

## CMBI Credit Commentary

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

- *Markets were quiet and flows skewed to better buying this morning. Asian IG space were unchanged to 3bps tighter. VNKRL'24 rose 0.5pt while VNKRLs with longer tenors down 1.5-2pts.*
- **CHJMAO:** *Various funding channels and sustainable shareholder supports. We maintain buy on CHJMAOs. CHJMAOs moved -0.1 to +0.3pt post the results. See below.*
- **China Economy** - *PMI beat but recovery remains uneven. See below for comments from CMBI economic research.*

#### ❖ Trading desk comments 交易台市场观点

Last Thursday, Asia IGs were mixed and the flows were light. The new SMBCAC 29/34 were unchanged to 1bp tighter. AIA '34 widened 2bps. In KR, KOMRMR '29 tightened 1bp but HYUELE/SAMTOT 29s widened 2bps. In Chinese IGs, HAOHUA '29/TENCNT '30 widened 1-2bps. In the high-beta TMTs, MEITUA '30 was unchanged to 1bp tighter. XIAOMI/WB 30-31s were unchanged to 2bps wider. In financials, BOCAVI '28/AVIILC '27 tightened 2bps. CCAMCL '28/ORIEAS '27 widened 2bps. Chinese AT1s were firm. BOCOHK/ICBCAS Perps edged up 0.1pt. EU AT1s remained under better buying in Asia session. BACR 8 Perp/LLYODS 8 Perp/UBS 7.75 Perp were 0.1-0.2pt higher. In HK, CSIPRO '25 was 1.4pts higher, whilst LASUDE '26 declined 3.3pts. Chinese properties moved higher. RDHGCL '24 rose 4.2pts to low-80s. FUTLAN/FTLNHD 24s increased 3.1pts and its 25-26s were up 1.1-1.3pts. CSCHCN 24s moved 1.5-2.6pts higher. LNGFOR 29-32s edged up 0.8-0.9pt. VNKRL 27-29s were 0.4-0.7pt higher. CHJMAOs were unchanged to 0.1pt higher. In industrials, HILOHO '24 was up 1.8pts. On the other hand, CHIOIL '26 plunged around 8pts following the delay of its FY23 results. EHICARs were 0.8-0.9pt lower. Macau gaming names were quiet. MPCL '29/SANLTD '31 were up 0.2-0.3pt. In Indian space, ADGREG '42 was 0.3pt higher. Indonesian names BUMAIJ/JPFALJ 26s were 0.2-0.3pt lower.

In LGFVs/perps/high beta spaces, CDNFA priced a USD300mn 3-yr bond at par to yield 5.45%. Flow wise, clients were either offline for Easter holiday or took profit/ trimmed risks amid quarter end. Meanwhile the CNH LGFVs remained sought-after by onshore RMs thanks to the yield pickup over their comparable CNY papers. In 5-6% LGFVs, HNYUZI '26/GUAMET '30 were up 0.1-0.2pt, whilst HZCONI 26s were down 0.3pt. Elsewhere, CPDEV 25/26/Perp and BCDHGR '26 were under buying and closed another 0.1-0.3pt higher. In SOE perps, CHPWCN/CHSCOI/HUADIA/SPICPT Perps were 0.1pt higher, whereas CCBINT Perp was down 0.1pt. The insurance names GRPCIN/SUNSHG 26s were up 0.1pt. However, utility names CWAHK '26/HNINTL '30 were 0.2-0.3pt lower.

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## ❖ Last Trading Day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
FUTLAN 6 08/12/24	80.8	3.1	CHIOIL 4.7 06/30/26	86.0	-8.0
FTLNHD 4.8 12/15/24	54.0	3.1	LASUDE 5 07/28/26	61.7	-3.3
CSCHCN 9 12/11/24	26.6	2.6	REGH 6 1/2 PERP	49.0	-2.3
HILOHO 9 3/4 11/18/24	62.3	1.8	CITLTD 4 3/4 02/04/36	91.2	-1.9
CSCHCN 9 06/26/24	25.4	1.5	EHICAR 7 09/21/26	88.3	-0.9

## ❖ Marco News Recap 宏观新闻回顾

**Macro** – S&P (-0.20%), Dow (-0.60%) and Nasdaq (+0.11%) were mixed on Monday. US Market manufacturing PMI in Mar'24 was 51.9, lower than the expectation of 52.5. China Caixin service PMI in Mar'24 was 51.1, higher than the expectation of 51.0. UST yield rallied higher yesterday, 2/5/10/30 yield reached 4.72%/4.34%/4.33%/4.47%.

