

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 space was quiet before US holiday. TMT benchmarks widened 1-2bps while other sectors were mostly unchanged. LGFV/AT1/SOE Perps were overall two-way balanced this morning. SINOCEs were unchanged to 0.5pt higher by mid-day after yesterday's 6.25-12.75pts plunge.*
- *Asia ex-JP USD bonds issuance: 1H23 gross issuance dropped -29.8% yoy to USD81.6bn. See below.*
- *China Economy – Economy further weakens with gradual policy easing ahead. CMBI maintains the forecast on China's GDP growth at 5.7% for 2023 and 4.8% for 2024. See below for comments from our economic research.*

❖ Trading desk comments 交易台市场观点

Yesterday, Asia ex-JP IG space were largely stable. In Chinese SOEs, HAOHUA curve closed 2-3bps tighter with balanced two-way flows. But the front end of CHITRA/CNGB papers were better offered. TMT space was mixed. BABA/TENCNT curves closed unchanged to 2bps wider with two-way flows. In financials, Chinese Bank T2s such as BOCO/HK/ICBC/CAS 25-31s were under better buying. However, the front-end of AMC/leasing papers such as CCAMCL/CCBL 24s were under better selling. The Chinese AT1s held on stable in prices, supported by RM buying. Elsewhere, EU AT1s were better bid. STANLN/HSBC AT1s gained 0.25-0.75pt after London entry led by PB buying. Chinese properties moved lower. SINOCEs plunged 6.25-12.75pts to close between mid-10s to mid-20s, post media reported that a working group of Sino-Ocean has engaged CICC to work on due diligence. COGARDs fell 3-7pts. FUTLANs/FTLNHDs dropped 2.75-3.75pts. ROADKGs were traded down 1-5.5pts. GRNLGRs closed 0.5-1pt lower and stayed range-bound between high-10s to mid-20s. Away from properties, VEYONG 26/CATIC 30 were marked 1pt higher. Industrials EHICARs were quoted 0.5-1pt lower. Macau gaming names MPELs/SANLTDs/WYNMACs were marked 0.5-1pt higher. Indian space was mixed. ADSEZs/ADANEMs/ADANIGs were up 0.25-0.5pt. However, VEDLNs were traded 0.5-1pt lower. Indonesian names LPKRIJs were marked down 0.25-0.75pt.

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The LGFV/Perp space had a lackluster day to start 2H. The flows were overall light and skewed to better selling, led by flows in the front-end papers where rates continued to creep up. The SOE Perps callable 23s-25s, as well as LGFVs yielding below low-6%, remained heavy though prices stayed stable. SOE Perps such as HAOHUA 3.35 Perp/SINOCH 3 Perp were indicated 0.125pt higher. Shandong names were firm. SHDOIS 24s/SHGUOH 25s were bid up 0.125-0.2pt. Elsewhere in high-beta LGFVs, there were mixed interests in KMRLGP 24s/25s.

❖ Last Trading Day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
ROADKG 7 3/4 PERP	34.3	1.6	SINOCE 3 1/4 05/05/26	18.5	-12.7
VEYONG 3 3/8 05/12/26	92.2	1.1	SINOCE 2.7 01/13/25	20.1	-11.4
CATIC 3.3 09/23/30	80.4	1.0	SINOCE 6 07/30/24	26.5	-9.7
HPDLF 6.8 12/28/23	90.7	1.0	COGARD 5 5/8 01/14/30	26.0	-6.8
JINKE 6.85 05/28/24	12.3	1.0	SINOCE 4 3/4 08/05/29	14.9	-6.6

