

## 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 2023"](#). Thank you for your time. Your support will mean a lot to us.

- *Asian IG benchmarks were overall unchanged this morning while high-beta names were weak. XIAOMI/MEITUA widened 5bps. HRINTH curve down 0.5pt. In LGFV space, we saw demands on bonds with high-6 to 7% yields while weak region names were better selling.*
- *China Economy – Weak growth calls for additional policy easing. CMBI revises down the forecast for the GDP growth in 2023 from 5.7% to 5.1% and maintains that for the GDP growth in 2024 at 4.8%. See below for comments from our economic research.*
- *DALWAN: Media reported that Dalian Wanda is short of USD200mn for repayment of USD400mn DALWAN'23; S&P downgraded Dalian Wanda Commercial two notches to B+ and placed it on watch negative; DALWANs slumped 10.5 to 22pts yesterday and down 0.5 to 6pts this morning*

#### ❖ Trading desk comments 交易台市场观点

Yesterday, Asia ex-JP IG space was quiet with Japan on holiday and HK closed on typhoon signal no. 8. The recent new issues CICCHK 5.442 '26/HKLSP 5.25 '33 grinded 2bps tighter. KORHIC 26s/KORGAS 28s were marked 2-5bps wider. In Chinese SOEs, HAOHUA/SINOPE 28-30s tightened 1-3bps. TMT benchmarks TENCNT/BIDU curves were unchanged to 2bps wider. MEITUA 30s edged 3bps wider to close at T+277. WB 30s widened 5bps to T+326. In financials, HRINTH 29s/30s were marked 0.5pt lower (10-20bps wider). BOCAVIs/CMINLEs were better bid. Chinese properties were weighed down by DALWAN headline. DALWAN '23 plunged 22pts to close at 72.5 and the rest of the DALWANs fell 10-15pts. Media reported DALWAN informed some creditors that there is a funding gap of at least USD200mn for its repayment of USD400mn DALWAN 6.875 '23 due on 23 Jul '23. COGARDs dropped 2-7pts. FTLNHDs and SINOCES were traded 0.5-1.5pts lower. In industrials, AACTEC '31/WESCHI '26 were bid up 0.25-0.5pt. FSHITZ 24s/25s were marked 0.5-1pt higher. Macau gaming papers such as MPGLs/WYNMACs were indicated 0.5pt higher. In Indian space, AZUPOEs were marked 0.25pt lower. Moody's downgraded Azure Power Energy's ratings one notch and withdrew the ratings assigned due to insufficient information. VEDLNs declined 0.5pt. Indonesian SOEs PERTIJs/PLNIJs were indicated 0.15-0.3pt higher.

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The LGFV/Perp spaces also had a very quiet session. CCUDIH 24s/SHDOIS 24s/SHGUOH 25s were marked 0.125-0.25pt higher. KMRLGP 3.9 '24 closed 0.1pt higher at 83.5 with two-way interests. SOE perps remained better bid with support from Chinese RMs. CHPWCN 4.25 Perp/CHCOMU 3.65 Perp/CHSCOI 4 Perp lowered 0.125-0.25pt. HK Corp perp space performed mixed. NWDEVL 5.25 Perp/HYSAN 4.85 Perp were traded 0.5pt lower. Whilst BNKEA perps gained 0.25-0.5pt.

#### ❖ Last Trading Day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
FSHITZ 3 03/15/25	96.7	0.9	DALWAN 6 7/8 07/23/23	73.2	-21.8
TAISEM 0 3/4 09/28/25	90.3	0.8	DALWAN 7 1/4 01/29/24	48.9	-15.3
SHUION 6.15 08/24/24	85.5	0.8	DALWAN 11 02/13/26	34.2	-10.8
PRUFIN 3 5/8 03/24/32	89.9	0.7	COGARD 6 1/2 04/08/24	40.2	-7.0
FSHITZ 4.3 07/27/24	99.1	0.6	COGARD 8 01/27/24	50.2	-6.9

#### ❖ Marco News Recap 宏观新闻回顾

**Macro** – S&P (+0.39%), Dow (+0.22%) and Nasdaq (+0.93%) rallied higher yesterday. US China 2Q23 GDP rose 6.3% yoy, was lower than expectation of +7.3% yoy. China Jun unemployment rate was 5.2% and same with the expectation. The US treasury yields were overall unchanged on Monday, the 2/5/10/30 yield stayed at 4.74%/4.02%/3.81%/3.94%, respectively.