## ❖ Desk analyst comments 分析员市场观点

## ➤ CHJMAO: Various funding channels and sustainable shareholder supports

Security Name	ISIN	o/s amount (USD mn)	Ask Price	YTM (Ask)	YTC (Ask)	Next Call Date	Coupon Reset	Rating (M/S/F)
CHJMAO 4 06/21/24	XS2013709220	250	98.9	9.2	-	-	-	-/BBB-/-
CHJMAO 4.4 03/04/25	XS2451285253	350	95.5	9.7	-	-	-	Ba1-/-
CHJMAO 3.2 04/09/26	XS2208935374	600	88.3	9.7	-	-	-	-/BBB-
CHJMAO 4 ¼ 07/23/29	XS2030348903	500	69.8	12.1	-	-	-	Ba1-/-
CHJMAO 7 ½ PERP	XS2082952172	400	93.1	10.3	19.3	12/6/2024	5yrUST+5.539	-/-
CHJMAO 6 PERP	XS2292974065	500	85.3	10.7	15.8	2/8/2026	5yrUST+5.584	Ba3-/-

Source: Bloomberg.

China Jinmao (Jinmao) reported weak FY23 result, largely in line with its profit warning on 1 Mar'24. On the bright side, the company remains accessible to various funding channels including bank facilities, onshore public bond market and shareholder loans. We believe that Jinmao would be a survivor of the sector given its manageable debts maturities and smooth funding channels. We maintain buy on CHJMAOs.

RMB mn	FY22	FY23	% change	1H22	1H23	% change
Contracted sales (RMB bn)	155.0	141.2	-8.9%	69.9	86.0	23.0%
Revenue	82,991	72,404	-12.8%	28,745	26,841	-6.6%
-Property sales	74,708	62,782	-16.0%	24,952	22,184	-11.1%
-Non property sales	8,283	9,622	16.2%	3,793	4,657	22.8%
Gross profit	13,146	9,021	-31.4%	6,225	4,444	-28.6%
Profit before tax	9,757	-2,813	-128.8%	6,140	2,054	-66.6%
Recognized GFA (k sqm)	7,795	8,283	6.3%	3,684	4,776	29.7%
Recognized ASP/sqm (RMB)	19,884	17,047	-14.3%	18,974	17,995	-5.2%
Gross margin	15.8%	12.5%		21.7%	16.6%	

Source: Company fillings.

In FY23, Jinmao's gross margin declined to 12.5% from 15.8% in FY22 as gross margin from property development deteriorated to 9% from 13% in FY23 due to lower gross margin of recognized projects. The gross

margin of non-property development segments decreased to 35% from 41% as weaker profitability of new businesses such as building decoration and green buildings technology. In FY23, Jinmao recorded loss attributable to owners of the parent of RMB6.9bn, dropped from RMB2.0bn profit in FY22 due to impact of cRMB4.4bn impairment losses on properties under development and properties held for sale, as well as cRMB3.5bn fair value losses on investment properties and financial assets.

In FY23, Jinmao's contracted sales were RMB141.2bn, down 8.9% yoy from RMB155.0bn in FY22, ranked 13<sup>th</sup> nationwide. The sell-through rate was c56% based on saleable resources of cRMB250bn in FY23. In FY24, the company has saleable resources of cRMB224bn and aims to maintain the top 15<sup>th</sup> place by contracted sales amount. In 2M24, Jinmao's contracted sales slumped c56% yoy to cRMB10.6bn, ranked 13<sup>th</sup> among nationwide developers. It had yet to launch any brand new projects in 2M24. The company expects contracted sales to pick up since Mar'24 after the launches of new projects in Tier1/2 cities. We estimate Jinmao's contracted sales amount could reach cRMB100-120bn in FY24.

