

## CMBI Credit Commentary

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

- *New issue CNSHAN 6.5 Perp rose 0.75pt, CSFCO'27 was unchanged and TIANFS'26 was heavy. Asian IG space was stable with light flows. CHIOLIs/CHJMAOs were unchanged to down 0.3pt while COGO rose 0.2pt.*
- ***XIAOMI:** Operating performance continues improving. Take profit on XIAOMI'27 (CB). See below.*
- ***VNKRLE:** Media reported that China Vanke pledged Vanke Logistics shares to China Merchants Bank, Industrial Bank for RMB20bn loan; Fitch downgraded China Vanke to BB- and placed negative outlook. VNKRLEs were unchanged to 1pt lower this morning.*

#### ❖ Trading desk comments 交易台市场观点

Asia IG space was firm yesterday. On new issues, TIANFS priced a USD300mn 2-yr bond at 99.538 to yield 6.5%. CSFCO priced a USD500mn 3-yr floating-rated bond at SOFR+67. In Chinese IGs, BABA/TENCNT 30-31s were 1-2bps tighter. HAOHUA '25/BCHINA '24 widened 1-3bps. In financials, the recent new CCAMCL 29s tightened 2bps. OCBCSP/NANYAN 33-34s were under better selling and widened 1-2bps. KR names were strong. LGELEC 27s/29s tightened 6-10bps and DAESEC 29s also tightened 10bps. KOROIL/KOB COP/KORELE 29s edged 1bp tighter and DFHOLD '26/HYNCRD 29 tightened 2bps. HYNMTR/HYUELE 27s/29s were also 1-3bps tighter. In AU/NZ, MQGAU/WSTP/ANZ T2s were under better buying and closed 2bps tighter. In HK, BNKEAs tightened 2-3bps. The recent new issues AIA/CKHH/PINGIN 34s were 1-4bps tighter. NWDEVLs were 0.3-1.2pts lower. Chinese properties moved higher. Media reported that Vanke had pledged its shares in Vanke Logistics Development to China Merchant Bank and Industrial Bank for loans of RMB20bn (cUSD2.8bn). VNKRLE 25/27/29 were 1.2-3.5pts higher and closed 4.0-7.2pts higher WTD. FUTLAN/FTLNHD 24-26s and LNGFOR 27-32s increased 0.6-1.2pts. DALWANs were up 0.4-0.5pt. GEMDAL '24/CHJMAO '26/CHIOLI 34-43s were 0.5-0.8pt higher. CSCHCN 24s were up 0.5-2.6pts. Outside properties, FOSUNI 24-26s were up 0.4-0.5pt. CHMEDA '30 was 0.7pt lower. In Macau gaming, MPELs/MGMCHIs were down 0.2-0.3pt. In Indonesia, LMRTSP 26s rose 0.5pt while its 24s closed unchanged. APLNIJ '24 was 2.2pts higher. In India, VEDLN 26-28s were 0.5-0.9pt higher.

In LGFVs, CNSHAN priced a USD900mn PerpNC3 at par to yield 6.5%. RMs/HFs remained better buyers of long-end LGFVs. In the high-yielding LGFVs, CPDEV 25/26/Perp and ZHHFGR '25/BCDHGR '26 were 0.2-0.4pt higher. Shandong names JMUDIV '24/SHGUOH '26 were up 0.1pt. CDCOMM '24/GZDZCD '26 were 0.1pt higher, while SXUCI '26 was down 0.1pt. In SOE perps, CHPWCN 3.08 Perp/SPICPT 3.45 Perp were up 0.1-

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0.2pt, HUADIA 3.375 Perp was down 0.1pt. The insurance names ZHONAN/GRPCIN 25-26s were up 0.1-0.2pt. HUANEN/HNINTL 29-31s were 0.6-1.9pts lower.

