mismatch with recovery in food, energy and tourism prices. Pork price is gradually bottoming out with signs of relief on the supply side. Core CPI saw solid 0.5% MoM growth thanks to tourism recovery despite weakness in other services and durable goods. PPI further declined due to the suspension of production and construction during the CNY. The deflation pressure may persist amid the retreat of tourism price, fierce supply-side competition and weak consumer demand due to de-leveraging in the debt-deflation cycle. We maintained our forecasts of CPI and PPI growth rates in 2024 at 0.7% and -0.3%. The PBOC may further cut RRR by 50 bps in total, LPRs by 10 bps, and structurally targeted mortgage rate by 20 bps in the remainder of the year. The central bank is also expected to commit RMB1-1.5trn PSL loans for "three major projects". Fiscal policy will be more expansionary with the expected broad fiscal deficit ratio at over 7.1% in 2024 and broad fiscal expenditure growth at 7.8%.

CPI beat expectations thanks to CNY mismatch with recovery in food and tourism prices. CPI rebounded back to positive territory at 0.7% in Feb from -0.8% in Jan, notably higher than the market expectation of 0.4%. The upside YoY CPI surprise was driven by the CNY mismatch and recovery of service consumption. The food price narrowed its YoY decline from -5.9% to -0.9%, while core service increased 1.2% YoY in Feb from 0.4% in Jan. In sequential terms, CPI recovered to 1% growth after rising 0.3% in Feb. Specifically, food CPI accelerated to 3.3% MoM from 0.4%, showing stronger seasonality compared to the historical average. Pork price recorded a 7.2% MoM increase after decreasing 0.2% in Jan, with its YoY decline reversing to positive at merely 0.2%, the first time since Apr 2023. We've seen positive signs from the supply side including moderate drops in feed

sales and the number of breeding sows and live hogs. The deflation effect of pork price on headline CPI should gradually ease. Energy price also rebounded with vehicle fuel price up by 1.9% MoM, with its YoY change returning to positive at 0.8%, the first time since Feb 2023.

Core CPI growth rebounded thanks to an improvement in service consumption. Core CPI growth accelerated to 1.2% YoY with its MoM growth hitting 0.5% from 0.1%, one of the highest MoM growth in history. The stronger-than-expected growth was driven by tourism price, which was up 13.1% MoM in Feb from 4.2% in Jan, in line with the record-breaking number of travellers during CNY. However, other services including home service, delivery service, education service and rent remained subdued, with -1.7%,-0.1%, 0% and 0% MoM growth, still lower than normal seasonality. For durable goods, home equipment and telecom equipment dropped to 0% and 1.1% MoM, while vehicles rebounded 0.1%. Prices of durable goods may remain weak due to low consumer confidence without demand-side policy stimulus. Looking forward, we expect the CPI to retract slightly, settling around the minimal positive bound just above 0 in next few months, as the deflation pressure persists amid the retreat of tourism price, fierce supply-side competition and weak overall demand.

PPI dropped below expectation as downstream demand weakened during CNY. PPI declined 2.7% YoY in Feb after decreasing 2.5% YoY in Jan, contracting for the 17th consecutive month. The MoM growth of PPI remained unchanged at -0.2%, showing still sluggish demand due to the suspension of production and construction during the CNY. For mining industries, PPI in oil & gas mining recovered to 4.2% YoY in Feb from 3.4% thanks to the resurgence of crude oil price, while coal mining, non-ferrous metals and ferrous metals remained lethargic, dropping 14.7%, 0.2% and 4.9% in Feb. For mid- and downstream industries, PPI in durables and capital goods remained weak, including automobiles, computers & electronics, general machinery, medicines and food. Looking forward, PPI may remain restrained in 2Q24 due to weak demand in China and high interest rates in the US. PPI growth may rebound in 2H24 as demand may improve in China and the US Fed may gradually cut rates.

