

CMBI Credit Commentary

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

- *Market flows were light this morning. Asian IG space was unchanged. China developers were firm, VNKRL/LNGFOR rose 0.5-1.5pts. LPKRIJ'24/26 rallied 0.5/1.5pts higher post tender offer announcement.*
- **Chinese properties:** *Weak contracted sales in Apr'24 and policy tone changed. See below.*
- **China Economy** - *Credit slump indicated policy easing ahead. See below for comments from CMBI economic research.*

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❖ Trading desk comments 交易台市场观点

Last Friday, the recent new EXIMTH 29s hovered at T+82. SBIIN 28/29s were under better selling and closed unchanged to 1bp wider. KR space was firm. DAESEC 29s tightened 5bps. HYUELE 28-33s opened 5bps tighter but closed only 1-3bps tighter amid profit taking. HYNMTR/HYUCAP/KOMRMR/KIAMTR/KORGAS 27-29s were under better buying and tightened 1-2bps. Chinese IGs were unchanged to 2bps tighter. The long end of TENCNTs/BABAs tightened 1-2bps under AM buying. In financials, BOCAVI 30s/33s widened 1-2bps under profit taking. There were mixed two-way flows on bank T2s. BCHINA 24s/26s widened 1-2bps while its 30s tightened 3bps. DAHSIN/BNKEA T2s were under better buying and tightened 2-3bps. The new PINGIN 34s tightened 1bp to T+166 under buying from PBs/RMs. In EU AT1s, INTNED 8 Perp/HSBC 8 Perp/ACAFP 6.5 Perp edged 0.2-0.4pt higher amid short covering. NWG 8.125 Perp rose around 0.5pt to 101.4. In HK, CKHH 29-30s tightened 2bps. Chinese properties moved higher following Hangzhou/Xian removed all their home purchase restrictions on last Thu. VNKRL 25-29s jumped 2.6-4.4pts. LNGFOR 27-32s increased 1.8-2.8pts. FUTLAN/FTLNHD 24-26s were up 0.8-2.4pts. Outside properties, PEAKRN Perp was up 0.2pt. Media reported Peak Reinsurance said in an NDR that it intends to call its perp next year. The first call date of PEAKRN will be on 28 Oct '25. CHMEDA '30 was down 0.7pt. Macau gaming was quiet. MPELs/SANLTDs were down 0.2-0.4pt. In Indonesia, MDLNIJ 25s lowered 3.1pts while its 27s declined 0.7pt. LPKRIJ 25/26 were up 0.4-0.5pt while LMRTSP 24/26 were unchanged to 0.4pt higher. In India, VEDLN 26-28s were up 0.6-0.9pt.

In LGFVs, the flows were two-way skewed to better buying across both the USD and CNH papers. In the 5-6% LGFVs, GZDZCD/HZCONI/SXUCI 26s were 0.1pt higher. Shandong names SHGUOH '25/QDJZWD '24 were also up 0.1pt. The high-yielding LGFV names such as CPDEV/BCDHGR 26s were up 0.2pt. In the high beta names, HUANEN '29/HNINTL '30 were 0.5-0.9pt lower. The insurance names such as GRPCIN/ZHONAN 26s were up 0.1pt.

❖ Last Trading Day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
VNKRLE 3.15 05/12/25	74.2	4.4	MDLNIJ 5 06/30/25	31.9	-3.1
VNKRLE 3 1/2 11/12/29	49.0	3.0	CITLTD 5.07 04/18/48	89.6	-1.0
LNGFOR 3 3/8 04/13/27	75.1	2.8	HUANEN 3 12/10/29	89.0	-0.9
LNGFOR 3.95 09/16/29	65.4	2.6	TAISEM 3 1/4 10/25/51	73.1	-0.8
VNKRLE 3.975 11/09/27	52.3	2.6	CHMEDA 2 1/2 06/17/30	84.6	-0.7

❖ Marco News Recap 宏观新闻回顾

Macro – S&P (+0.16%), Dow (+0.32%) and Nasdaq (-0.03%) were mixed on last Friday. China Apr'24 CPI/PPI was +0.3%/-2.5% yoy, compared with the expectation of +0.1%/-2.3% yoy. UST yield retreated on last Friday, 2/5/10/30 yield were 4.87%/4.52%/4.50%/4.64%.

❖ Desk analyst comments 分析员市场观点

➤ Chinese properties: Weak contracted sales in Apr'24 and policy tone changed

In Apr'24, 33 developers under our radar reported contracted sales totaled RMB195.1bn, dropped 40.7% yoy from RMB328.8bn in Apr'23. In 4M24, the cumulative contracted sales of these developers decreased 47.0% yoy to RMB673.4bn, the contracted sales decline narrowed from -49.2% yoy in 3M24.

