CMBI Credit Commentary

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

- *Short term IG SOEs were well bid. LGFVs remained active with two-way flows. LNGFORs/VNKRLEs were unchanged to 0.6pt higher post LPR cut.*
- ***GLPSP:** Tender offer on GLPSP 3.875 06/04/25 and concurrent 3.5-year USD bonds issue. See below for comments.*
- ***China Economy - Weak data could be good news.** CMBI expects China's GDP growth to reach 4.9% in 2024 and 4.6% in 2025. See below for comments from CMBI economic research.*

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

Cyrena Ng, CPA 吴蒨莹
(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

Last Friday, Asia IG space was firm. DAESEC 26-29s tightened 2-3bps. Meanwhile KRKPSC 27/29 were 1-4bps tighter. In financials, FRESHK 26/27 remained well bid and closed 1-5bps tighter. DASHIN/NANYAN/BNKEA/ SHCMBK T2s were 2-5bps tighter. In Chinese AMCs, HRINTH 30s was 0.1pt lower (5bps wider), GRWALL Perp was down 0.1pt. NSINTW '34 tightened 6bps. CATLIF 34/39 were also 3-5bps tighter. The recent new ZURNVX '55 was down 0.1pt. NIPLIFs/SUMILFs were also 0.1-0.4pt lower. In EU AT1s, the recent new HSBC Perps were unchanged to 0.1pt lower. Chinese properties were mixed. See our comments on MOHURD's press conference on 18 Oct '24. FTLNHD/FUTLAN 25-26s rose 0.7-1.5pts and closed 2.5-3.3pts higher WoW. SHUION 25-26s/VNKRLE 25-29s were also up 0.3-0.6pt. DALWAN 25-26s/YUEXIU 31s, on the other hand, declined 0.7-0.9pt. Outside properties, HILOHO '24 was unchanged. After Fri close, Hilong Holding disclosed its delayed FY23 results and proposed scheme restructuring for its o/s USD314.546mn HILOHO '24. SANLTD/STCITY 28-31s were down 0.2-0.3pt. GLPSP Perps dropped 1.2-1.5pts and closed 2.8-3.5pts lower WoW. GLPSP/GLPCHI 25-26s were unchanged on last Fri, closed 1.2-1.4pts higher WoW. See comments below on its tender offer and concurrent new issue. In India, UPLLIN Perp was 1.1pts higher. ADGREG '42/ADTIN '36 were down 0.4-0.5pt. This morning, VEDLN proposed tap of the recent new issue VEDLN 10.875 '29.

In LGFVs, JJHD priced a USD100mn 3-yr bond at par to yield 6.4%. The new WHMTR was unchanged from its RO (CT3+68). The new NBHSDC '27 was 0.4pt lower from par. QDJZWD/SHGUOH 25-26s were down 0.1-0.2pt. SXUCI/GSHIAV 26s were down 0.1pt. HZCONI '26/NJYZSO '27, on the other hand, were up 0.1pt. In SOE perps, SPICPT/HUADIA Perp were 0.1pt lower.

CMBI Fixed Income
fis@cmbi.com.hk

❖ Last Trading Day's Top Movers

Top Performers	Price	Change
FTLNHD 4 5/8 10/15/25	**83.9**	**1.5**
FTLNHD 4 1/2 05/02/26	**75.5**	**1.2**
UPLLIN 5 1/4 PERP	**78.9**	**1.1**
SOFTBK 5 1/4 07/06/31	**95.5**	**0.7**
HAOHUA 3.7 09/22/50	**77.4**	**0.7**

Top Underperformers	Price	Change
GLPSP 4 1/2 PERP	**65.1**	**-1.5**
GLPSP 4.6 PERP	**64.0**	**-1.2**
INDOIS 3.55 06/09/51	**76.4**	**-0.9**
INDOIS 3.8 06/23/50	**80.2**	**-0.9**
YUEXIU 3.8 01/20/31	**83.9**	**-0.9**

❖ Marco News Recap 宏观新闻回顾

Macro – S&P (+0.40%), Dow (+0.09%) and Nasdaq (+0.63%) edged higher on last Friday. PBOC cut 1/5yr LPR by 25bps to 3.1%/3.6% as expected. US Sep'24 housing starts down to 1.35mn units from 1.36mn units in Aug'24. UST yield moved higher on Friday, 2/5/10/30 yield reached 3.95%/3.88%/4.08%/4.38%.

