

## CMBI Credit Commentary

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

- *Asian IG space was unchanged to slightly tighter with a firm sentiment. LGFVs and SOE developers remained under better buying. CHIOLIs/COGO were unchanged to 0.3pt higher. VNKRLs rose 0.2-0.5pt. DALWANs were unchanged to 0.5pt lower.*
- **CIFIHG:** 8 options for offshore debt restructuring. See below for comments.
- **China Economy:** Credit slowed with policy shift in progress; Exports softened as global uncertainty rises. See below for comments from CMBI economic research

#### ❖ Trading desk comments 交易台市场观点

Yesterday, Asia IG space had a quiet session with US/JP both out for holiday. In Chinese IGs, HAOHUA/TENCNT 28-30s were unchanged to 2bps tighter. In financials, HRINTH 25/27/29s were 1-5bps tighter. NSINTW/CATLIF/SMBCAC 34s were 2-3bps tighter. WSTP/MQGAU 30-34s were also 1-3bps tighter. In AT1s, HSBC 6.95 Perp/INTNED 7.25 Perp were 0.1-0.2pt lower. AIAs/CKHHs were 1-3bps tighter. NWDEVLs were 0.4-1.0pts higher under buying from PBs. In Chinese properties, ROADKG 28-30s were 0.8-1.4pts higher. VNKRL 25-29s/LNGFOR 27-32s rebounded 0.8-1.3pts after the decline of 1.6-3.9pts over the last week. FUTLAN/FTLNHD/SHUION 25-26s, were 0.4-0.7pt higher. DALWAN 25-26s were up 0.5pt. Last night, DALWAN announced its redemption of 30% of DALWAN 7.25 12/29/24. So far, DALWAN had redeemed 60% of DALWAN 7.25 12/29/24 as scheduled. The remaining outstanding reduced to USD240mn. CHIOLIs were under better buying from RMs and closed 0.1-0.3pt higher. YUEXIU '31, on the other hand, declined 1.0pt. Outside properties, CHIOIL '26 dropped 1.7pts following the company announced PWC's resignation as auditor. WESCHI '26 closed 0.8pt lower amid Moody's one notch downgrade to B2 with outlook negative. In Indonesia, MDLNIJ '27 was 0.6pt higher. In India, VEDLNs were 0.1-0.3pt higher.

The sentiment in LGFVs was rather upbeat following the MoF press conference on last Sat. See our comments on [14 Oct '24](#). The new YTGFIH '27 increased 0.2pt from RO at par. On the secondary front, the high-yielding LGFVs were sought after across USD and CNH papers. CQNANAs/ZHHFGRs were unchanged to 0.2pt higher. CQLGST/CDCOMM 27s rose 0.2-0.4pt. GXCMIN '25/BJAFHO '26/CDHIIN '26/HNYUZI '26/WUXIND '26 were 0.2-0.3pt higher. We saw some onshore RM demands in the low-3% yielding CNH LGFVs. In SOE perps, CHPWCN and HUADIA announced new issue mandates of a NC5 and NC3 Perp, respectively. CHPWCN/COFCHK/CHSCOI Perps were 0.1-0.2pt higher, HUADIA/SPICPT Perps were down 0.1pt. CWAHK '26 was up another 0.4pt

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## ❖ Last Trading Day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
ROADKG 5 1/8 01/26/30	47.5	1.4	CHIOIL 4.7 06/30/26	90.7	-1.7
ROADKG 6.7 03/30/28	60.8	1.4	YUEXIU 3.8 01/20/31	83.5	-1.0
VNKRLE 3.15 05/12/25	89.7	1.3	WESCHI 4.95 07/08/26	77.0	-0.8
VNKRLE 3.975 11/09/27	66.6	1.2	SINOCH 6.3 11/12/40	108.7	-0.8
VNKRLE 3 1/2 11/12/29	62.6	1.2	CNPCCH 5.95 04/28/41	110.7	-0.8

## ❖ Marco News Recap 宏观新闻回顾

**Macro** – S&P (+0.77%), Dow (+0.47%) and Nasdaq (+0.87%) were strong on Monday and Dow, S&P 500 index reached historical high level. UST yields were unchanged on US holiday, 2/5/10/30 yield stayed at 3.95%/3.88%/4.08%/4.39%.

## ❖ Desk Analyst Comments 分析员市场观点

## ➤ CIFIHG: 8 options for offshore debt restructuring

**The choices among haircut, debt-to-equity swap and maturity extension**

CIFI finally released the details of its offshore debt restructuring plan. In essence, CIFI offers 8 options with haircut, debt-to-equity swap and maturity extension. CIFI has obtained 31.1% of the creditors of the offshore in-scope debts acceded to the RSA. In-scope debts totaled cUSD6.9bn includes senior bonds, perpetual, CB, loans, as well as accrued and unpaid interests/distributions from and including 1 Jan'23 up to and including 30 Sep'24. We understand that creditors of the in-scope debts can choose any combinations of the 8 available options, subject to caps, thresholds and reallocation mechanism. See Table 1. Meanwhile, CIFI launched consent solicitations for the restructuring of CIFIHG 6.95 04/08/25 (HKD CB) and CIFIHG 11.581 Perp, which are governed by the English law. CIFI intends to treat holders of CB and perp the same as other offshore creditors.

**Nudging for Option 2?**

We believe that CIFI would most prefer offshore creditors to pick Option 2 as evidenced by the largest amount of upfront cash earmarked for Option 2, no cap on the size of Option 2 and reallocation from other oversubscribed options to Option 2. Indeed, noteholders (holders of USD bonds, perp and CB) do not make any elections will receive Option 2 consideration (lenders will receive either Option 5A or 5B consideration if not making any elections). Option 2 allows CIFI to cut 70% of its debts, including 60% converted into zero-coupon MCBs, and the remaining 30% converted into new amortizing bonds maturing in 4.5 years. Despite the conversion price of HKD1.6 per share is 3.7x over the last close of HKD0.435, we do see the appeal for Option 2 from creditors' perspective given the larger upfront cash payment, the significant rebound of share price recently and likelihood of better trading liquidity of CIFI shares when the MCBs are converted.

