

## CMBI Credit Commentary

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

- *Asian IG benchmarks were unchanged with better buying flows this morning. BCHINA/DAHSIN T2 were well bid. BIDUs tightened c2bps. SEA AT1 and front-end HRINTHs were heavy.*
- **EHICAR:** *Initiate buy on new EHICAR 12 09/26/27. EHICARs down 0.1 to 0.25pt this morning. See below.*
- **XIAOMI:** *Solid credit profile with improved profitability. XIAOMIs tightened c2bps post the results. We maintain buy on XIAOMI'30/31 and CB XIAOMI'27. See below.*

#### ❖ Trading desk comments 交易台市场观点

Yesterday, Asia IG space was traded in a cautious tone ahead of FOMC. The new SIASP '34 widened 2bps. In KR, DAESSEC/HYNMTR/HYUELE 29s were unchanged to 2bps tighter. AU T2s such as WSTP/MQGAU/ANZ 33s were 1-3bps wider under PB selling. JP insurance hybrids such as ASAMLI/FUKOKU Perps lowered 0.1-0.4pt. In Chinese IGs, HAOHUAs/TENCNTs were unchanged to 2bps tighter. The long-end BABAs were traded mixed with buying in 41s but selling in 51s/61s. Chinese leasing papers were better bid. AVIILC '27 tightened 5bps and BOCAVI 28-33s edged 1-2bps tighter. The front-end of AMCs were soft, HRINTH 24-26s widened 5-8bps. In T2s, DAHSIN 31/33 tightened 2-3bps. BNKEA 6.625 '27 was under better buying and tightened 4bps. BNKEA AT1s edged another 0.1-0.2pt higher. KBANK 4 Perp/WSTP 5 Perp lowered 0.1pt. EU AT1s were weak despite these papers remained under better buying from Asian PBs/Prop desks. The new issue SOCGEN 8.5 Perp lowered 0.3pt from par, the re-offer price. BACR/HSBC Perps were 0.1-0.3pt lower from their last Asia closes. In HK, CSIPRO '25 declined 2.3pts. CPREIT '30/LASUDE '26 were down 0.7-0.9pt on PB selling. Chinese properties performed mixed. RDHGCL '24, due today, rose 2.1pts to low-90s. DALWAN 25-26s moved 1.0-1.9pts higher. FUTLAN '24/YLLGSP '26 were up 1.3-1.5pts. On the other hand, CSCHCNs lowered 0.7-2.3pts. Outside properties, SFHOLD 30/31 were up 0.4pt. WESCHI '26 was down 1pt. EHICARs were unchanged to 0.1pt higher post the successful exchange offer and concurrent new issue. In Macau gaming names, SANLTD 27-31s were 0.6-1.4pts higher. MPEL/WYNNMAC 29s were up 0.4-0.5pt. In Indian space, ADSEZs/ADANEMs/ADTINS/ ADANIGs rebounded 0.2-0.6pt after dropping 1-3pts on Mon but ADGREG '42 declined another 0.3pt and closed 4pts lower WTD. UPLLIN 28/30/Perp were down 0.7-2.0pts. Indonesian name APLNIJ '24 lowered 1.9pts. BUMAIJ '26 was up 0.2pt. Bukit Makmur (BUMA) received consents from the majority of noteholders and accepted USD152.99mn of the o/s USD212.75mn BUMAIJ 7.75 02/10/26 for early tender.

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In LGFVs, the new GZINFU 5.95 '26 closed 0.125pt below par despite some top-up demand, reflecting the indigestion resulting from the larger-than-expected issuance size of USD250mn. GZINFU 2.85 '26 were unchanged to 0.1pt lower. The 5%-6% yielding LGFV 25-26s were under better selling. SOE perps held on well in cash prices, despite the flows were mixed. HUADIA 4 Perp/COFCHK 3.1 Perp/SPICPT 3.45 Perp were up 0.1pt. CHCOMU Perp was 0.3pt higher. In the high-beta names, GRPCIN/SUNSHG/TIANFS 26s remained sought-after and closed unchanged to 0.1pt higher.