❖ Marco News Recap 宏观新闻回顾

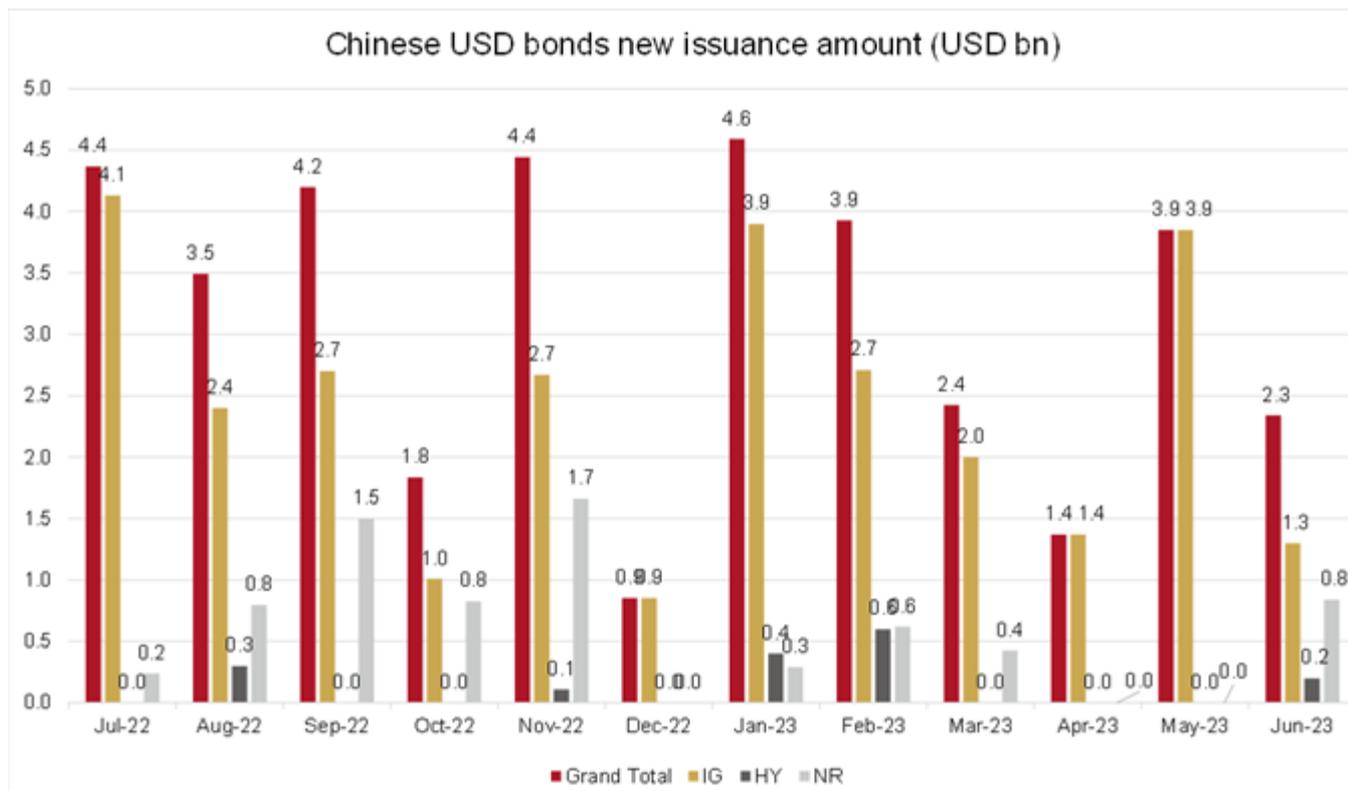
Macro – S&P (+0.12%), Dow (+0.03%) and Nasdaq (+0.21%) were led by EV names to rally higher on Monday. US Markit PMI in Jun was 46.3, same with expectation and down from 48.4 in May'23. China Caixin manufacturing PMI in Jun was 50.5, higher than expectation of 50.2. The US treasury yields were slightly up on yesterday, the 2/5/10/30 yield reached at 4.94%/4.19%/3.86%/3.87%, respectively.

