

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 2024](#)". Thank you for your support!

- *New issue NACF'27 and NACF'29 tightened 9bps and 1bps this morning. Flows on Asian IG space were light and skewed to better selling. DAESEC/SKONKR were heavy.*
- *CCAMCL: FV of new 3/5.5-yr USD bonds to be T+120-125bps/T+140-145bps. CCAMCL 4.4 PERP down 0.1pt, other CCAMCLs and GRWALLs/HRINTHs were unchanged this morning. See below.*
- *China Economy - China needs demand-side stimulus. CMBI expect the PBOC may mildly cut RRR by 25 bps and LPRs by 15 bps in 2H24. See below for comments from CMBI economic research.*

❖ Trading desk comments 交易台市场观点

Yesterday, Asia IG space was quiet with JP out for holiday. NACF priced a USD300mn 3-yr floating rate bond and a USD300mn 5-yr bond at SOFR+80, and T+68, respectively. MATSEL '34 widened 2bps. The recent issues such as NOMURAs/SWIREs/LGENSOs/PINGINs were unchanged to 3bps wider. Chinese IGs were skewed to better selling. The long end of SINOPEs/BABAs/TENCNTs closed 0.5-1.2pts lower (unchanged to 6bps wider). XIAOMI 30-31s widened 1-2bps. In Chinese AMCs, the front end of HRINTHs were traded in mixed two-way flows. HRINTH '25 tightened 3bps. HRINTH '27 widened 1bp. CHIYBK '32 was up 0.5pt. In AT1s, ICBCAS 3.2 Perp/BBLTB 5 Perp/KTBTB 4.4 Perp were up 0.1pt. INTNED 8 Perp/STANLN 4.3 Perp were 0.2-0.3pt higher. In HK, NWDEVL Perps/27-31s were 0.3-0.8pt higher. CKINF 4.2 Perp was 0.8pt higher. HYSAN/LIFUNG Perps were up 0.4-0.5pt. LIHHK 25/Perp were up 0.3-0.5pt. Chinese properties were firm. PINGRE '25 moved 0.9pt higher. SHUION 24-26s and VNKRL/POLHON 25s were 0.5-0.7pt higher. FUTLANs/FTLNHDs were up 0.4-0.5pt. GEMDAL '24/COGO '26/CHJMAO '29 were up 0.3pt. CHIOLIs were unchanged to 0.4pt lower. Outside properties, WESCHI '26 was up 0.5pt. ANTOIL '25 was up 0.3pt. EHICAR '27 was 0.5pt lower. In Macau gaming, SANLTD '29/STCITY '28 were up 0.3-0.4pt. In Indonesia, GARUDA '31 was 1.8pts higher. In India, RILINs were 0.6-1.3pts lower.

LGFVs were stable. CONSON priced a USD150mn 3-yr bond at par to yield 6.1%. Among the high-yielding LGFVs, CPDEV '26 and ZHHFGR '25/Perp were 0.1-0.2pt higher. KMRLGP '25 was 0.4pt higher. KNMIDI '25 was up 0.1pt. ZHJSEA/JNUCGC 26s were up 0.3pt. SXUCI '26/CDCOMM '24 were

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down 0.1pt. In SOE perps, CHPWCN 4.25 Perp was 0.4pt higher. CHSCOI 3.4 Perp/CCBINT 3.329 Perp were up 0.1pt. In the high beta names, HUANEN '29 was 1.4pts higher. TIANFS '26 was up 0.1pt. ZHONAN '26 was 0.1pt higher.

