

CMBI Credit Commentary

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

- *Market remained strong this morning. Better buying on AMC/AT1 sector, CCAMCL/ORIEAS were c5bps tighter. High-beta TMTs WB/LENOVO widened 2-3bps. SOE developers GEMDAL/CPDEV/VNKRLE were also well bid.*
- **HK Corps:** *Sentiments uplifted by the talks of expansion of individual visit scheme of China and relaxation of anti-speculative measures on residential properties. Prefer NWDEVL perps with high coupon step-up. HK Corps moved -0.1 to +4.2pts yesterday and were stable this morning. See below.*
- **Chinese Properties:** *New home/second home of 56/68 cities among 70 major cities recorded mom ASP decline in Jan'24 as per NBS.*

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

❖ Trading desk comments 交易台市场观点

Yesterday, overnight UST yield widened 3-5bps across the curve. The recent new issues such as DAESSEC/SAMTOT 27s/29s were unchanged to 5bps tighter. Chinese IG benchmarks such as HAOHUA/BABA 30-31s were traded in a small range and closed +/- 1bp. In financials, BOCAVI '26 tightened 2bps. AMCs were traded in mixed two-way flows. CCAMCLs were under better buying on 28-31s, versus better selling on its front-end papers and perps. In bank T2s, DAHSIN/NANYAN 33s were under better buying and tightened 1-2bps while Chinese big-4 banks T2 were under better selling. BNKEA curve remained strong and tightened another 20-30bps amid PB chasing. BNKEA Perps were 0.4-0.7pt higher and CHOHIN 5.5 Perp was up 0.2pt. EU AT1s were firm as buying interests from Asia continued to pick up among PBs/institutions. BACR/STANLN/INTNED Perps were 0.1-0.5pt higher. HK names performed strongly amid the talks of relaxation of individual traveler visa and anti-speculative measures on residential properties. LASUDE/LIHHK 26s jumped 2.4-4.2pts. HYSAN 4.1 Perp moved 2.2pts higher under PBs/institutional clients. LIFUNG/REGH FFL Perps were another 0.7-1.5pts higher after gaining 1-1.5pts on Wed. NWDEVL/NANFUN Perp were also under better buying and closed 0.3-0.5pt higher. PCPDC '26/SUNHUN '30 were up 0.4-0.6pt. Chinese/HK properties moved higher. VNKRLE/CHJMAO 25-29s were 1.2-2.1pts higher. LNGFOR 27-32s and FUTLAN/FTLNHD 24-26s were 0.8-1.8pts higher. SHUION 24-26s were 1.1-2pts higher. On the other hand, RDHGCL '24 declined 3.3pts and still closed 9pts higher WTD. GEMDAL '24 was 1.2pts lower. In industrials, EHICAR '26 was another 1.2pts higher. HILOHO '24 was up 0.7pt. Macau gaming names were quiet. SANLTD/WYNMAC 25-31s were up 0.1-0.3pt. In Indian space, VEDLN 26-28s were 0.9-1.5pts lower. Media reported GQG Partners denied that it bought any shares in Vedanta Ltd. Indonesian name MEDCIJ 27-28s were up 0.4-0.6pt.

The LGFVs/perps/high beta spaces had a strong session. The insurance names GRPCIN/SUNSHG 26s were 0.1-0.3pt higher. Meanwhile LGFVs and high-beta IG names continued to be better bid by solid demand from onshore RMs, led by the 6% or higher yielding papers. The occasional loose bonds out of AMs were digested fairly easily. Shandong names SHDOIS/QDHTCO 24s were up 0.1pt. In SOE perps, CHSCOI/CHPWCN Perps were up 0.1-0.2pt.

❖ Last Trading Day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
LASUDE 5 07/28/26	64.1	4.2	RDHGCL 7.8 03/20/24	69.4	-3.3
LIHHK 4.8 06/18/26	86.3	2.4	VEDLN 9 1/4 04/23/26	86.7	-1.5
HYSAN 4.1 PERP	87.1	2.2	GEMDAL 4.95 08/12/24	67.2	-1.2
VNKRL 3 1/2 11/12/29	51.5	2.1	VEDLN 13 7/8 12/09/28	91.4	-0.9
SHUION 5 1/2 06/29/26	61.6	2.0	VEDLN 13 7/8 01/21/27	96.2	-0.9

❖ Marco News Recap 宏观新闻回顾

Macro – S&P (+2.11%), Dow (+1.18%) and Nasdaq (+2.96%) were strong on Thursday and S&P, Dow reached historical high level. The latest US initial jobless claim was +201k, lower than the expectation of +217k. US Markit manufacturing/ service PMI in Feb'24 was 51.5/51.3, compared with the expectation of 50.5/52.4. Euro-zone CPI rose 2.8% yoy in Jan'24, same with the expectation. UST yields were stable yesterday, 2/5/10/30 yield reached 4.69%/4.33%/4.33%/4.47%.