All developers under our radar posted lower sales yoy in 4M24. The better performer is GRNCH (RMB75.5bn) with 15% yoy declines in contracted sales. The distressed developers continued to underperform. The contracted sales of COGARD (RMB17.4bn) KWGPRO (RMB3.5bn) and CHINSC (RMB3.3bn) fell 82%, 77% and 76% yoy in 4M24.

The Chinese real estate market in Apr'24 remained weak although the mortgage rates reached the lowest level since Aug'19 when LPR quotation mechanism was launched. On the bright side, China government has changed policy tone towards the property sector. On 30 Apr'24, China Politburo meeting proposed to explore measures to resolve home inventory. It is the first time that central government proposed to destock of home inventory since Dec'15. As of May'24, various local governments had implemented relaxation policies such as relaxation of home purchase restrictions and old home trade-in to boost the property market. We expect the recovery of contracted sales to be slow in the near term given the weak outlook of income growth. We expect to see more supportive measures from governments, including further LPR cut in 2H24 and further relaxation of purchase restrictions in higher tier cities.

2024 YTD Sales (in RMB mn)											
Company	CN Name	BBG Ticker	Jan	Feb	Mar	Apr	Trend	Apr'24 MoM Growth	Apr'24 YoY Growth	Apr'24 YTD Sales	Apr'24 YTD Sales Growth
Greentown	绿城	GRNCH	12,000	12,900	28,300	22,300		-21%	18%	75,500	-15%
China Overseas	中国海外发展	CHIOLI	10,504	8,491	41,211	21,795		-47%	36%	82,001	-31%
China Resources Land	华润置地*	CRHZCH	11,420	9,190	30,110	21,280		-29%	36%	72,000	-38%
Poly Real Estate	保利地产	POLYRE	20,323	15,624	27,036	33,024		22%	21%	96,007	-38%
Sunac China	融创中国	SUNAC	3,760	2,730	3,510	12,450		255%	4%	22,450	-40%
China Vanke	万科企业	VNKRLE	19,450	14,000	24,510	20,890		-15%	38%	78,850	-42%
Radianc*	金辉控股*	JNHUIG/RDHGCL	1,450	610	1,840	870		-53%	71%	4,770	-42%
Shimao	世茂房地产	SHIMAO	2,110	2,240	3,900	2,610		-33%	48%	10,860	-45%
Future Land	新城控股	FUTLAN/FTLNHD	3,692	4,020	4,236	3,704		-13%	48%	15,652	-45%
Yuexiu Property	越秀地产	YUEXIU	6,545	3,815	11,341	8,312		-27%	38%	30,013	-47%
Yanlord*	仁恒置地*	YLLGSP	1,480	2,060	990	1,870		89%	56%	6,400	-48%
Greenland Holding*	绿地控股集团*	GRNLGR	4,500	4,000	5,500	3,800		-31%	45%	17,800	-50%
Longfor (Attributable)	龙湖集团	LNGFOR	4,660	3,680	7,440	6,230		-16%	45%	22,010	-51%
CIFI Holdings*	旭辉集团	CIFIHG	3,720	2,240	4,180	3,980		-5%	52%	14,120	-52%
Hopson	合生创展	HPDLF	1,286	630	1,978	1,510		-24%	5%	5,400	-54%
Zhongliang	中梁控股	ZHLGHD	2,010	1,730	1,500	1,370		-9%	58%	6,610	-55%
Times Property	时代中国控股	TPHL	532	841	685	1,055		54%	29%	3,113	-55%
Powerlong	宝龙地产	PWRLNG	1,121	1,177	1,548	1,134		-27%	64%	4,980	-58%
China Jinmao	中国金茂	CHJMAO	6,400	4,150	6,970	6,500		-7%	55%	24,020	-59%
Jingrui Holdings	景瑞控股	JINGRU	206	112	170	167		-2%	55%	655	-59%
Yuzhou Properties	禹洲地产	YUZHOU	803	503	902	802		-11%	61%	3,010	-60%
Gemdale	金地集团	GEMDAL	5,510	5,100	6,130	6,240		2%	58%	22,980	-61%
Guangzhou R&F	富力地产	GZRFPR	980	650	1,080	770		-29%	54%	3,480	-61%
Ronshine China	融信中国	RONXIN	448	543	742	542		-27%	74%	2,274	-62%
Central China Real Estate	建业地产	CENCHI	710	680	450	750		67%	26%	2,590	-64%
Redsun	弘阳地产	REDSUN/HONGS	982	862	831	702		-16%	68%	3,377	-64%
Zhenro Properties	正荣地产	ZHPRHK	619	471	554	591		7%	54%	2,235	-65%
Agile	雅居乐	AGILE	2,390	1,530	1,430	1,190		-17%	68%	6,540	-68%
Sino-Ocean	远洋集团*	SINOCE	1,200	820	2,300	2,730		19%	51%	7,050	-70%
Logan Property*	龙光地产*	LOGPH	800	760	400	520		30%	34%	2,480	-74%
China SCE*	中骏集团控股*	CHINSC	850	820	1,010	630		-38%	75%	3,310	-76%
KWG Property*	合景泰富集团	KWGPPO	830	620	1,070	970		-9%	70%	3,490	-77%
Country Garden (Attributable)	碧桂园	COGARD	5,490	3,720	4,300	3,850		-10%	53%	17,360	-82%

Note: * represents the data was collected from CRIC.

