

CMBI Credit Commentary

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

- *Markets were cautious before tonight's NFP data and flows were mixed two-way. IG space were stable while LGFV sector were active and we saw buying flows on due 2024 names.*
- **HRINTH:** *Good access to onshore funding supports continuous bond repurchases. See below.*
- **YUNINV:** *Southwest Securities International Securities sold USD3mn of YUNINV 6.5 03/02/25 at consideration of USD2.81mn. YUNINV was largely unchanged this morning.*

❖ Trading desk comments 交易台市场观点

Yesterday, overnight UST yields tightened 6-10bps. Asia IG spread products grinded 1-3bps tighter, while sentiment was a bit firmer. In Chinese SOE/TMT benchmarks, HAOHUA/TENCNT/BABA 30s/31s were under better buying. In the front end of IG papers, we saw some profit taking on SOE 24s. BOCAVI/CTIH 23s papers were also better-offered. In financials, HRINTH curve recovered from Wednesday lows and bounced 0.25-1.25pts. Chinese bank T2s remained stable. However, Korea space was traded in a weaker tone. LGSENSO 26s edged 3bps wider. GSCCOR 28s widened 5bps. In SG bank T2s, DBSSP/OCBCSP papers widened 3-5bps. HK Corp perp space stayed range-bound. NWDEVL 6.15 Perp/CKINF 4.85 Perp were up 0.75-1pt. Whilst LEEMAN 5.5 Perp/NANFUN 5 Perp were down 0.5pt. HK/Chinese properties remained weak. YLLGSP '24 lowered 1.25pts. GEMDAL '24 dropped 2pts. ROADKG 26s/CSCHCN 24s were down 1-1.25pts. ROADKGs were 0.5-1pt lower. FUTLANs/FTLNHDs edged down 0.5pt. In industrials, AACTEC 26s/31s were up 0.15-0.35pt. AAC Tech further repurchased USD9.35mn of 2.625% due-2026s, and USD22.95mn of 3.75% notes due-2031s. EHICAR/WESCHI 26s were up 0.25-0.5pt. Macau gaming space was firm. MPEL/WYNMAC 28-30s were up 0.75-1pt. In Indian space, renewables GRNKENS/RPVINs were up 0.5pt. Indonesian SOEs FRIDPT 52s/IDASAL 50s were better bid. MEDCIJ 25-28s were 0.5pt higher. Media reported Medco Energi planned to repurchase some of its outstanding USD notes via another tender offer, as per its CFO during the 1H23 earning call. Elsewhere, GLPCHI 24s/26s were unchanged to 0.5pt higher post 1H23 results.

In the LGFV/Perp space, market stayed cautious and flows were light amid rates volatility. Chongqing/Shandong names were subdued. CQLGST 24s/CQNANA 26s edged 0.25-0.35pt lower. SHUGRP 24s/SHGUOH 26s were better offered. Selected 7-8% LGFVs were better bid. JMUDIV '25/GZDZCD '26 were 0.125pt higher. CPDEV '26 was down 1.25pts. ZHHFGR '25 was down 0.25pt. In SOE perps, CHPWCN 3.45 Perp/CHCOMU 3.425 Perp/CCBINT 3.329 Perp were 0.1-0.2pt higher.

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
FRIDPT 6.2 04/14/52	81.1	1.4	GEMDAL 4.95 08/12/24	43.2	-1.9
HRINTH 4 1/4 11/07/27	83.3	1.2	YLLGSP 6.8 02/27/24	90.7	-1.2
HRINTH 4 3/4 04/27/27	85.4	1.1	ROADKG 5.2 01/12/26	37.2	-1.2
NWDEVL 6.15 PERP	73.0	1.0	CSCHCN 9 06/26/24	47.7	-1.0
HRINTH 4 7/8 11/22/26	86.5	0.9	DALWAN 11 02/13/26	35.8	-0.4

❖ Marco News Recap 宏观新闻回顾

Macro – S&P (-0.13%), Dow (-0.03%) and Nasdaq (-0.12%) were weak on Thursday. The latest US initial jobless claim was +207k, slightly higher than last week data of +205k while lower than the expectation of +210k. US 30yr mortgage rate reached the highest level since 2000 as 7.49%. The UST yields were stable yesterday, 2/5/10/30 yield reached at 5.03%/4.68%/4.72%/4.89%, respectively.

❖ Desk analyst comments 分析员市场观点

➤ HRINTH: Good access to onshore funding supports continuous bond repurchases

On 5 Oct'23, media reported that a trading desk traded more than USD40mn Huarong bonds. This large trading volume in a generally quiet session could reveal further USD bond repurchased by Huarong, in our view. On 16 Aug'23, Huarong raised 3-year onshore financial bonds of RMB20bn (cUSD2.7bn) at a coupon rate of 3.1%. The good access to low-cost onshore funding offers Huarong the financial flexibility to continue the repurchases of its offshore bonds. Indeed, we expect Huarong, as well as other Chinese AMCs, to buy back their offshore bonds at discount to deleverage and bring down funding costs.

Recalled that Huarong announced the successive repurchases of longer-dated USD bonds with lower cash prices an SGD bonds totaled USD741.7mn equivalent in principal amount since 19 Sep'23. Since then, the repurchased USD bonds moved 0.25 to 1.75pts higher. We estimate that at least USD290mn of these repurchases were conducted since 19 Sep'23. Taking cues from the "modest" pricing movement after the sizeable repurchases, we suspect that a significant part of the repurchases were conducted through direct repurchases from major holders instead of on-market repurchases.

HRINTHs remain to be our top picks of the Chinese AMC sector. Within the HRINTH curve, our preferences are HRINTH 3.75 05/29/24, HRINTH 5.5 01/16/25 and HRINTH 4.25 Perp (callable 09/30/25). We also like GRWALL 3.95 Perp (callable 07/31/24) after the recent price correction and CCAMCL 4.4 Perp (callable 03/11/26) as a low beta play.

➤ Offshore Asia New Issues (Priced)

Issuer/Guarantor	Size (USD mn)	Tenor	Coupon	Priced	Issue Rating (M/S/F)
Uzbekistan	660	5yr	8.125%	8.125%	-/-/-

➤ 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

- Onshore primary issuances suspend during the National Day Holiday
- **[CHINSC]** Moody's downgraded China SCE's ratings to Ca/C and maintained negative outlook
- **[MEDCIJ]** Medco Energi said to continue repurchasing bonds via another tender
- **[SHIMAO]** Shimao chairman's Mason Group HKD0.0338 per share privatization offer expected to become effective on 10 Nov subject to fulfillment of conditions

Fixed Income Department

Tel: 852 3657 6235/ 852 3900 0801

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

CMBIGM or its affiliate(s) have investment banking relationship with the issuers covered in this report in preceding 12 months.

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:

CMBIGM or its affiliate(s) have investment banking relationship with the issuers covered in this report in preceding 12 months
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.