

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.

- *Markets were overall stable this morning. New issues CICCHK'26 and KOHNPW'28 were unchanged by mid-day. TMT sector was strong that BABA/TENCNT/MEITUA tightened 2-4bps. LGFVs were better buying while the new issues ZJBOXV'24 was relatively weak.*
- **China Policy** – *New loans picked up amid credit policy easing. See below for comments from our economic research.*
- **DALWAN:** *Media reported that Dalian Wanda Commercial Management is trying to release offshore funds by repaying onshore debts. The group has released RMB5.1bn shareholding in Zhuhai Wanda and the stake has been unfrozen by court. DALWANs rose 0.5-0.75pt this morning.*

❖ Trading desk comments 交易台市场观点

Asia IG space had a constructive session yesterday. On the new issues front, HKLSP priced a USD400mn 10Y bond at T+125. HKLSP 33 opened 5bps tighter and closed unchanged to 2bps tighter. New KORHIC 26 was priced at CT2+72, and closed 10bps inside RO level. On the secondary front, IG spreads opened 2-5bps tighter. Flows were under better buying from FMs/AMs in the morning session but turned to better selling post lunch. In financials, AMCs recovered a bit from the Monday sell-off. HRINTH curve rebounded 2-3pts from its Mon close. In Chinese SOEs, HAOHUA curve grinded 2-3bps tighter. In TMTs, BABA/TENCNT tightened 2-5bps in the morning but these benchmarks turned to be better sold at tight in the PM session and ended unchanged to 3bps tighter at close. Chinese properties performed mixed. COGARDs/FTLNHDs were indicated 0.5-1.5pts higher. ROADKG 25s/26s were marked 1.5-2pts higher. SINOCEs were bid up 0.5-1pt. On the other hand, CSCHCNs were marked 2.75-4.25pts lower. On non-properties, FOSUNs gained 1.75-4.25pts across the curve. Macau gaming names such as SANLTDs/MPELs were marked 0.25-1pt higher. Indian space was quiet. VEDLNs were indicated 0.5pt higher. ADSEZs were bid up 0.25-0.5pt. Indonesian names LMRTSPs were quoted 0.25pt higher. Elsewhere, APLNIJ 24s were bid up 6pts to close at high-50s.

In the LGFV/Perp space, there were overall balanced two-way flows and closed on a fairly constructive tone. Rates remained elevated despite slight

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

Cyrena Ng, CPA 吳蓓瑩
(852) 3900 0801
cyrenang@cmbi.com.hk

Jerry Wang 王世超
(852) 3761 8919
jerrywang@cmbi.com.hk

retracement overnight and thus triggered some demand for 25s-27s papers ahead of US CPI print on Wednesday night. We saw buyers switching out 23s/24s papers, which were absorbed by banks, and AMs and short tenor mandates, as the uncertainties in rates outlook also drove the comeback of cash parking needs. Shandong names HKIQDCL 25s/QDJZWD 24s were marked 0.125pt lower. SOE Perps such as RLCONS/CHPWCN Perps were better bid with active flows. In HK Corp Perp space, NWDEVL Perps were quoted 0.25pt lower.

❖ Last Trading Day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
APLNJ 5.95 06/02/24	58.1	6.0	CSCHCN 9 10/09/24	59.5	-4.3
FOSUNI 5.05 01/27/27	73.0	4.3	CSCHCN 9 04/12/24	65.4	-2.9
FOSUNI 5.95 10/19/25	82.9	2.1	ROADKG 7 PERP	24.3	-2.9
SHUION 6.15 08/24/24	83.9	1.9	FUTLAN 4.45 07/13/25	44.5	-2.8
ROADKG 5.2 01/12/26	47.1	1.9	NWDEVL 4 1/2 05/19/30	80.5	-2.0

❖ Marco News Recap 宏观新闻回顾

Macro – S&P (+0.67%), Dow (+0.93%) and Nasdaq (+0.55%) rebounded on Tuesday before tonight's CPI data. China Jun outstanding social financing was RMB4,220bn, higher than expectation of RMB3,000bn. New RMB loans in Jun increased to RMB3,050bn from RMB1,360bn in May and was higher than expectation of RMB2,337bn. The US treasury yields movement was mixed yesterday, the 2/5/10/30 yield reached 4.88%/4.24%/3.99%/4.03%, respectively.

❖ Desk analyst comments 分析员市场观点

➤ China Policy – New loans picked up amid credit policy easing

China's new loans picked up in June as consumer credit and business operation loans improved amid credit policy easing. The PBOC cut LPRs by 10bps in June while service sectors like transportation, catering, accommodation, healthcare and recreations continued to recover. However, total social financing softened as off-balance-sheet financing and bond issuance remained weak. New mortgage and long-term business loans also slowed in YoY growth rates as housing sales and private business capex was sluggish. As the economy continues to weaken with rising deflation pressure, the policymakers may further loosen credit supply and property policy in 2H23. The PBOC may further cut deposit rates and RRR with guidance for banks to expand credit supply to real sector. Meanwhile, most cities may loosen property policy with possible declines in down-payment ratios and mortgage rates for first-home and second-home buyers. In addition, credit and fiscal support for hard-technology and high-end manufacturing sectors may further increase.