RMB mn	Dec'22	Dec'23	% change	Dec'22	Jun'23	% change
Cash	44,703	37,836	-15.4%	44,703	42,602	-4.7%
ST debts	26,723	24,057	-10.0%	26,723	17,969	-32.8%
LT debts	97,068	104,437	7.6%	97,068	110,844	14.2%
Total debts	123,791	128,494	3.8%	123,791	128,813	4.1%
Net debts	79,088	90,658	14.6%	79,088	86,211	9.0%
Net gearing	70.2%	82.5%		70.2%	76.0%	
Cash/ST debts	1.7x	1.6x		1.7x	2.4x	
Adj. liab/assets	68.8%	68.8%		68.8%	68.4%	

Source: Company filings.

Jinmao's debt maturities are manageable. As of Dec'23, the proportion of its short-term debts to total debts lowered to 18.7% from 21.6% in Dec'22. Besides, its offshore debts accounted for c29% of total debts in Dec'23, decreased from c37% in Dec'22. As of Dec'23, the company had cash and cash equivalents of cRMB37.8bn cash, including unrestricted cash of cRMB31bn. In terms of public bond maturing in FY24, Jinmao had only one offshore USD bond due Jun'24 with USD250mn o/s amount and two onshore bonds totaled RMB5bn due in Apr/Oct'24 and had no other puttable bonds. We believe that Jinmao has adequate liquidity profile.

We take additional comfort that Jinmao remains accessible to various funding channels. In FY23, the company issued RMB7.2bn onshore public bonds at coupon rates ranging from 3.5% to 3.8%, lower than its average finance cost of 4.3%. It also issued RMB6.5bn CMBS backed by Jin Mao Tower at a weighted average interest rate of 4.1%. In FY24, Jinmao has issued another RMB3.5bn Jin Mao Tower-backed CMBS at an interest rate of 3.2%. As of Mar'24, Jinmao has unused RMB10bn MTN and RMB8.7bn corporate bonds quotas.

Furthermore, Jinmao's controlling shareholder Sinochem continuously provides support to Jinmao which receives cRMB20bn shareholder loans p.a. Jinmao announced on 1 Mar'24 that Sinochem would buy additional stakes of Jinmao in the open market for up to HKD200mn commencing from 28 Mar'24. Sinochem's stakes in Jinmao could increase to 39.09% from the current 37.09% without triggering the mandatory general offer under the creeping rule. We also take comfort that there are cross acceleration clauses between the USD bonds of Jinmao and those of Sinochem. We expect the supports from Sinochem to Jinmao will be forthcoming.

### ➤ China Economy - PMI beat but recovery remains uneven

China's manufacturing PMI in Mar came in notably above market expectation at 50.8% after five months of contraction. Production index resumed expansion while demand improved as new orders and export orders significantly rebounded. Business procurement recovered while the de-stocking cycle and deflation pressure persisted. Service PMI improved while construction PMI continued to expand thanks to faster-than-expected fiscal budget execution. The expansion of PMI in Mar indicated economic activity may have surpassed

expectation. GDP growth may exceed 5.5% in 1Q24, decreasing the likelihood of strong policy loosening in 2Q24. We don't think the recent report on the PBoC trading CGB meant the China version of QE. However, property market continued to slump while private business confidence remained weak, calling for additional targeted policy support. The policymakers may further lift home purchase restrictions in higher-tier cities with additional cuts in mortgage rates and down-payment ratios especially for first-home and second-home buyers. To boost private business confidence, top leaders may guide and coordinate policies towards the pro-business stance.

**Manufacturing activities came in notably above expectation.** China's manufacturing PMI in Mar significantly rebounded to 50.8%, above market expectation of 50.1%, from 49.1% in Feb after five months of contraction. Production index recovered to 52.2% from 49.8% as activities resumed after the CNY. Demand saw an inspiring improvement as new order and export order indexes jumped to 53% and 51.3% from 49% and 46.3% while existing order index improved to 47.6%. Material purchase volume and import orders also resumed expansion, indicating recovering corporate procurement. Both raw materials inventory and finished goods inventory remained in contraction but edged up from 47.4% and 47.9% to 48.1% and 48.9% in Mar, as enterprises slowed down on their de-stocking cycle. Breaking down by sector, business sentiment indexes in wood processing and furniture, transportation equipment and computer & electronic equipment reached above 55% in high prosperity interval. PMI of medium and small enterprises both expanded in Mar after 11 months of contraction while large enterprises inched up to 51.1%.