❖ Desk analyst comments 分析员市场观点

➤ HK Corps: Expansion of individual visit scheme and relaxation of anti-speculative measures

Over the past few days, there have been talks that China will resume the approval for multiple entry visas and expansion of individual visit scheme to cities including Sanya and Harbin. While details are yet to be disclosed, the relaxation will support the near-term bonds/perps performance of HK corps with retail and hotel exposure such as CP REITs, FAEACOs, HYSANs, LASUDE, LIHKs, NANFUNs, NWDEVLs, REGH, etc.

The relaxation and expansion of individual visit scheme will be positive for the retail sector in HK. We will focus on whether the Chinese government will relax the tax threshold for goods purchased in HK by Mainland travelers. Currently, Mainland Chinese are subject to tax of 15-60% on the value of goods purchased with aggregate value over RMB5k from other countries or regions including HK and Macau. On the other hand, Hainan is the only province with exit tax-refund policy in China, the current tax refund rate is 11%, capped at goods value of RMB100k. We believe the more meaningful impact to retail sector in HK is for the Chinese government to relax the tax threshold to a level more in line with that of the exit tax-refund policy in Hainan. This will make HK and its retail sector more competitive for Mainland travelers.

During the CNY holidays, domestic travelers in China increased 34.4%/19.0% to 474mn compared with the levels in 2023/2019. The individual travelers to Hainan increased 48.8%/52.6% to 9.5mn compared with the levels in 2023/2019. The outperformance of Hainan, in our opinion, is at least partly attributable to the increase in the cap of exit tax-refund to RMB100k in 2020 from RMB30k.

Separately, the HK government will announce its budget on 28 Feb'24. We see a high likelihood of the government to further relaxation some of anti-speculative measures (implemented since 2012). This should also provide some support to sentiment of HK developers.

From a trading perspective, we prefer HK corps with less exposure on the office sector which is facing more active acute challenges in view of the trend of WFH, higher occupancy rate and new Grade A office coming on stream. Instead, we prefer corps with more exposure in mid-to-higher end residential and retail segments in view of the potential "good news" coming soon. We do not see much value for FFL perps or perps with only coupon reset. Within the HK corp space, we still prefer the perps pf NWDEVL with high coupon step-up, i.e. NWDEVL 6.15 Perp, NWDEVL 5.25 Perp and NWDEVL 4.125 Perp.

Name	Ask price	Ask YTM	WTD Price change (pt)
CPREIT	82.0	6.5	Unchanged
FAEACO	96.0	13.3	+2.5
HYSANs	67.7-91.4	5.8-8.0	-0.1 to +2.7
LASUDE	60.1	28.9	+5.8
LIHHKs	82.04-98.4	8.9-14.2	+0.6 to +4.9
NANFUNs	69.1-99.77	5.67-7.236	-0.4 to +0.9
NWDEVLs	40.9-88.4	9.3-15.4	+1.5 to +4.3
REGH	48.3	13.4	+3.6

Source: Bloomberg.

➤ Offshore Asia New Issues (Priced)

Issuer/Guarantor	Size (USD mn)	Tenor	Coupon	Priced	Issue Rating (M/S/F)
Shinhan Card Co Ltd	300	5yr	5.5%	T+125	A2/-/-

➤ 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 RMB58bn. As for month-to-date, 518 credit bonds were issued with a total amount of RMB549bn raised, representing a 39.8% yoy decrease
- NBS published that prices of new home/second home of 56/68 cities among 70 major cities recorded mom decrease in Jan'24
- **[CHINSC]** China SCE Group updated that it is in dialogue with offshore creditors to pursue holistic solution for offshore debts
- **[HYSAN]** Hysan FY23 revenue down 7.2% yoy to USD410.4m, pre-tax loss widened to USD93.5mn from USD77.6mn in FY22
- **[LENOVO]** Lenovo 3Q24 revenue rose 3% yoy to USD15.72bn, operating profit down 18% yoy to USD613mn

- [TLINVT] Moody's withdrew Yinchuan Tonglian's Ba3 ratings for business reasons
- [VEDLN] GQG chairman denies that it bought shares of Vedanta Limited in recent large block deal

Fixed Income Department

Tel: 852 3657 6235/ 852 3900 0801

fis@cmbi.com.hk

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