❖ Desk analyst comments 分析员市场观点

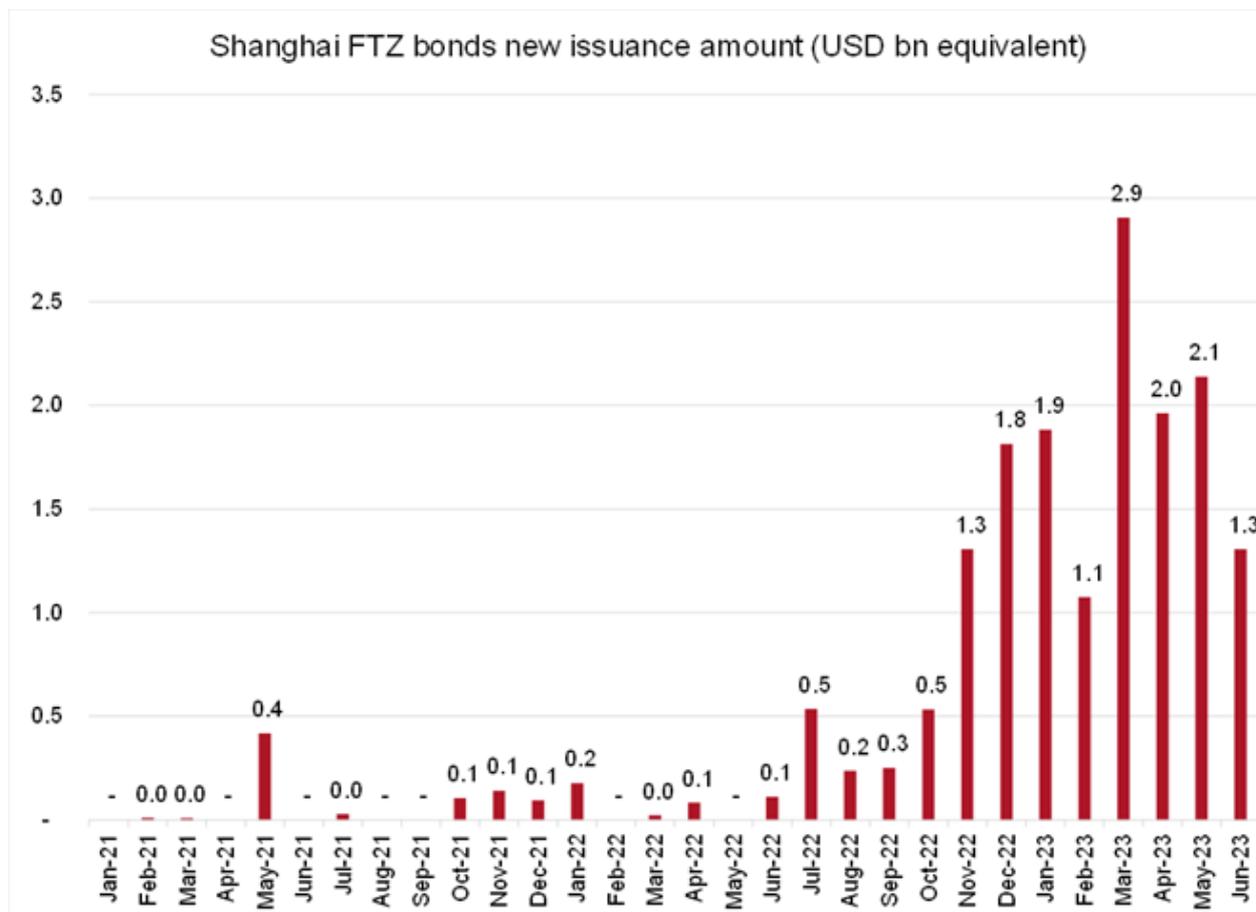
➤ Asia ex-JP USD bonds issuance: 1H23 gross issuance dropped -29.8% yoy to USD81.6bn

The gross issuance of Asia ex-JP USD bond issuance in 1H23 was USD81.6bn, down 29.8% yoy from USD116.3bn in 1H22. The yoy decline further narrowed from yoy decline of 32.4% in 5M23. In 1H23, South Korea (USD23.3bn), China (USD18.5bn) and Philippines (USD16bn) are regions with the largest issue amount. Financial institutions are largest major issuers with gross issuance amount of USD48.5bn. IGs accounted for 87.9% of the total gross issuance, compared with 87.7% in 5M22. In 1H23, the gross issues from China were USD18.5bn, down 61.7% yoy from USD48.4bn in 1H22. In Jun'23, there were eight new issues totaled USD2.3bn from Chinese issuers with a weighted average coupon rate of 6.81% (excluding FRN), compared with 4.76% in May'23.

On FTZ bonds issuance, there were 14 new issues with total issuance amount of RMB9.4bn (cUSD1.3bn) in Jun'23, retreated 38.9% mom from RMB15.4bn (cUSD2.1bn) in May'23. The weighted average coupon rate of new FTZ issues in Jun'23 was 4.15%, down from 4.3% in May'23 and was lower than 6.81% average coupon of USD bonds issued by Chinese issuers. In Jun'23, all FTZ bonds were issued by LGFVs. In 1H23, total issuance of FTZ bonds was RMB81.1bn (cUSD11.3bn), increased from RMB2.7bn in 1H22, and LGFV issuance accounted for 78.3% (RMB63.5bn).



Source: Bloomberg.



Source: DMI.