❖ Last Trading Day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
GARUDA 6 1/2 12/28/31	60.7	1.8	CHGRID 4 05/04/47	86.2	-1.3
HUANEN 3 12/10/29	92.1	1.4	TAISEM 3 1/8 10/25/41	79.0	-1.3
PINGRE 3 1/4 06/23/25	94.1	0.9	RILIN 4 7/8 02/10/45	91.0	-1.3
NWDEVL 3 3/4 01/14/31	71.8	0.8	TAISEM 4 3/8 07/22/27	98.9	-1.3
CKINF 4.2 PERP	70.9	0.8	SINOPE 3.68 08/08/49	80.1	-1.2

❖ Marco News Recap 宏观新闻回顾

Macro – S&P (+0.28%), Dow (+0.53%) and Nasdaq (+0.40%) were firm on Monday. UST yields rallied higher on Friday, 2/5/10/30 yield reached 4.44%/4.13%/4.23%/4.46%.

❖ Desk analyst comments 分析员市场观点

➤ CCAMCL: FV of new 3/5.5-yr USD bonds to be T+120-125bps/T+140-145bps

We consider the FV of Cinda proposed 3/5.5-yr new issue CCAMCL'27/30 to be T+120-125bps (YTM of 5.43%-5.48%) and T+140-145bps (YTM of 5.53%-5.58%), compared to IPT of T3+165bps (YTM of 5.88%) and T5+195bps (YTM of 6.08%), taking cues from the credit spread of 121bps and 140bps for CCAMCL 5.75 02/07/27 and CCAMCL 5.75 05/28/29, respectively. The proposed new 3/5.5-yr USD bonds (to be rated A- by Fitch) will be issued under the MTN program of USD5bn which became effective on 20 May'24. The bonds will be issued by China Cinda (2020) I Management Limited and guaranteed by China Cinda (HK). The issuer is a SPV 100% owned by China Cinda (HK) which is the offshore wholly-owned subsidiary of China Cinda AMC.

	CCAMCL 5.75 02/07/27	CCAMCL 5.75 05/28/29
YTM	5.44	5.52
T-Spread	121	140
Maturity	7 Feb'27	28 May'29
Rating (M/S/F)	-/BBB+/-	-/BBB+/A-

Source: Bloomberg.

In AMC sector, HRINTHs remain to be our top picks despite [recent downgrade](#) given the more balanced risk and return profile. Recalled that GRWALL announced the call of its perps on 2 Jul'24. See our comments on [HRINTH](#) and [GRWALL](#). For lower beta play in the sector, we like CCAMCL 4.4 Perp.

Security Name	ISIN	Amt o/s (USD mn)	Ask price	YTM/YTC (ask, %)	First call date	Coupon reset	Step-up (bps)	Rating (M/S/F)
CCAMCL 4.4 Perp	XS2397254579	1,700	96.8	5.9	11/03/26	5yr UST+3.232%	-	B1/-/-
GRWALL 3.95 Perp	XS2023803872	400	100.0	10.8	07/31/24	5yr UST+7.145%	500	-/-/BB+
HRINTH 4.25 Perp	XS2235973943	250	97.2	6.7	09/30/25	5yr UST+6.979%	300	-/-/BB-
HRINTH 4.75 04/27/27	XS1596795358	850	95.8	6.4	-	-	-	Ba2/-/BBB
HRINTH 4.25 11/07/27	XS1711550373	1,100	93.6	6.4	-	-	-	Ba2/-/BBB
HRINTH 4.5 05/29/29	XS2001732283	544	92.1	6.4	-	-	-	Ba2/-/BBB

Source: Bloomberg.

➤ China Economy - China needs demand-side stimulus

China economy has slowed down as 2Q GDP growth fell short of expectations at 4.7%. Deflation pressure persisted as GDP deflator continued to decline. Economic growth was uneven, with fixed investment and industrial output staying elevated with a record-breaking trade surplus, while household consumption and property sales remained weak. We believe China needs demand-side stimulus policies as the major challenge for the economy is demand weakness, supply overcapacity and persistent deflation. But we don't expect strong policy stimulus to come out at the Third Plenum of the Party's leaders this week as the policymakers may still consider high-quality, supply-side development as the priority. They have long maintained their composure, opting for restrained policy support to preserve room for manoeuvre in a future "turbulent winds and rough seas" scenario, especially when Trump seems more likely the winner now. Looking ahead to 2H24, the PBOC may mildly cut RRR by 25bps and LPRs by 15bps. The central bank may also reduce deposit rates to protect banks' NIMs.