#### ❖ Last Trading Day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
VNKRLE 3.975 11/09/27	72.5	3.5	HUANEN 2.7 01/20/31	87.0	-1.9
VNKRLE 3 1/2 11/12/29	66.2	3.0	NWDEVL 6 1/4 PERP	52.5	-1.2
CSCHCN 9 06/26/24	21.6	2.6	NWDEVL 4.8 PERP	42.8	-1.1
APLNJ 5.95 06/02/24	97.7	2.2	HUANEN 3 12/10/29	89.9	-1.0
CSCHCN 9 12/11/24	21.5	1.3	NWDEVL 5 1/4 PERP	74.3	-0.9

#### ❖ Marco News Recap 宏观新闻回顾

**Macro** – S&P (-0.74%), Dow (-1.53%) and Nasdaq (-0.39%) retreated on Thursday post stronger-than-expected US economic data. US May'24 Markit manufacturing/service PMI was 50.9/54.8, higher than the expectation of 50.0/51.2. The latest initial jobless claim was +215k, lower than the expectation of +220k. UST yield rallied higher yesterday, 2/5/10/30 yield were 4.91%/4.52%/4.47%/4.58%.

#### ❖ Desk analyst comments 分析员市场观点

##### ➤ XIAOMI: Operating performance continues improving. Take profit on XIAOMI'27 (CB)

RMB mn	1Q23	1Q24	yoy change
Revenue	59,477	75,507	27.0%
-Smartphones	34,985	46,480	32.9%
-IoT and lifestyle products	16,834	20,373	21.0%
-Internet services	7,028	8,048	14.5%
-Others	631	605	-4.0%
Gross profit	11,592	16,830	45.2%
SG&A and research expense	9,352	12,163	30.1%
EBITDA	3,164	6,061	91.5%
Profit for the period	4,216	4,173	-1.0%
Capital expenditure	2,585	2,843	10.0%
Gross margin	19.5%	22.3%	-
EBITDA margin	5.3%	8.0%	-
Net profit margin	7.1%	5.5%	-
	<b>Dec'23</b>	<b>Mar'24</b>	<b>Change</b>
Cash and bank balances	38,425	39,389	2.5%
-Restricted bank balances	4,794	4,492	-6.3%
Short-term bank deposits and investment	74,076	62,633	-15.4%
ST debts	6,183	5,034	-18.6%
LT debts	21,674	22,672	4.6%
Total debts	27,857	27,706	-0.5%
Net debts (Total debt - unrestricted cash - ST inv)	-79,850	-69,823	-
Cash/ST debts	5.4x	6.9x	-

Source: Company fillings.

Xiaomi reported a strong set of 1Q24 results. In 1Q24, its revenue increased 27% yoy to RMB75.5bn, mainly driven by the increase in smartphone shipments which increased 33.7% yoy to 40.6mn units, compared favourably with the yoy growth of global smartphone shipments of 9.8%. In 1Q24, Xiaomi's gross margin improved to 22.3% from 19.5% in 1Q23. By segment, the gross margin of smartphone, IoT and lifestyle products and internet services increased to 14.8%, 19.9% and 74.2% from 11.2%, 15.8% and 72.3% in 1Q23, respectively. In 1Q24, its EBITDA increased 91.5% yoy to RMB6.1bn. Xiaomi's SG&A and research expense increased 30.1% yoy to RMB12.2bn due to launch of Xiaomi EV while it was largely offset by Xiaomi's improved gross profit. We expect Xiaomi's FY24 EBITDA to reach cRMB16.8bn after Xiaomi raised the 2024 delivery guidance of Xiaomi EV to 120k units from prior 100k units.

Xiaomi's credit and liquidity profiles remained solid. As of Mar'24, Xiaomi had net cash (total debts - unrestricted cash – ST deposits and investments) of RMB69.8bn, compared with net cash of RMB79.9bn in Dec'23. The decline of Xiaomi's net cash was due to fair value change of its short-term investments, we expect Xiaomi to maintain its net cash position over the medium term. The expenses and investments in relation to EVs will be sufficiently covered by its cash on hand and operating cash flow. Hence, its credit profile will remain stable. We maintain buy recommendation on XIAOMI'30/31 but turn neutral and take profit on XIAOMI'27 (CB) which moved c4pts higher YTD. The CB had significantly out-performed Xiaomi's straight bonds, thanks partly to the sharp rebound of stock price. For TMT CBs, we still like MEITUA'27 and '26 (put at Apr'25 and Apr'26) which offer YTP of 6.9 and 6.7%, respectively, compared with the YTM of 5.8% offered by MEITUA'25 due Oct'25.