Source: Company fillings, CRIC.

➤ China Economy - Credit slump indicated policy easing ahead

China's social financing flow turned negative in Apr, the first time since Nov 2005, while outstanding social financing growth dipped to new historic low. The PBOC implied in the recent monetary policy report that its crackdown on banks' hidden interest payment to depositors reduced loan arbitrage activities, which might be an important reason for credit shrinkage in Apr. Meanwhile, credit demand was also weak as real-term interest rates remained high, private business and consumer confidence was low and government bond financing contracted. The slump of social financing increased the possibility of further policy easing ahead. The MoF and local governments would accelerate their bond issuance and fiscal expenditure in next several months. The PBOC may further lower mortgage rates to boost housing demand and reduce deposit rates to protect banks' NIMs. Meanwhile, the central bank may guide banks to expand credit supply to boost economic growth and defy deflation pressure. We expect credit growth may gradually rebound in 2H24-1H25.

Social financing flow turned negative for the first time for nearly a decade. Social financing flow turned negative in Apr at -RMB198.7bn, the first time since Nov 2005. The YoY growth of outstanding social financing further slowed to 8.3% (all in YoY terms unless otherwise specified) from 8.7% in Mar. New household loans, short-term corporate loans, government bond financing and banks' acceptance all declined sharply. Regulatory factors and demand weakness may have caused credit squeeze in Apr. The NBS has changed the calculation of GDP growth in financial service sector from growth of outstanding loans and deposits to banks' profit growth in order to weaken the incentive of twisting loan statistics at the end of each quarter. Meanwhile, the PBOC has pressed banks to cancel the hidden interest payment to depositors to reduce loan arbitrage activities. In addition, credit demand

remained weak as housing market continued to slump, deflation pressure persisted and private business confidence was still low.

New credit deteriorated across household and corporate sectors. Growth of outstanding RMB loans remained unchanged at 9.6% in Apr, still the lowest reading in nearly 45 years. New RMB loans marginally increased by 1.6% YoY to RMB730bn in Apr from RMB3.1tn in Mar, driven by the substantial increase of corporate bill financing rising 555% at RMB838.1bn, the largest monthly increase in history. New short-term loans to corporates declined to -RMB410bn while new M&L term loans dipped 38.5% to RMB410bn. New loans to households decreased to -RMB546.6bn in Apr from RMB940.6bn in Mar. New short-term loans dipped to -351.8bn and new M&L loans dropped to -RMB166.6bn in Apr, as household demand in consumption and property remained subdued.

The credit slump increased the possibility of further credit policy loosening. The credit slump brought additional downside risks on China's economic growth, which should increase the possibility of further policy loosening in future. The MoF and local governments are expected to accelerate their bond issuance and fiscal expenditure in next several months. The PBOC may further lower mortgage rates to boost housing demand and reduce deposit rates to protect banks' NIMs. Meanwhile, the central bank may guide banks to expand credit supply to boost economic growth and defy deflation pressure. We expect credit growth may gradually rebound in 2H24-1H25.

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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 22 credit bonds issued on last Friday with an amount of RMB18bn. As for month-to-date, 189 credit bonds were issued with a total amount of RMB154bn raised, representing a 8.3% yoy decrease
- Media reported that South Korea government plans to provide cUSD7.1bn policy financing in 2024 to support the supply chain of the domestic battery and automotive industries; South Korea government plans to invest cUSD7.3bn to support chip industry
- **[COGARD]** Country Garden unit completed interest payment for RMB800mn, RMB900mn notes on 11 May within grace period
- **[FOSUNI]** Fosun International obtained USD597mn new loans and refinanced USD804mn syndicated loan
- **[HKJHCC]** Media reported that a HK court has ruled PK Founder breached keepwell provisions on USD bonds

- **[LNGFOR]** Media reported that Longfor is seeking HKD3bn loan to help refinance HKD8.75bn due-2025 loan, makes partial prepayment
- **[LPKRIJ]** Lippo Karawaci unit announced tender offer, consent solicitation for LPKRIJ 8.125'25 and LPKRIJ 6.75'26
- **[LOGPH]** Media reported that Logan Group plans to convene bondholders' meeting to vote on postponing repayment of all onshore public debts
- **[VEDLN]** Vedanta Limited board approved acquisition of 46.6% stake in the company's Japan-based subsidiary AvanStrate for cUSD78.4mn

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