❖ Desk Analyst Comments 分析员市场观点

➢ GLPSP: Tender offer on GLPSP 3.875 06/04/25 and concurrent 3.5-year USD bonds issue

We consider the FV of the new 3.5-year USD bonds to be mid-9%, compared with GLPCHI 2.95 03/29/26 and PINGRE 3.45 07/29/26 are trading at 9.0% and 9.2%, respectively. Moreover, the tender price of GLPSP 3.875 06/04/25 at par is in line with our expectation as we discussed last Thur. We like GLPSP and GLPCHI as carry plays. We consider that the non-call risk of the 2 GLPSP perps, first callable in May'26 and Jun'27, respectively, are fairly priced given the lack of high coupon step-up feature.

GLP launches tender offer on GLPSP 3.875 06/04/25 at par. The tender offer will be funded with the proceeds from the concurrent new issue of 3.5-year USD bonds. The maximum acceptance amount of the tender offer will not be greater than the aggregate principal amount of the new bonds. If the aggregate principal amount tendered is greater than the maximum acceptance amount, GLP will prioritize the acceptance towards holders who subscribe the new bonds, and the priority will be based on the actual amount of new bonds to be allocated instead of the subscription amount. In other words, if the new bonds allocated to the existing holders of GLPSP 3.875 06/04/25 is smaller than the amount they tendered, the excess amount of the tendered bonds will not be given any priorities to be accepted.

We view the visibility of full repayment of GLPSP 3.875 06/04/25 is much higher in anticipation of completion of the sales of GCP non-China operations in 1H25. The tender offer and concurrent new issue, if successfully goes ahead, will notably lengthen the maturity profile of GLP, though at the expense of higher funding costs. That said, we believe that the impact of higher funding costs will be mitigated by GLP's continuous deleveraging efforts by GLP.

Table 1: Summary of the tender offer

Bond	GLPSP 3.875 06/04/25
O/s amt (USDmn)	1,000
Tender price	100
Expiration	28 Oct'24
Result announcement	On or about 29 Oct'24
Settlement date	On or about 1 Nov'24
Px	97.7
YTM (%)	7.68

Source: Company filling, Bloomberg.

Table 2: Bond profile of GLPSP/GLPCHI

Security name	ISIN	O/s amt (USDmn)	Px	YTM/YTC (%)	Rating (M/S/F)	First call date
GLPSP 4.5 Perp	XS2340147813	850	63.7	37.00	-/-/B+	17 May'26
GLPSP 4.6 Perp	XS2357239057	300	63.7	23.59	-/-/B+	29 Jun'27
GLPSP 3.875 06/04/25	XS1242348164	1000	97.7	7.68	-/-/BB	-
GLPCHI 2.95 03/29/26	XS2314779427	700	92.0	9.05	-/-/-	-

Source: Bloomberg.

➢ China Economy - Weak data could be good news

China's economy continued to weaken in 3Q24 as the GDP growth further fell short of the target. Weak economic data could be good news as top leaders have vowed to achieve the growth target with a pivot to strong policy stimulus recently. Some economic activities like housing sales, durable consumption and infrastructure investment started to show signs of rebound as the recent policy moves noticeably boosted market confidence. We are cautiously optimistic about the policy outlook in the medium term. China may provide more details about its fiscal stimulus after the NPC Standing Committee signing off the proposal in late October or early November. While the current policies centre on stabilizing property market and relieving local fiscal distress after the housing bubble burst, the policymakers may gradually recognize the importance of boosting consumption and defying deflation in reviving the economy. If the US general election brings new shocks and the effects of China's latest policy moves fade, the Chinese policymakers will definitely launch more aggressive stimulus next year including additional cuts in RRR, LPRs and deposit rates, higher broad fiscal deficit ratio and stronger loosening of property policies. The policy stimulus might support a temporary economic recovery in next few quarters, yet can hardly invert the slowdown trend of the economy in the medium to long term. We expect China's GDP growth to reach 4.9% in 2024 and 4.6% in 2025.

GDP growth further declined with higher pressure to meet the target. China's GDP growth in YoY terms (all on a YoY basis unless otherwise specified) edged down to 4.6% in 3Q24 from 4.7% in 2Q24, in line with market expectations. Meanwhile, the seasonally adjusted QoQ growth of GDP moderately rebounded from 0.5% to 0.9% in 3Q24. Deflation pressure alleviated yet persisted as GDP deflator declined 0.53% in 3Q24 since dropping 0.9% in 2Q23, for the longest negative period since 1998-1999.