Social financing slowed as credit demand remained weak. The YoY growth of outstanding social financing continued to soften from 9.5% at end-May to 9% at end-June, with the growth of outstanding renminbi loans down from 11.3% to 11.2%. Social financing flow dropped by 18.7% YoY (all in YoY terms unless otherwise specified) in June after declining 45.3% in May. Breaking down by item, new renminbi loans to real sector significantly improved with the YoY change rates rising from -33% in May to 6%. Off-balance-sheet (OBS) financing remained negative. Gov't bond financing dropped by 66.8% in June after declining 47.4% in May, posting downside pressure for infrastructure investment. Corporate bond financing turned back to positive in June as corporate loans presented with much lower financing costs.

New loans to households continued to grow with slowdown of pace. New loans to households grew 13.6% in June after rising 27.1% in May. The YoY growth of new M&L term loans slowed from 60.8% to 11.1%, as

housing sales remained weak in June. However, new short term loans picked up 14.8% in June after rising 8% in May thanks to recovery in consumption of telecom equipment and some services. Looking forward, loans to households may continue to improve in term of YoY growth as we expect a moderate recovery of housing sales and consumption in 2H23.

New corporate loans improved especially in the short term. New loans to enterprises rose 3.1% in June after dropping 44.1% in May thanks to a significant improvement of new short term loans. However, the growth of new M&L term loans to enterprises slowed from 38.7% in May to 9.9% in June. Bill financing remained low as credit demand of SMEs was still weak. Looking forward, short-term loans to corporates may gradually improve as service activity continues to recover. But M&L loans may be relatively weak as private businesses are cautious to increase capex.

China may further ease credit supply and property policy to boost the growth. As the economy continues to weaken with rising deflation pressure, the policymakers may further loosen credit supply and property policy in 2H23. The PBOC may further cut deposit rates and RRR with guidance for banks to expand credit supply to real sector. Meanwhile, most cities may loosen property policy with possible declines in down-payment ratios and mortgage rates for first-home and second-home buyers. In addition, credit and fiscal support for hard-technology and high-end manufacturing sectors may further increase

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➤ Offshore Asia New Issues (Priced)

Issuer/Guarantor	Size (USD mn)	Tenor	Coupon	Priced	Issue Rating (M/S/F)
CICC	500	3yr	5.442%	T+90	-/BBB+/-
Hangzhou Shangcheng District Urban Construction Investment Group	125	364d	5.9%	5.9%	-/BBB
Korea Hydro & Nuclear Power	500	5yr	5.0%	T+90	Aa2/AA/-

➤ 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 70 credit bonds issued yesterday with an amount of RMB62bn. As for Month-to-date, 444 credit bonds were issued with a total amount of RMB384bn raised, representing a 17.5% yoy decrease
- **[ADEIN]** Adani Enterprises raised INR12.5bn (cUSD151.7mn) via allotment of NCDs
- **[APLNIJ]** Agung Podomoro unit launches tender offer, consent solicitation for outstanding USD300mn APLNIJ 5.95 06/02/24

- **[CAPG]** Media reported that Aoyuan PPN holders are working on forming objecting group for Aoyuan's restructuring plan
- **[DALWAN]** Media reported that Dalian Wanda Commercial Management is trying to release offshore funds and frozen shares of Zhuhai Wanda. The group's RMB5.1bn shareholding in Zhuhai Wanda has been unfrozen by court; Wanda Film Holding 8.26% stake to be sold by Dalian Wanda Group unit for RMB2.2bn
- **[FUTLAN/FTLNHD]** Seazen disclosed that it completed payment of RMB4.07bn for onshore, offshore bonds in 2Q23; Total outstanding interest-bearing debts was RMB5.8bn as of the end of Jun'23
- **[KNMIDI]** Kunming Industrial Development & Investment sells 1.27% stake in Hongta Securities; Hongta Securities is valued at RMB35.7bn on 11 Jul'23
- **[LENOVO]** Lenovo 2Q23 PC shipments dropped 18.4% yoy
- **[VEDLN]** Media reported that Vedanta's bankers are exploring exchange offer for USD1bn VEDLN 13.875 01/21/24
- **[VNKRLE]** China Vanke raised RMB2bn via 3.07% 3-year notes

Fixed Income Department

Tel: 852 3657 6235/ 852 3900 0801

fis@cmbi.com.hk

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