

**CMBI Credit Commentary****Fixed Income Daily Market Update 固定收益部市场日报**

- *The sentiment in Asia IG space was strong this morning. HAOHUA '30/TENCNT '29 tightened 4-5bps. ZHOSHK '28 tightened 7bps. CCAMCL/GRWALL 30s tightened 4-10bps.*
- ***LGFV:** Transform into market-oriented SOEs by Jun'27. In LGFV space, our picks are CCUDIH, CPDEV, GSHIAV, GXFING, KMRLGP and ZHHFGR for better risk-return profiles. See below for comments.*
- *China's Information Office of the State Council will hold a press conference on 8 Oct'24 to introduce the implementation of incremental policies to support the economy.*

**❖ Trading desk comments 交易台市场观点**

Last Friday, HYUELE/LGENSO 27-31s were 2-6bps tighter. DAESEC 29s tightened 5bps, while DAESEC 26-27s were under better selling and closed unchanged to 1bps wider. Meanwhile KRKPSC 27/29 were 6-9bps tighter. In Chinese IGs, HAOHUA/TENCNT 29-30s were unchanged to 3bps tighter. MEITUA 28-30s tightened 1-4bps. ZHOSHK 28s tightened 3bps. In financials, CCAMCLs/ORIEASs were 1-3bps tighter. FRESHK 27-28s were 7-10bps tighter. BCLMHK Float 27 tightened 1bp. In EU AT1s, CMZB 7.5 Perp declined another 0.2pt. The recent new ACAFP 6.7 Perp/INTNED 7.25 Perp/LLOYDS 6.75 Perp/UBS 6.85 Perp were skewed to profit-taking selling and closed 0.1-0.3pt lower. In HK, NANYAN 34s closed 2bps tighter. BNKEA 27/32/34 tightened 2-7bps. NWDEVL Perps/27-31s were 0.3-0.9pt lower. In Chinese properties, ROADKG 28-30s rose 4.0-5.0pts, and ROADKG Perps were 0.2-0.6pt higher. DALWAN '25/PINGRE '26/FUTLAN '25/VNKRLE '27 were up 0.3-0.4pt. Outside properties, HILOHO '24 was 0.5pt higher, EHICAR '27 was 0.5pt lower. In Macau gaming, SANLTD '27/MPEL '29 were 0.2-0.3pt lower. In Indonesia, MDLNIJ 25/27 were 0.7-1.4pts higher. In India, ADSEZ/ADANEM 29-31s were down 0.2pt.

In USD LGFVs, CCUDIH '26/SIDEVE '26/HZCONI '25 were 0.1-0.2pt higher. ZHEBAR/HNFARM 27s were up 0.1pt. CPDEV 26/Perp, on the other hand, were down 0.1-0.3pt. The CNH LGFVs were under better selling from offshore RMs/AMs. In SOE perps, COFCHK 3.1 Perp/HUANEN 3.08 Perp were 0.1pt higher, CCBINT 3.329 Perp was 0.3pt lower.

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

**Cyrena Ng, CPA 吴倩莹**  
(852) 3900 0801  
cyrenang@cmbi.com.hk

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

## ❖ Last Trading Day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
ROADKG 5 1/8 01/26/30	49.1	5.0	CHGRID 4 05/04/47	89.0	-1.7
ROADKG 5.9 09/05/28	54.5	4.6	SINOPE 3.44 11/12/49	79.7	-1.4
ROADKG 5.2 07/12/29	50.0	4.5	CHIOLI 3 1/8 03/02/35	81.0	-1.3
ROADKG 6 03/04/29	51.9	4.4	MUFG 4.286 07/26/38	94.5	-1.3
ROADKG 6.7 03/30/28	61.7	4.1	SINOPE 3.68 08/08/49	83.2	-1.2

## ❖ Marco News Recap 宏观新闻回顾

**Macro** – S&P (+0.90%), Dow (+0.81%) and Nasdaq (+1.22%) were higher on last Friday. The Sep'24 Nonfarm Payroll was +254k, higher than the expectation of +147k. The Sep'24 unemployment rate was 4.1%, lower than the expectation of 4.2%. UST yield moved higher last Friday, 2/5/10/30 yield reached 3.93%/3.81%/3.98%/4.26%.

## ❖ Desk analyst comments 分析员市场观点

## ➤ LGFV: Transform into market-oriented SOEs by Jun'27

Per media report, China's regulator has issued the Decree 150 to direct LGFVs to offload nonstandard/off-balance-sheet local government debts, i.e. either backed or guaranteed by local governments, and transform into market-oriented SOEs from LGFVs by Jun'27. Under the Decree 150, LGFVs need to obtain approval from at least two-third of its creditors to exit from the LGFV list. Creditors opposing the exit would need to prove to the local governments that the LGFVs are still serving as financing vehicles of their local governments. While LGFVs are only allowed to perform refinancing currently, they may be permitted to perform new financing subject to regulatory approvals after transformation into market-oriented SOE.