Weak economic data could be good news. Since September, top leaders have vowed to achieve the growth target with a pivot to strong stimulus. Housing sales, durable consumption and infrastructure investments started to rebound from September, but the latest policy moves should be not enough for China to revive the economy. Considering a higher base in the last quarter of 2023, China may need more aggressive stimulus to achieve the 5% growth target for this year and maintain stable growth next year.

Sentiment improved but fundamental remained uncertain in housing market. New housing market continued to slump with only mild narrowing of magnitude in September. Gross floor area (GFA) sold and started for buildings respectively dropped 17.1% and 22.2% in 9M24 after declining 18% and 22.5% in 8M24. After the latest policy stimulus, however, both new and second-hand housing sales sharply rebounded. The recovery rate of new housing sales in 30 major cities compared to 2018 & 2019 rose to 51.4% in first half of Oct from 37.2% in Sep, with tier-1 cities markedly jumping from 59% to 110%. Meanwhile, the recovery rate of second-hand housing sales in 11 selective cities jumped from 86% to 129%. Housing prices continued to weaken with less magnitudes as over supply pressure alleviated yet persisted. Looking forward, the recovery momentum of housing sales may last for a few months before possible fading in 1H25. As the existing potential demand releases, the recovery sustainability may gradually face challenges from cyclical weaknesses like sluggish business confidence, employment & household income as well as structural problems like aging population and weak social safety net. It needs much more time to repair private sector confidence and rebalance housing supply and demand in the latest cycle.

Retail sales beat expectations especially in durables thanks to the trade-in subsidy. Retail sales growth bounced up to 3.2% in Sep from 2.1% in Aug, notably above market consensus at 2.3%. Durables strongly rebounded thanks to trade-in subsidy scheme as home appliance, cultural & office products and auto respectively surged to 20.5%, 10% and 0.4% in Sep from 2.5%,-4.9% and -2.4% in 8M24. Telecom equipment was not in the subsidy scheme yet also benefited from the upgrading cycle as its retail sales grew 12.3% in Sep after rising 11.8% in 8M24. Staples like food and medicine maintained stable and moderate growth rates, while discretionary items was mixed as clothing, cosmetics and gold, silver & jewellery continued to decline with less magnitudes and catering service remained weak. Furniture mildly improved while construction & decoration materials continued to decline. Looking forward, retail sales may noticeably rebound in 4Q24 thanks to the trade-in subsidy and the latest sentiment improvement amid the policy stimulus. However, a sustainable recovery cycle should need more policy support especially targeting to private businesses and consumers. We expect retail sales to grow 4% in 2024 and 4.5% in 2025.

FAI improves with strong pick-up in infrastructure, stable growth in manufacturing and continued weakness in property. Total FAI growth stayed flat at 3.4% in 9M24, but its monthly YoY growth picked up to 3.4% in Sep from 2.2% in Aug. By sector, infrastructure FAI astonishingly jumped to 17.5% in Sep from 7.9% in 8M24 as the top leaders' pro-growth pivot. Infrastructure FAI may see stronger growth in next two quarters than in 1H24 as the latest fiscal stimulus centres on giving local governments greater scope to support economic growth. Manufacturing FAI maintained stable growth at 9.7% in Sep compared to 9.1% in 8M24 as investments in non-ferrous metal, other transport equipment and computer & electronics remained elevated in growth. However, property development investment remained subdued with a deep contraction of 9.4% in Sep after dropping 10.2% in 8M24. Looking forward, FAI growth might mildly accelerate from 3% in 2023 to 3.7% in 2024 and 4.2% in 2025 thanks to a pick-up of growth in manufacturing and a narrowing of decline in property.

Industrial output rebounds with broad-based improvement. VAIO growth increased to 5.4% in Sep from 4.5% in Aug, above market consensus of 4.6%. Mining remained unchanged at 3.7% while public utility and manufacturing surged to 10.1% and 5.2% from 3.7% and 4.3% in Aug. Medicine notably rallied to 11% in Sep from 2.8% while transport equip excluding auto, computer & electronic equip and metal product remained robust growth at 13.7%, 10.6% and 9.3%. The improvement was broad-based across industries except growth of food and chemical product moderated in Sep. The YoY growth of service output index increased to 5.1% from 4.6%. Looking forward, industrial output may mildly recover thanks to the stimulus package to rescue property sector and empower local governments to revive economic growth.