#### ❖ Desk analyst comments 分析员市场观点

##### ➤ China Economy – Weak growth calls for additional policy easing

China economy further weakened as the GDP growth missed expectations in the second quarter. Property market and exports deteriorated sharply, while consumption also slowed noticeably. Despite mild pick-up of retail sales and industrial output in June, achieving the 5% growth target for this year started to get harder. It requires an acceleration of the 2Y CAGR of GDP from 3.3% in 2Q23 to 4% in 2H23. China has to stabilize its housing market and consumption as soon as possible. We expect China may further loosen property policy and credit supply to boost the growth in the second half year. As the growth was far weaker than we expected, we revise down our forecast for the GDP growth in 2023 from 5.7% to 5.1% and maintain that for the GDP growth in 2024 at 4.8%.

##### **Economic growth sharply slowed in 2Q as achieving the 5% growth target for 2023 started to get harder.**

China's GDP picked up 6.3% YoY (all on YoY basis unless otherwise specified) in 2Q23 after growing 4.6% in 1Q23 thanks to the base effect. In fact, the economy slowed sharply in the second quarter as the QoQ growth of GDP decelerated from 2.2% in 1Q23 to 0.8% in 2Q23. Meanwhile, the 2Y CAGR of GDP slowed from 4.6% to 3.3%. In 2Q23, property sales & development investment extended their YoY declines, while both exports and retail sales deteriorated noticeably. Infrastructure investment maintained relatively strong growth while manufacturing investment mildly slowed. Private businesses were cautious to expand capex with severe pressure on the employment, while consumer confidence remained low. Achieving the 5% growth target for 2023 started to get harder as it requires an acceleration of 2Y GDP CAGR from 3.3% in 2Q23 to 4% in 2H23.

**Property market further contracted, longing for property policy easing.** The gross floor area (GFA) sold and the GFA started for commodity buildings respectively dropped 5.3% and 24.3% in 1H23 after decreasing 0.9% and 22.6% in 5M23. Property development investment further declined 7.9% in 1H23 after dropping 7.2% in the 5M23. The continuous slump of housing starts indicates property development investment may further decrease. Property developers remained cautious to purchase land as their financing condition was still tough and their

confidence was still low. Breaking down the funding source for property development investment, deposit & advance payment dropped 0.9% and individual mortgage fund rose 2.7% in 1H23 after respectively rising 4.4% and 6.5% in 5M23. Meanwhile, domestic loan fund further declined 11.1% in 1H23 after dropping 10.5% in 5M23. Potential housing supply has shrunk more significantly than housing demand as the rebalance has started in most cities with excess supply. The significant shrinkage of land-related fiscal system increased local government contingent debt risk and brought downside pressure on local government expenditures. Looking forward, housing sales may see moderate improvement in 2H23 as policymakers may further loosen property policy and credit supply. But property development investment may remain weak as we lower our forecast for property development investment growth in 2023 from -3.5% to -5%.

**Retail sales weakened as consumer confidence deteriorated.** The YoY growth of retail sales declined to 3.1% in June from 12.7% in May as the low-base effect fading. Its 2Y CAGR reached 3.1% in June, up from 2.5% in May. Catering service, clothing, cosmetics and home appliance notably rebounded as their 2Y CAGRs respectively rose from 5.6%, -0.7%, -0.3% and -5.4% in May to 5.6%, 4%, 6.4% and 3.8% in June. Housing-related durables remained weak with mild improvement as furniture and construction & decoration materials respectively dropped 2.8%, 5.9% and 0.9% in June after declining 4%, 11.3% and 2.3% in term of 2Y CAGRs. However, staples steadily recovered as the 2Y CAGRs of alcohol & tobacco product and medicine respectively rose from 6.2% and 8.9% in May to 7.3% and 9.2% in June. Auto and electronics continued the recovery trend as the 2Y CAGR jumped from 2.1% in May to 6.1% in June while telecom equip slowed from 8.4% in May to 6.6% in June. Looking forward, retail sales may gradually improve in next several quarters as the continuous recovery of service sector after the economic reopening should boost employment and consumer confidence. We maintain our forecast for the retail sales growth in 2023 at 7.5%.