We are aware of the government's ongoing de-risking efforts on LGFVs from the patchy information provided by different news reports. See Table 1. The exit from LGFV list may weaken the future funding access of some existing LGFVs. That said, given the policy objective to manage the leverage and credit risk of LGFVs, we expect the regulators to pursue the transformation in a prudent manner and local governments will have some discretions of final LGFV list.

On the other hand, while we expect the aggregate debts of respective local governments to be reduced modestly assuming part of the LGFV's nonstandard debts to be refinanced via issuance of local government debts, we believe the debt risks of respective local governments to be notably mitigated by higher fiscal receipts such as government transfer or land sales. In LGFV space, our picks are CCUDIH, CPDEV, GSHIAV, GXFING, KMRLGP and ZHHGFR for better risk-return profiles.

**Table 1: Summary of Decrees on LGFV per media report**

Date	Decree	Details
Jan'24	35	Urged financial institutions to support LGFVs of 12 heavily indebted provinces on repayments of debts due before 2025 via debt restructuring or debt swap
Mar'24	14	Extended the coverage to all 31 provinces from 12 provinces listed in Decree 35

Jul'24 134 Extended the validity of Decree 35 which supported LGFV's refinancing to Jun'27 from Dec'24

Source: CMBI Research.

**Table 2: Summary of our LGFV picks**

Security Name	ISIN	O/S amt (USDmn)	Mod Dur	YTM/YTC (%, ask)	Ask Px	Rating (M/S/F)
CCUDIH 5 06/14/25	XS2476853085	250	0.6	5.81	99.5	Baa2-/BBB
CCUDIH 7 06/13/26	XS2701555968	200	1.5	5.86	101.8	-/-/BBB
CCUDIH 6.8 06/25/27	XS2824607266	230	2.4	6.43	100.9	-/-/BBB
CPDEV 5.75 Perp	XS2076167456	500	0.1	6.46	99.9	-/-/BB-
CPDEV 3.85 07/14/25	XS2098096568	450	0.7	6.71	97.9	-/-/BB+
CPDEV 4.65 01/19/26	XS2279594282	500	1.2	7.55	96.5	-/-/BB+
GSHIAV 4.9 03/30/25	XS2455963590	300	0.5	5.13	99.9	-/BBB+/-
GXFING 7 ½ 11/14/25	XS2713658537	150	1.0	5.80	101.8	-/-/BBB
KMRLGP 3.9 12/12/24	XS2084435002	200	0.2	9.50	99.0	-/-/-
KMRLGP 8 ½ 12/07/25	XS2558634791	253	1.1	8.60	99.9	-/-/-
ZHHFGR 2.95 02/28/25	XS2379456895	200	0.4	6.10	98.8	-/-/BBB
ZHHFGR 2.8 11/04/25	XS2250383762	400	1.0	6.06	96.7	-/-/BBB

Source: Bloomberg.

➤ **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)
Adani Green Energy	USD	-	20y	-	Baa3-/BBB-

➤ **News and market color**

- Onshore primary issuances suspend during the National Day Holiday
- China's Information Office of the State Council will hold a press conference on 8 Oct'24 to introduce the implementation of incremental policies to support the economy
- [CIFIHG]** CIFI Holdings issues 84.1mn new shares due to exercise of conversion rights attached to HKD434mn CBs

Fixed Income Department

Tel: 852 3657 6235/ 852 3900 0801

[fis@cmbi.com.hk](mailto:fis@cmbi.com.hk)

CMB International Global Markets Limited ("CMBIGM") is a wholly owned subsidiary of CMB International Capital Corporation Limited (a wholly owned subsidiary of China Merchants Bank)

## Author Certification

The author who is primary responsible for the content of this research report, in whole or in part, certifies that with respect to the securities or issuer that the author covered in this report: (1) all of the views expressed accurately reflect his or her personal views about the subject securities or issuer; and (2) no part of his or her compensation was, is, or will be, directly or indirectly, related to the specific views expressed by that author in this report.

Besides, the author confirms that neither the author nor his/her associates (as defined in the code of conduct issued by The Hong Kong Securities and Futures Commission) (1) have dealt in or traded in the stock(s) covered in this research report within 30 calendar days prior to the date of issue of this report; (2) will deal in or trade in the stock(s) covered in this research report 3 business days after the date of issue of this report; (3) serve as an officer of any of the Hong Kong listed companies covered in this report; and (4) have any financial interests in the Hong Kong listed companies covered in this report.