Deflation pressure may alleviate yet should persist as current policy focus remains on supply side. We maintain our forecast of CPI and PPI growth at 0.7% and -0.3% for 2024, vs. 0.2% and -3% in 2023. Even though the CPI has returned to positive territory and is expected to remain minimal positive in the next few months, China's deflation pressure may persist longer due to demand weakness and supply overcapacity. Current policy support continues to focus on the supply side as broad fiscal deficit is mainly used for infrastructure investment and tax cuts for technology companies, high-end manufacturing and related equipment purchases. Fiscal transfer payments to households are relatively limited. The PBOC vowed to support a moderate reflation with ample liquidity supply and easing credit policy. We expect additional RRR cuts by 50 bps in total, 10 bps cut in LPR and a possible structural 20 bps cut targeted specifically at mortgage rates in the remainder of this year.

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)
ANZ Banking Group	USD	-	2yr	T+70/SOFR Equiv.	Aa2/AA-/A+

ANZ Banking Group	USD	-	10NC5.5	T+190	A3/BBB+/A-
Avic International	USD	-	-	-	-/-/A-
EHi Car Services	USD	-	-	-	-/-/

➤ News and market color

- Regarding onshore primary issuances, there were 87 credit bonds issued yesterday with an amount of RMB61bn. As for month-to-date, 630 credit bonds were issued with a total amount of RMB563bn raised, representing a 14.2% yoy increase
- **[ADANIG]** Media reported that Adani Green Energy proposes USD1.4bn 22yr bond issuance
- **[AZUPOE]** Media reported that Azure Power secured INR15bn(cUSD181.3mn) loan from REC to repay USD bonds
- **[GEMDAL]** Gemdale's Feb'24 contracted sales slumped 65.53% yoy to RMB5.1bn
- **[GZRFPR]** Guangzhou R&F improved terms of consent solicitation with three USD bonds. The company now provides USD1 in cash for each USD1000 principal amount of existing bonds
- **[LSEAGN]** Landsea Green Management expects to recognize loss of USD92.8m from disposal of shares of Landsea Homes
- **[VNRKLE]** China Vanke remitted funds for payment of USD630mn VNRKLE 5.35 03/11/24
- **[WESCHI]** West China Cement expects FY23 net profit to drop up to 60% yoy to RMB537mn
- **[XINHUZ]** Xinhua Zhongbao shareholders approved proposal on up to USD450mn offshore bond with 5yr tenor offering

Fixed Income Department

Tel: 852 3657 6235/ 852 3900 0801

fis@cmbi.com.hk

CMB International Global Markets Limited ("CMBIGM") is a wholly owned subsidiary of CMB International Capital Corporation Limited (a wholly owned subsidiary of China Merchants Bank)

Author Certification

The author who is primary responsible for the content of this research report, in whole or in part, certifies that with respect to the securities or issuer that the author covered in this report: (1) all of the views expressed accurately reflect his or her personal views about the subject securities or issuer; and (2) no part of his or her compensation was, is, or will be, directly or indirectly, related to the specific views expressed by that author in this report.

Besides, the author confirms that neither the author nor his/her associates (as defined in the code of conduct issued by The Hong Kong Securities and Futures Commission) (1) have dealt in or traded in the stock(s) covered in this research report within 30 calendar days prior to the date of issue of this report; (2) will deal in or trade in the stock(s) covered in this research report 3 business days after the date of issue of this report; (3) serve as an officer of any of the Hong Kong listed companies covered in this report; and (4) have any financial interests in the Hong Kong listed companies covered in this report.

Important Disclosures

There are risks involved in transacting in any securities. The information contained in this report may not be suitable for the purposes of all investors. CMBIGM does not provide individually tailored investment advice. This report has been prepared without regard to the individual investment objectives, financial position or special requirements. Past performance has no indication of future performance, and actual events may differ materially from that which is contained in the report. The value of, and returns from, any investments are uncertain and are not guaranteed and may fluctuate as a result of their dependence on the performance of underlying assets or other variable market factors. CMBIGM recommends that investors should independently evaluate particular investments and strategies, and encourages investors to consult with a professional financial advisor in order to make their own investment decisions.