Cautiously optimistic about medium-term policy outlook as more aggressive stimulus are needed to revive economic growth. By reporting GDP growth much lower than the target, top policymakers have realistically acknowledged the severe challenges in China's economy. Recognizing the challenges is the first step toward addressing it. Weak economic data could be good news if the top leaders firmly believe reviving economic growth is the priority. We are cautiously optimistic about the policy outlook in the medium term. China may provide more details about its fiscal stimulus after the NPC Standing Committee signing off the proposal in late October or early November. The latest fiscal stimulus might include RMB6tn local government debt swap for 3 years to stop the tightening effects of local government deleveraging, RMB1tn capital injection to six largest state-owned banks to expand their lending capacity and more allocated fiscal funds to support local governments to purchase unsold houses and lands for house supply and demand rebalance. While the current policies centre on stabilizing property market and relieving local fiscal distress after the housing bubble burst, the policymakers may gradually recognize the importance of boosting consumption and defying deflation in reviving the economy. The PBOC governor Pan Gongsheng said at a Beijing forum last week that the central bank would make a moderate reflation a key policy consideration in future. If the US general election brings new shocks and the effects of China's latest policies gradually fade, the Chinese policymakers will definitely launch more aggressive stimulus in next year. Firstly, the PBOC might further loosen liquidity and credit supply. 3M SHIBOR might further decline from 2.05% in 1H24 and 1.85% in 3Q24 to 1.6% by end-2025. RRR and LPRs might respectively drop by 50bps and 20-30bps by end-2025. Secondly, the PBOC and housing market regulators might further loosen second-home mortgage policy and other property policies. Thirdly, the central ministries might expand the urban village renovation program with more cash compensation to targeted residents, guide banks to increase loan supply to developers and support local governments to purchase more unsold housing projects. Lastly, the MoF might moderately raise general fiscal deficit, special Treasury bond quota and local government special bond quota in 2025. Total additional fiscal stimulus might reach at least RMB5tn or 3.6% of GDP next year, which includes RMB2tn local government debt swap, RMB1tn capital injection to state-owned banks, RMB1tn incremental quota for special Treasury bonds and RMB1tn new quota for other government debts. Broad deficit ratio might rise from 10.5% of GDP in 2024 to 13.5% of GDP in 2025. The policy stimulus might support a temporary economic recovery in next few quarters, yet can hardly invert the slowdown trend of the economy in the medium to long term. We expect China's GDP growth to reach 4.9% in 2024 and 4.6% in 2025.

Click here for full report

➢ Offshore Asia New Issues (Priced)

Issuer/Guarantor	Size (USD mn)	Tenor	Coupon	Priced	Issue Rating (M/S/F)
Jingjiang Port Group	USD	3yr	6.4%	6.4%	-/-/-

➢ Offshore Asia New Issues (Pipeline)

Issuer/Guarantor	Currency	Size (USD mn)	Tenor	Pricing	Issue Rating (M/S/F)
GLP Pte	USD	-	3.5yr	-	-/-/BB
SPDB Singapore Branch	USD	-	3yr	SOFR+110	Baa2/-/-
Vedanta Resource	USD	-	5yr	10.25%	-/CCC+/-
Wuhan Financial Holdings	USD	-	3yr	-	-/-/BBB-
Zhengzhou Metro Group	USD	-	3yr	-	-/-/A

➢ News and market color

- Regarding onshore primary issuances, there were 100 credit bonds issued on last Friday with an amount of RMB66bn. As for month-to-date, 655 credit bonds were issued with a total amount of RMB567bn raised, representing a 3.8% yoy decrease

- **[LASUDE]** Lai Sun Development FY24 revenue rose 22.4% to HKD6bn and adj. EBITDA rose 46% to HKD1.2bn

- **[LPKRIJ]** Lippo Karawaci 9M24 presales rose 26% yoy to cUSD273.6mn

- **[SINOCE]** Sino-Ocean Group further extended Second Further Extended Base Consent Fee Deadline to 1 Nov'24

- **[SUNAC]** Media reported that Sunac is close to finalizing onshore restructuring and aims to partly fund it with proceeds from recent private placement of shares

- **[SWIRE]** Swire Pacific announced USD5bn MTN programme

- **[VEDLN]** Media reported that Vedanta to invest INR1trn (cUSD11.9bn) in India to build aluminium plant, alumina refinery

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-6under 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.