Security Name	ISIN	Amt Out (USD mn)	Maturity/Next put date	Ask Price	YTM	YTP	Rating (M/S/F)
XIAOMI 0 12/17/27	XS2269112863	855	12/17/2025	94.33	-	4.1	Baa2/-/-
<b>XIAOMI 3 ¾ 04/29/30</b>	<b>US98422HAA41</b>	<b>600</b>	<b>04/29/2030</b>	<b>88.75</b>	<b>5.6</b>	-	<b>Baa2/BBB-/BBB</b>
<b>XIAOMI 2 ¾ 07/14/31</b>	<b>US98422HAC07</b>	<b>800</b>	<b>07/14/2031</b>	<b>84.43</b>	<b>5.5</b>	-	<b>Baa2/BBB-/BBB</b>
XIAOMI 4.1 07/14/51	US98422HAE62	400	07/14/2051	72.34	6.2	-	Baa2/BBB-/BBB

Source: Bloomberg.

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

Issuer/Guarantor	Size (USD mn)	Tenor	Coupon	Priced	Issue Rating (M/S/F)
CSC Financial Co., Ltd	500	3yr	SOFR+67	SOFR+67	-/-/BBB+
TFI International Securities	300	2yr	6.25%	6.5%	-/-/BBB-
Shandong Hi-Speed Group	900	PNC3	6.5%	6.5%	A3/-/A-

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

Issuer/Guarantor	Currency	Size (USD mn)	Tenor	Pricing	Issue Rating (M/S/F)
Chongqing Xinshuangquan Urban Construction and Development	USD	69	3yr	7.5%	-/-/-
Jinan Shizhong Finance Investment Group	USD	-	364D	7.2%	-/-/-
Jinyun State Owned Assets Investment and Operation Group	USD	-	3yr	6.8%	-/-/-

➤ **News and market color**

- Regarding onshore primary issuances, there were 101 credit bonds issued yesterday with an amount of RMB153bn. As for month-to-date, 729 credit bonds were issued with a total amount of RMB954bn raised, representing a 29.1% yoy increase
- Macau Apr'24 visitors increased 14.4% yoy to 2.6mn, reaching 75.8% of pre-pandemic level
- Media reported that South Korea will allocate a USD19bn package of incentives to boost its semiconductor industry
- **[BABA]** Alibaba raised USD4.5bn via 0.5% due 2031 convertible bonds
- **[DALWAN]** Media reported that PAG is considering buying Dalian Wanda Group's nearly 500 shopping malls
- **[FUTLAN/FTLNHD]** Seazen Holdings scheduled payment for RMB1bn 22XinchengkongguMTN001 on 30 May'24
- **[JD]** JD.com completed the issuance of USD2bn due 2029 convertible bonds
- **[LENOVO]** Lenovo Group 4Q24 revenue rose 9% yoy to USD13.8bn and pretax profit increased to USD309mn
- **[LMRTSP]** Fitch downgraded Lippo Malls Indonesia Retail Trust to C
- **[NIO]** Media reported that NIO plans to continue expanding in Europe despite the threat of being hit by tariffs
- **[RPVIN]** Fitch affirmed ReNew Power Restricted Group 4's USD585mn senior secured notes due 2028 at BB- and placed stable outlook
- **[VNRLE]** Media reported that China Vanke pledged Vanke Logistics shares to China Merchants Bank, Industrial Bank for RMB20bn loan; Fitch downgraded China Vanke to BB- and placed negative outlook
- **[WB]** Weibo 1Q24 net revenue down 4.4% yoy to USD395.5mn and adj.EBITDA down 0.5% yoy to USD133mn

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