This report or any information contained herein, have been prepared by the CMBIGM, solely for the purpose of supplying information to the clients of CMBIGM and/or its affiliate(s) to whom it is distributed. This report is not and should not be construed as an offer or solicitation to buy or sell any security or any interest in securities or enter into any transaction. Neither CMBIGM nor any of its affiliates, shareholders, agents, consultants, directors, officers or employees shall be liable for any loss,

damage or expense whatsoever, whether direct or consequential, incurred in relying on the information contained in this report. Anyone making use of the information contained in this report does so entirely at their own risk.

The information and contents contained in this report are based on the analyses and interpretations of information believed to be publicly available and reliable. CMBIGM has exerted every effort in its capacity to ensure, but not to guarantee, their accuracy, completeness, timeliness or correctness. CMBIGM provides the information, advices and forecasts on an "AS IS" basis. The information and contents are subject to change without notice. CMBIGM may issue other publications having information and/ or conclusions different from this report. These publications reflect different assumption, point-of-view and analytical methods when compiling. CMBIGM may make investment decisions or take proprietary positions that are inconsistent with the recommendations or views in this report.

CMBIGM may have a position, make markets or act as principal or engage in transactions in securities of companies referred to in this report for itself and/or on behalf of its clients from time to time. Investors should assume that CMBIGM does or seeks to have investment banking or other business relationships with the companies in this report. As a result, recipients should be aware that CMBIGM may have a conflict of interest that could affect the objectivity of this report and CMBIGM will not assume any responsibility in respect thereof. This report is for the use of intended recipients only and this publication, may not be reproduced, reprinted, sold, redistributed or published in whole or in part for any purpose without prior written consent of CMBIGM.

Additional information on recommended securities is available upon request.

Disclaimer:

For recipients of this document in the United Kingdom

This report has been provided only to persons (I) falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended from time to time) ("The Order") or (II) are persons falling within Article 49(2) (a) to (d) ("High Net Worth Companies, Unincorporated Associations, etc.") of the Order, and may not be provided to any other person without the prior written consent of CMBIGM.

For recipients of this document in the United States

CMBIGM is not a registered broker-dealer in the United States. As a result, CMBIGM is not subject to U.S. rules regarding the preparation of research reports and the independence of research analysts. The research analyst who is primary responsible for the content of this research report is not registered or qualified as a research analyst with the Financial Industry Regulatory Authority ("FINRA"). The analyst is not subject to applicable restrictions under FINRA Rules intended to ensure that the analyst is not affected by potential conflicts of interest that could bear upon the reliability of the research report. This report is intended for distribution in the United States solely to "major US institutional investors", as defined in Rule 15a-6 under the US, Securities Exchange Act of 1934, as amended, and may not be furnished to any other person in the United States. Each major US institutional investor that receives a copy of this report by its acceptance hereof represents and agrees that it shall not distribute or provide this report to any other person. Any U.S. recipient of this report wishing to effect any transaction to buy or sell securities based on the information provided in this report should do so only through a U.S.-registered broker-dealer.

For recipients of this document in Singapore

This report is distributed in Singapore by CMBI (Singapore) Pte. Limited (CMBISG) (Company Regn. No. 201731928D), an Exempt Financial Adviser as defined in the Financial Advisers Act (Cap. 110) of Singapore and regulated by the Monetary Authority of Singapore. CMBISG may distribute reports produced by its respective foreign entities, affiliates or other foreign research houses pursuant to an arrangement under Regulation 32C of the Financial Advisers Regulations. Where the report is distributed in Singapore to a person who is not an Accredited Investor, Expert Investor or an Institutional Investor, as defined in the Securities and Futures Act (Cap. 289) of Singapore, CMBISG accepts legal responsibility for the contents of the report to such persons only to the extent required by law. Singapore recipients should contact CMBISG at +65 6350 4400 for matters arising from, or in connection with the report.