Real GDP underperformed, with GDP deflator still mired in negative territory. China's GDP fell short of expectations in 2Q24 at 4.7% YoY (all on a YoY basis unless otherwise specified) after rising 5.3% in 1Q24. Meanwhile, the seasonally-adjusted QoQ growth of GDP notably dropped to 0.7% in 2Q24 from 1.5%, the lowest reading since 2Q22 when half of the country got locked down. Despite that the CPI stayed in the low positive range in Q2, the GDP deflator remained entrenched in negative territory at -0.6% from -1.3%, indicating the underlying economic weakness as there was a wider range of deflationary pressure in the economy including durable goods, capital goods and exports, despite minimal inflation in consumer prices.

New housing sales moderately rebounded amid policy easing and lower base. The gross floor area (GFA) sold for commodity buildings mildly improved with the YoY decline narrowing from -20.3% in 5M24 to -19% in 1H24. The GFA started dropped 23.7% in 1H24 after declining 24.2% in 5M24. According to the high-frequency data, the recovery rate of new housing sales in 30 major cities compared to the same period in 2018 & 2019 remained low at 55.2% in June and 50% in the first half of July. However, the recovery rate of second-hand housing sales in 10 select cities continued to improve to 99.4% in June and 101.9% in the first half of July. Second-hand housing sales often leads the property market cycle in history and its continuous recovery may point to a gradual improvement of new housing sales in future. The number of incremental urban population as another leading indicator has also rebounded. It dropped from 20 million in 2019 to only 6.5 million in 2022 and then rebounded to 11.96 million in 2023 thanks to economic reopening. Therefore, we expect a cyclical improvement of urban housing sales with the YoY decline of GFA sold narrowing for commodity buildings in 2H24. Due to high inventory, excessive supply, lagged price decline and low rental yield, however, housing prices may face additional downside pressure in the next two quarters.

Retail sales sharply plunged especially in durable goods. Retail sales growth fell short of market expectations in June remarkably at 2%, down from 3.7% in May. Durable goods were the major headwinds due to weak consumer income and confidence as well as deflation expectations. Retail sales of autos further dipped 6.2% in June after dropping 4.4% in May. If we exclude the deflation of 5.3%, auto retail sales volume only dropped 0.9% in June. The growth of home appliances, construction & decoration materials, and furniture fell sharply from 12.9%, -4.5% and 4.8% in May to -7.6%, -4.4% and 1.1% in June. Food sales continued to rebound as growth climbed from 9.3% to 10.8%, while the growth rates of cosmetics, cultural & office products and telecom equipment notably dropped to -14.6%, -8.5% and 2.9% from 18.7%, 4.3% and 16.6%. Looking forward, retail sales may mildly improve in 2H24 especially in recreational, small-scale and self-satisfaction items while durable goods may remain muted due to weak consumer income and confidence. We expect retail sales to grow 5.3% in 2024 after rising 7.2% in 2023.

Industrial output and service activity both beat expectations. VAIQ growth edged down to 5.3% in June from 5.6% in May, higher than market expectation of 5%. Upstream resource sectors like mining and government-led sectors like public utilities continued their recovery to 4.4% and 4.8% from 3.6% and 4.3%, while manufacturing moderated to 5.5% from 6%. Non-ferrous metal, transport equipment excluding auto, and computer, telecom &

electronic equipment extended their rapid growth above 10%, in line with strong export sectors; while auto, ferrous metal and textile product slowed down to 6.8%, 3.3% and 9.2% from 7.6%, 3.9% and 12.7%. The YoY growth of service output index slightly dropped to 4.7% in June from 4.8%. Looking forward, we believe service and industrial output may moderately improve in 2024 thanks to a recovery in service consumption, pro-production policy support and improvement in exports.