#### ❖ Last Trading Day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
RDHGCL 7.8 03/20/24	92.1	2.1	CSCHCN 4 1/2 08/19/27	25.6	-2.3
DALWAN 11 02/13/26	70.1	1.9	CSIPRO 5.45 07/21/25	87.8	-2.3
FUTLAN 6 08/12/24	77.1	1.5	UPLLIN 5 1/4 PERP	73.0	-2.0
SANLTD 4 3/8 06/18/30	91.7	1.4	APLNJ 5.95 06/02/24	85.9	-1.9
DALWAN 11 01/20/25	79.8	1.0	CSCHCN 9 12/11/24	26.3	-1.4

#### ❖ Marco News Recap 宏观新闻回顾

**Macro** – S&P (+0.56%), Dow (+0.83%) and Nasdaq (+0.39%) rallied on Tuesday and S&P recorded historical high. PBOC maintained 1/5yr LPR unchanged at 3.45%/3.95% as expected. UST yield retreated yesterday, 2/5/10/30 yield reached 4.68%/4.31%/4.30%/4.44%.

#### ❖ Desk analyst comments 分析员市场观点

##### ➤ EHICAR: Initiate buy on new EHICAR 12 09/26/27

eHi announced further details of the exchange and concurrent new issue. In addition to the USD336.89mn of EHICAR 7.75 11/14/24 tendered for the exchange, eHi manages to raise new money of USD42.021mn. This should roughly cover the hold-out of USD44.61mn. In aggregate, the issue size of new EHICAR 12 09/26/27 is USD325mn, a decent size for index-eligibility and reasonable trading liquidity. The coupon rate of new EHICAR 12 09/26/27 is 12% which will step-up 0.5% if eHi fails to secure a credit rating from any international rating agencies within the coming 18 months. The bond is reoffered at 95.5 with an effective yield is 13.66%. [As discussed yesterday](#), the exchange and concurrent new issue will notably lengthen eHi's maturity profile and reduce its near-term refinancing pressure. We expect eHi's credit profile to improve considerably over the next 2-3 years given the strong recovery of its operating performance and the uses of operating lease model starting from 2Q23. We maintain buy on EHICAR'26 and initiate buy on the new EHICAR 12 09/26/27. EHICARs, in our opinion, offer attractive carry with catalysts to outperform in view of the improving credit profile and potential re-IPO.

Security Name	ISIN	o/s amount (USD mn)	Next call date	Ask Price	YTM (Ask)	Rating (M/S/F)
EHICAR 7 ¾ 11/14/24	XS2335327388	44.6	04/15/2024	101.0	6.1	-/-
EHICAR 7 09/21/26	XS2384059122	300	09/21/2024	89.2	12.1	-/-
EHICAR 12 09/26/27	XS2782510049	325	09/26/2025	95.5	13.7	-/-

Source: Bloomberg.

➤ **XIAOMI: Solid credit profile with improved profitability**

RMB mn	2022	2023	yoy change
Revenue	280,044	270,970	-3.2%
-Smartphones	167,217	157,461	-5.8%
-IoT and lifestyle products	79,795	80,108	0.4%
-Internet services	28,321	30,108	6.3%
-Others	4,711	3,294	-30.1%
Gross profit	47,577	57,476	20.8%
SG&A and research expense	-42,465	-43,451	2.3%
EBITDA	8,819	18,861	113.9%
Profit before tax	3,934	22,011	459.5%
Net profit	2,503	17,474	598.2%
Capital expenditure	2,841	2,727	-4.0%
Gross margin	17.0%	21.2%	-
EBITDA margin	3.1%	7.0%	-
Net profit margin	0.9%	6.4%	-
	<b>Dec'22</b>	<b>Dec'23</b>	
Cash and bank balances	27,607	33,631	21.8%
Restricted bank balances	3,957	4,794	21.2%
Short-term bank deposits and investment	62,662	40,170	-35.9%
ST debts	2,151	6,183	187.5%
LT debts	21,493	21,674	0.8%
Total debts	23,644	27,857	17.8%
Net debts (Total debt - unrestricted cash - ST inv)	-44,133	-79,850	-
Cash/ST debts	12.8x	5.4x	-

Source: Company filings.

Xiaomi posted strong FY23 results with a significant improvement in profitability. In FY23, Xiaomi's revenue decreased 3.2% to RMB270.1bn given the lower revenue from smartphone segment. That said, Xiaomi's gross profit improved 20.8% to RMB57.5bn and EBITDA jumped 113.9% to RMB18.9bn as a result of premiumization of product structures, as well as lower device components costs. Xiaomi's gross margin improved to 21.2% in 2023 from 17.0% in 2022. In FY23, Xiaomi increased the shipments of premium smartphones of which the retail price was RMB3,000+ and margin was higher. This more than offset the decline in the global shipments to 145.6mn units from 150.5mn units from 2022. Xiaomi maintained 3rd global smartphone shipment ranking with a 12.8% market share.