## Important Disclosures

There are risks involved in transacting in any securities. The information contained in this report may not be suitable for the purposes of all investors. CMBIGM does not provide individually tailored investment advice. This report has been prepared without regard to the individual investment objectives, financial position or special requirements. Past performance has no indication of future performance, and actual events may differ materially from that which is contained in the report. The value of, and returns from, any investments are uncertain and are not guaranteed and may fluctuate as a result of their dependence on the performance of underlying assets or other variable market factors. CMBIGM recommends that investors should independently evaluate particular investments and strategies, and encourages investors to consult with a professional financial advisor in order to make their own investment decisions.

This report or any information contained herein, have been prepared by the CMBIGM, solely for the purpose of supplying information to the clients of CMBIGM and/or its affiliate(s) to whom it is distributed. This report is not and should not be construed as an offer or solicitation to buy or sell any security or any interest in securities or enter into any transaction. Neither CMBIGM nor any of its affiliates, shareholders, agents, consultants, directors, officers or employees shall be liable for any loss, damage or expense whatsoever, whether direct or consequential, incurred in relying on the information contained in this report. Anyone making use of the information contained in this report does so entirely at their own risk.

The information and contents contained in this report are based on the analyses and interpretations of information believed to be publicly available and reliable. CMBIGM has exerted every effort in its capacity to ensure, but not to guarantee, their accuracy, completeness, timeliness or correctness. CMBIGM provides the information, advices and forecasts on an "AS IS" basis. The information and contents are subject to change without notice. CMBIGM may issue other publications having information and/or conclusions different from this report. These publications reflect different assumption, point-of-view and analytical methods when compiling. CMBIGM may make investment decisions or take proprietary positions that are inconsistent with the recommendations or views in this report.

CMBIGM may have a position, make markets or act as principal or engage in transactions in securities of companies referred to in this report for itself and/or on behalf of its clients from time to time. Investors should assume that CMBIGM does or seeks to have investment banking or other business relationships with the companies in this report. As a result, recipients should be aware that CMBIGM may have a conflict of interest that could affect the objectivity of this report and CMBIGM will not assume any responsibility in respect thereof. This report is for the use of intended recipients only and this publication, may not be reproduced, reprinted, sold, redistributed or published in whole or in part for any purpose without prior written consent of CMBIGM.

Additional information on recommended securities is available upon request.

### Disclaimer:

For recipients of this document in the United Kingdom

This report has been provided only to persons (I) falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended from time to time) ("The Order") or (II) are persons falling within Article 49(2) (a) to (d) ("High Net Worth Companies, Unincorporated Associations, etc.") of the Order, and may not be provided to any other person without the prior written consent of CMBIGM.

For recipients of this document in the United States

CMBIGM is not a registered broker-dealer in the United States. As a result, CMBIGM is not subject to U.S. rules regarding the preparation of research reports and the independence of research analysts. The research analyst who is primary responsible for the content of this research report is not registered or qualified as a research analyst with the Financial Industry Regulatory Authority ("FINRA"). The analyst is not subject to applicable restrictions under FINRA Rules intended to ensure that the analyst is not affected by potential conflicts of interest that could bear upon the reliability of the research report. This report is intended for distribution in the United States solely to "major US institutional investors", as defined in Rule 15a-6 under the US Securities Exchange Act of 1934, as amended, and may not be furnished to any other person in the United States. Each major US institutional investor that receives a copy of this report by its acceptance hereof represents and agrees that it shall not distribute or provide this report to any other person. Any U.S. recipient of this report wishing to effect any transaction to buy or sell securities based on the information provided in this report should do so only through a U.S.-registered broker-dealer.

For recipients of this document in Singapore

This report is distributed in Singapore by CMBI (Singapore) Pte. Limited (CMBISG) (Company Regn. No. 201731928D), an Exempt Financial Adviser as defined in the Financial Advisers Act (Cap. 110) of Singapore and regulated by the Monetary Authority of Singapore. CMBISG may distribute reports produced by its respective foreign entities, affiliates or other foreign research houses pursuant to an arrangement under Regulation 32C of the Financial Advisers Regulations. Where the report is distributed in Singapore to a person who is not an Accredited Investor, Expert Investor or an Institutional Investor, as defined in the Securities and Futures Act (Cap. 289) of Singapore, CMBISG accepts legal responsibility for the contents of the report to such persons only to the extent required by law. Singapore recipients should contact CMBISG at +65 6350 4400 for matters arising from, or in connection with the report.