**Service activity and industrial output improved in June.** Service output index rose 6.8% in June after rising 11.7% in May, while the VAIO growth accelerated from 3.5% in May to 4.4% in June. In term of 2Y CAGRs, service output index and VAIO respectively picked up 4.1% and 4% in June compared to 2.1% and 3% in May. In service sector, transportation, telecom service and internet & IT service had good sentiment while capital market service and real estate service was weak. In manufacturing sector, output in textile, medicine and nonmetal mineral product was weak as exports sharply slowed and housing market activity and business capex remained sluggish. However, output in chemical product, rubber & plastic product, nonferrous metal, special purpose equip, auto and electrical material & equipment improved noticeably as related industries benefited from the energy transition revolution in the worldwide. Looking forward, the continuous recovery of service sector should support a gradual improvement of employment condition and consumer confidence. The service sector has absorbed over 60% of SMEs and urban employment in China.

**FAI rebounded as infrastructure investment continued to be the largest contributor albeit property investment remained weak.** The YoY growth of FAI picked up 3.3% in June from 2.2% in May. Property sector was the largest drag as property development investment fell by 10.17% in June similar to the 10.21% decline in May. Most private developers “lied flat” and stopped land purchasing, indicating a very slow recovery of property development investment ahead. The YoY growth of FAI in manufacturing restored 6% growth in June compared to 5.1% in May. Looking forward, chemical product, auto and electrical material & equipment may maintain strong FAI growth as the energy transition and smart technology revolution boosts business capex in those sectors. However, most other manufacturing industries are likely to see a gradual slowdown of FAI due to continuous slowdown in demand growth as well as uncertainty in domestic policy and geopolitics. The YoY growth of infrastructure investment rose to 12.3% in June to 10.7% in May, thanks to strong performance in public utility, transportation, storage & post service, railway transportation and water conservancy. However, fixed investment in public facility management and health & social welfare remained weak. Looking forward, we expect infrastructure investment may gradually slow down as land market in most regions recovers very slowly and the policymakers starts to control local government contingent debt expansion. We cut our forecast for the FAI growth in 2023 from 5% to 4%.

**China may further moderately ease property policy and credit supply to boost economic growth.** China economy has continued to weaken with continuous deflation pressure in recent three months. More cities will

further loosen property policy with reductions in down-payment ratios and mortgage rates for first-home and second-home buyers. Meanwhile, the PBOC may further cut deposit rates and LPRs and guide banks to increase credit supply to the real sector.

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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 100 credit bonds issued yesterday with an amount of RMB76bn. As for Month-to-date, 778 credit bonds were issued with a total amount of RMB745bn raised, representing a 4.6% yoy increase
- **[BTSDF]** Health & Happiness repaid USD56.25mn of three-year term loan in Jun according to amortization schedule
- **[CHFOTN]** China Fortune Land got approval from bondholders to extend 14 bonds totaled RMB29.1bn
- **[CHINSC]** Media reported that CBICL got internal approval to guarantee for CHINSC's planned RMB700mn MTNs
- **[DALWAN]** Media reported that Dalian Wanda is short of USD200mn for repayment of USD400mn DALWAN'23; S&P downgraded Dalian Wanda Commercial two notches to B+ and placed it on watch negative
- **[EVERRE]** China Evergrande external auditor issued disclaimer of opinion with basis of multiple uncertainties relating to going concern in FY21/22 financial statement
- **[NWSZF]** NWS Holdings announced that circular on composite document relating to HKD 9.15/share cash offer from Chow Tai Fook Enterprises to be delayed
- **[RONXIN]** Ronshine China unit's overdue debts amount to RMB1.27bn
- **[SHUION]** Media reported that Shui On engaged Morrow Sodali to identify bondholders of SHUION'23/24. SHUIONs down 8.5 to 12pts by mid-day

- **[YNPOWE]** Yunnan Provincial Energy plans to exercise call option on its RMB1bn perpetual bond in Aug

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