**Deflation pressure persisted amid fierce supply-side competition.** Ex-factory price index dropped to 47.4% in Mar from 48.1% in Feb, while manufacturing material purchase price increased to 50.5% from 50.1%, indicating possibly smaller-than-expected MoM PPI growth in Mar. Service price index stayed in contraction and edged up to 48.7%, while construction price declined to 48.4% from 48.9%. Looking forward, China's CPI may return to positive in Mar while PPI may gradually narrow its decline due to the base effect and improving export activities.

**Service and construction sector both improved.** Non-manufacturing PMI accelerated to 53% from 51.4%. PMI in service rose to 52.4% in Mar from 51%. New order index increased to 47.2% from 46.7%. Breaking down by sector, activities in postal services, TV & broadcast, financial service and money market service reached above 55% while real estate, air transport and catering contracted as holiday boost-up demand faded. Construction PMI accelerated to 56.2% from 53.5%, as construction activities resumed and fiscal budget was executed faster than expected. Business sentiment indexes in construction and services both slightly improved.

**Employment remained sluggish.** Employment index in manufacturing slightly rebounded from 47.5% to 48.1% and remained in contraction. Employment in service and construction both declined from 46.9% and 47.6% to 46.8% and 45.7%. The employment condition remained soft as industrial upgrades and technology advances in manufacturing and service industry required less labor intensity.

**The recent economic data came in above expectations, but recovery remained uneven.** Economic data showed a recovery in early 2024 as consumption, exports and output activity surpassed expectations. GDP growth in 1Q24 may exceed 5.5% as the leap year effect (91 days in 1Q24 compared to 90 days in 1Q23) may have contributed over 1ppt to the growth. We see a decline in the likelihood of policy stimulus towards consumption and cuts in LPRs or RRR in 2Q24. We don't think the recent report on the PBoC trading CGB meant the China version of QE but view this as an expansion in its policy tools in OMO. The PBoC may maintain indirect management over RMB exchange rates, which should continue to restrain its interest rate policy room with a strong dollar. However, property market continued to slump while private business confidence remained weak, calling for additional targeted policy support. Policymakers may further lift home purchase restrictions in higher-tier cities with targeted cuts in mortgage rates and down-payment ratios especially for first-home and second-home buyers. To boost private business confidence, top leaders may guide and coordinate policies towards the pro-business stance.

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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 61 credit bonds issued yesterday with an amount of RMB44bn. As for Month-to-date, 61 credit bonds were issued with a total amount of RMB44bn raised, representing a 42.3% yoy decrease
- Macau gaming revenue for Mar'24 rose 53.1% yoy to MOP19.5bn
- **[COGARD]** Country Garden delayed publication of FY23 results; share trading expected to be suspended pending publication
- **[DAFAPG]** DaFa Properties further delayed publication of FY22, 1H23, FY23 results
- **[DALWAN]** Zhuhai Wanda Commercial received USD8.3bn investment from PAG-led consortium
- **[EHOUSE]** E-House (China) Enterprise unable to consummate restructuring according to schemes; commences discussions to formulate new restructuring plan
- **[INDYIJ]** Indika Energy FY23 revenue down 30% to USD3bn and net profit down 70% to USD151mn
- **[LNGFOR]** Fitch downgraded Longfor to BB+ and placed negative outlook; Media reported that Longfor plans to use commercial property-backed loans to repay two debts due 2025/26 totaling RMB3bn owed to insurers
- **[RAKUTN]** Media reported that Rakuten plans to issue USD1.25bn notes in US market to repurchase debt
- **[REDPRO]** Redco Properties expects to publish FY22, 1H23, FY23 results by mid-Apr'24
- **[ROADKG]** Road King Infrastructure extended long stop date in relation to Road King (China) Infrastructure's RMB4.4bn toll road sale to 30 Apr'24
- **[VEDLN]** Vedanta Ltd unit Sesa Resources issues USD192m-equivalent INR bonds to Oaktree
- **[VNKRL]** China Vanke to call RMB1bn corporate bonds on 20 May
- **[YUZHOU]** Yuzhou Group: holders of 93.16% existing public notes, 91.04% additional existing debt instruments accede to RSA



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