FAI growth ticked up, with infrastructure investments notably surging. FAI grew by 3.6% in June compared to 3.5% in May, in-line with expectations. The contraction of property investments narrowed to -10.1% in June from -11%. Infrastructure investments surged to 10.2% from 3.8% as governments accelerated bond issuance and new starts of infrastructure projects. We expect the infrastructure investment to extend its rapid growth given weakened economic growth momentum in 2H24. Investments in manufacturing stayed almost flat at 9.3% in June as deflation pressure persisted with much higher growth of fixed investment than retail sales. Investments in general equipment, non-ferrous metals, and computer & electronics further accelerated while transportation equipment other than vehicles and electrical equipment notably slowed down. Looking forward, we expect FAI to accelerate from 3% in 2023 to 4.2% in 2024, with growth in manufacturing, infrastructure, and property development respectively at 7.5%, 8% and -9% in 2024.

China needs demand-side stimulus policies, although supply-side development may continue to be prioritized. Economic growth remained uneven as industrial output and exports were stronger than retail sales and imports. Meanwhile, deflation pressure persisted as demand was weaker than supply. China needs demand-side stimulus policies as we believe the major challenge for the economy is demand weakness, supply overcapacity and persistent deflation pressure. But we don't expect strong policy stimulus to come out at the Third Plenum of the Party's leaders this week. The policymakers may continue to focus on high-quality development with an emphasis on new productive forces, technology innovation and high-end manufacturing industries. They have maintained their composure, opting for restrained policy support to preserve room for manoeuvre in a future "turbulent winds and rough seas" scenario, especially when Trump seems more likely the winner now. Looking forward, we expect the PBOC may mildly cut RRR by 25 bps and LPRs by 15 bps in 2H24. The central bank may also reduce deposit rates to protect banks' NIMs.

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➤ Offshore Asia New Issues (Priced)

Issuer/Guarantor	Size (USD mn)	Tenor	Coupon	Priced	Issue Rating (M/S/F)
NongHyup Bank	300	3yr	6.176%	SOFR+80	Aa3/A+/-
NongHyup Bank	300	5yr	4.75%	T+68	Aa3/A+/-
Qingdao Conson Development	150	3yr	6.1%	6.1%	-/BBB/BBB+

➤ Offshore Asia New Issues (Pipeline)

Issuer/Guarantor	Currency	Size (USD mn)	Tenor	Pricing	Issue Rating (M/S/F)
Hong Kong SAR	USD	-	3yr	-	-/AA+/AA-
China Cinda AMC	USD	-	3/5.5yr	T+165/195	-/-/A-
Mitsubishi HC	USD	-	5.25yr	-	A3/A-/-
SM Investments Corp	USD	-	5yr	-	-/-/-

➤ **News and market color**

- Regarding onshore primary issuances, there were 64 credit bonds issued yesterday with an amount of RMB50bn. As for month-to-date, 875 credit bonds were issued with a total amount of RMB969bn raised, representing a 44.9% yoy increase
- **[CHOHIN]** Chong Hing Bank completed redemption of USD400mn AT1 CHOHIN 5.7 PERP
- **[COGARD]** Media reported that Country Garden's USD100bn Forest City project could be revitalized by Malaysia's King
- **[LENOVO]** Lenovo Group plans to raise HKD1.65bn (cUSD210mn) by issuing warrants to boost Middle East and Africa business
- **[LMRTSP]** Fitch downgraded Lippo Malls Indonesia Retail Trust to C
- **[SKONKR]** Media reported that SK Innovation plans to merge SK Trading International, SK Enterm with SK On
- **[ZHPRHK]** Zhenro Properties further extended longstop date of RSA by two weeks to 28 Jul'24

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