By segment, the gross margin of smartphone, IoT and lifestyle products and internet services increased to 14.6%, 16.3% and 74.2% in FY23 from 9.0%, 14.4% and 71.8% in FY22, respectively. Xiaomi also managed to lower SG&A by 7.9% to RMB24.4bn in FY23 compared with that in FY22. Xiaomi's R&D expenses rose 19.2% to RMB19.1bn. We expect its R&D expenses to increase c20% p.a., partly driven by investment in EV. Nonetheless, we expect Xiaomi to fund its capex and R&D comfortably with internal resources, i.e. cash on hand and operating cash flow, such that it will be able to maintain its solid credit and liquidity profiles.

Xiaomi's credit and liquidity profiles remain solid. It has consistently been in a net cash position over past six years. As of Dec'23, Xiaomi had net cash (total debts - unrestricted cash - ST deposits and investments) of RMB79.9bn, increased from RMB44.1bn in Dec'22. We expect Xiaomi's credit profiles to remain strong given its solid operating performance as well as manageable capex and R&D expenses. We maintain buy on XIAOMI'30/31 and XIAOMI'27 (CB), puttable at 100.0 in Dec'25, as a shorter-dated play on the XIAOMI curve. The recent rebound in UST offer better entry points from a yield perspective.

Security Name	ISIN	o/s amount (USD mn)	Maturity/ Next put date	Ask Price	YTM (Ask)	YTP (Ask)	Rating (M/S/F)
XIAOMI 0 12/17/27	XS2269112863	855	12/17/2025	91.1	2.5	5.4	Baa2/-/-
XIAOMI 3 ¾ 04/29/30	US98422HAA41	600	04/29/2030	87.6	5.8	-	Baa2/BBB-/BBB
XIAOMI 2 ¾ 07/14/31	US98422HAC07	800	07/14/2031	82.9	5.8	-	Baa2/BBB-/BBB
XIAOMI 4.1 07/14/51	US98422HAE62	400	07/14/2051	70.9	6.4	-	Baa2/BBB-/BBB

Source: Bloomberg.

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

Issuer/Guarantor	Size (USD mn)	Tenor	Coupon	Priced	Issue Rating (M/S/F)
Bank of the Philippines Islands	400	5yr	5.25%	T+105	Baa2/-/-
EHi Car Services Ltd	325	3.5NC1.5	12.0%	13.471%	-/-/-

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

Issuer/Guarantor	Currency	Size (USD mn)	Tenor	Pricing	Issue Rating (M/S/F)
SPDB Hong Long Branch	USD	-	3yr	SOFR+100	Baa2/BBB/BBB

➤ **News and market color**

- Regarding onshore primary issuances, there were 125 credit bonds issued yesterday with an amount of RMB102bn. As for month-to-date, 1,381 credit bonds were issued with a total amount of RMB1,351bn raised, representing a 11% yoy increase
- **[ADANIG]** Adani Green Energy announced the company was aware that the investigation by the US DOJ into potential violations of US anti-corruption laws by a third party and it has no relationship with the said third party
- **[AZUPOE]** Media reported that Azure Power is exploring potential strategic stake sale or divestment of entire business
- **[BUMAIJ]** BUMA received consent and accepted USD152.99mn of BUMAIJ 7.75 02/10/26 for early tender
- **[CHNAAR]** China Aircraft Leasing FY23 revenue rose 14.2% to USD608.7mn and EBITDA rose 24.5% to USD560.1mn
- **[DALWAN]** Media reported that Warburg Pincus is trying to redeem USD135mn investment in Zhuhai Wanda Commercial Management
- **[FOSUNI]** Fosun International denies the news that it plans to sell its stake in Millennium bcp
- **[MGMCHI]** Moody's affirmed MGM China B1 rating and changed the outlook from negative to stable
- **[VNKRLE]** Media reported that China Vanke's lenders are seeking for Vanke's assets as collateral for its refinancing; China Vanke units signed agreement on CNY 1.4bn loan from Industrial Bank

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