➤ **China Economy – Economy further weakens with gradual policy easing ahead**

China's manufacturing activities experienced another contraction in June, falling below market expectations. However, service sector continued to expand, albeit at a slower pace compared to previous months. There was a slight improvement in the new order index with less decline in ex-factory prices, but export order index and import index further deteriorated. In response to these economic dynamics, Chinese policymakers moderately eased policy with additional LPR cut by 10bps and possible specific measures to boost home-related consumption. With continuous recovery in service activity and moderate policy easing, China's economy may mildly improve with a pick-up in 2Y CAGR of GDP in 2H23. We maintain our forecast on China's GDP growth at 5.7% for 2023 and 4.8% for 2024.

Manufacturing activities further contracted in June as post-recovery growth lost more momentum.

China's PMI in manufacturing slightly improved in June to 49.0% from 48.8% in May, while still remaining in the contraction territory. New order index in manufacturing also slightly improved to 48.6% in June from 48.3% in May. Breaking down by sector, indexes in automobile, railway & other transport equipment, and electrical equipment remained in the expansionary range. Export and import indexes both declined in June to 46.4% and 47.0% from 47.2% and 48.6% in May, showing faltering demand both domestically and globally.

Service activities continued to expand but showed signs of slowdown. PMIs in construction and service declined from 58.2% and 53.8% in May to 55.7% and 52.8% in June, respectively. China's consumer spending slowed down after a robust rebound in 1Q23, while property sector remained under stress. New order index in construction sector declined to 48.7% in June from 49.5% in May, while that in service sector slightly improved to 49.6% in June from 49.5% in May. By sector, indexes in air transport, postal services, telecom service, TV & broadcast, financial and insurance services remained above 60%.

Deflation pressure tended to ease as ex-factory price saw less decline. Ex-factory price index in manufacturing improved to 43.9% in June from 41.6% in May, while that in construction improved significantly to 51.6% in June from 46.9% in May and service price index dropped slightly. Product and material inventory indexes declined again from 48.9% and 47.6% in May to 46.1% and 47.4% in June, respectively, as businesses strived to keep inventories at low levels. Looking forward, we expect CPI and PPI to mildly rebound in 2H23-2024.

Youth unemployment surged to record high as private businesses were reluctant to expand. Employment index in manufacturing dropped to 48.2% in June from 48.4% in May. Unemployment rate among youth and fresh graduates jumped to 20.8% in May from 20.4% in April, and this trend is expected to continue as more young job seekers are set to enter the labor market upon graduation.

China may gradually loosen policy as the economy may mildly improve in 2H23. The deterioration of economic activities and market confidence in 2Q23 has made policymakers to review their optimistic views on China's economy in April. The PBOC announced LPR cut by 10bps, pointing to moderate policy easing ahead. The State Council said to take specific measures to promote consumption of home decoration, furniture and home appliances. Possible measures include individual tax deduction with limit for specific consumption or fiscal subsidy to households to update their old appliances with new ones. Meanwhile, more cities will moderately loosen property policies in the second half year. With continuous recovery in service and gradual policy easing, China's economy may mildly improve in 2H23. The 2Y CAGR of GDP may rebound to 4.3% in 2H23 after slowing to 3.9% in 2Q23 from 4.6% in 1Q23.

Click [here](#) for full report

➤ **Offshore Asia New Issues (Priced)**

Issuer/Guarantor	Size (USD mn)	Tenor	Coupon	Yield	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 49 credit bonds issued yesterday with an amount of RMB40bn. As for Month-to-date, 49 credit bonds were issued with a total amount of RMB40bn raised, representing a 24.3% yoy increase
- **[APLN]** Media reported that APLN is seeking syndicated loan of at least IDR1tn (cUSD66.4mn) to help refinance USD bond due 2024
- **[LPKRIJ]** Lippo Karawaci to sell land in South Jakarta to Siloam Hospitals for IDR306.8bn (cUSD20.4mn)
- **[MGMCHI]** MGM China said it did not miss 18 Jun coupon payment on USD500mn due 2025 notes; bond trustee said delays are technical
- **[SHIMAO]** Shimao Group signed definitive agreement to restructure existing project loan facilities of Tung Chung Hotels in Jun
- **[SINOCE]** Media reported that Sino-Ocean's state-owned shareholder-led working group engaged adviser to conduct due diligence for possible debt restructure
- **[SOFTBK]** SoftBank Group announced to redeem all of its 2nd unsecured subordinated bonds on 16 Sep
- **[SUNAC]** Sunac China announced to transfer 45% interest of Zhaoqing Project by Xinxing Group for RMB511.4mn as part of restructuring
- **[VNKRL]** Vanke plans to pay FY22 dividend of RMB0.68 per 10 shares

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