To illustrate, for Option 2, 60% of the claims will be converted into 4-year MCBs, 30% of the claims will be converted into 4.5-year amortizing USD bonds, and the creditors will also entitled to share upfront cash payment of minimum USD35mn on restructuring effective date (RED). The MCBs will be converted into CIFI shares subject to minimum conversion amount within one month from RED, as well as at each of the anniversary following the reference date. For the 30% claims converted into 4.5 years amortizing bonds, 11.67% of the principal amount will be redeemed every six months from year 2 to year 4.

### Other options are trade-off between haircut and maturity extension

The new bonds/loans under Options 1A and 1B will have the shortest maturity while haircut of 68% is the largest. No haircut on the bonds/loans under Options 3, 5A and 5B and upfront cash of totaled USD5mn will be paid on RED, but the new bonds/loans will have the longest maturity of up to 8 years at the discretion of CIF1, or further extension to 9 years from 8 years with the consent of no less than 2/3 of the holders of principal amount of the new bonds/loans. Options 4A/B are somewhere in between. The claims will have a haircut of 50% and the new 2.75% bonds/loans will have a tenor of 4.5-5 years.

### Adjustment and reallocation mechanism if oversubscribed

Options 1A and 1B are subject to a cap and the aggregate cap of the two options is USD1bn. The cap of respective options will be automatically adjusted for the oversubscribed options to absorb the excess the undersubscribed option to eliminate the headroom. Any claims exceed the aggregate cap will be subject to reallocation to other options. Also, options will be automatically cancelled and the claims will be reallocated if the claims on such options elected are less than the thresholds. Options 4A and 4B are subject to the same mechanism above as Options 1A and 1B. Option 3 is only subject to cap but not threshold requirement.

### The approval thresholds and key milestones?

The approval thresholds for the consent solicitations of CB and perp will be quorums representing no less than 75% in principal amount and no less than 75% support votes in the EGMs. Regarding the scheme of arrangement for the remaining offshore creditors, the approval threshold will be a quorum representing no less than 75% in principal amount and no less than 50% support votes in the scheme meeting. The early bird RSA fee is 0.2% for creditors acceding to the RSA on or before 27 Oct'24. The longstop date of the RSA will be on 30 Jun'25.

**Table 1: Summary of the RSA**

Option	Restructuring Consideration	Cap (USDmn)	Threshold (USDmn)	Reallocation
<b>Option 1A: Short-tenor bonds, or Option 1B: Short-tenor loans</b>	-32% of the claims be converted to zero coupon bonds or loans -Tenor of 2 years and may extend to 3 years at the discretion of the company	Option 1A: 650  Option 1B: 350	Option 1A: 162.5  Option 1B: 87.5	Option 1A: Option 2  Option 1B: Option 5
<b>Option 2: MCB + 4.5-year bonds</b>	-Upfront cash payment of at least USD35mn on a pro-rata basis to Option 2 creditors -30% of claims converted to 2.75% 4.5-year amortizing bonds -60% of claims converted into 4-year MCB at conversion price of HKD1.6 per share	N/A	N/A	N/A
<b>Option 3: USD long-tenor bonds</b>	-Front-end cash of USD5mn to be shared to Options 3, 5A and 5B creditors on a pro-rata basis in four installments, first installment on RED -100% of claims (less 1/4 of front-end cash to be paid on RED) to be converted into 2.75% 6-year amortizing bonds -May extend to 9 years under certain conditions and interest to be increased to 3% upon extension	300	N/A	Option 2
<b>Option 4A: 4.5-year bonds, or Option 4B: 4.5-year loans</b>	-50% of claims to be converted into 4.5-year 2.75% bonds/loans -may extend to 5 years at the discretion of the company, 20% of principal to be repaid at original maturity if extended -interest subject to step-up or recalculation mechanism	Option 4A: 650  Option 4B: 350	Option 4A: 162.5  Option 4B: 87.5	Option 4A: Option 2  Option 4B: Option 5
<b>Option 5A: USD long-tenor loans, or Option 5B: RMB long-tenor loans</b>	-Front-end cash of USD5mn to be shared to Options 3, 5A and 5B creditors on a pro-rata basis in four installments, first installment on RED	N/A	N/A	N/A

-100% of claims (less 1/4 of front-end cash to be paid on RED)  
to be converted into 2.75% 6-year amortizing loans  
-May extend to 9 years under certain conditions and interest to  
be increased to 3% upon extension

Coupon of bonds/loans	Option 2			Option 3/5A/5B				Option 4A/4B				
	Year	Cash (%)	PIK (%)	Total (%)	Year	Cash (%)	Deferral (%)	Total (%)	Year	Cash (%)	Deferral (%)	Total (%)
	0-1	-	2.75	2.75	0-1	-	2.75	2.75	0-1	-	2.75	2.75
	1-2	-	2.75	2.75	1-2	-	2.75	2.75	1-2	-	2.75	2.75
	2-3	0.25	2.5	2.75	2-3	0.5	2.25	2.75	2-3	0.25	2.5	2.75
	3-4	0.25	2.5	2.75	3-4	0.5	2.25	2.75	3-4	0.25	2.5	2.75
	4-4.5	2.75	-	2.75	4-5	2.75	-	2.75	4-4.5	2.75	-	2.75
					5-6	2.75	-	2.75	4.5-	2.75	-	2.75
					6-7*	3	-	3	5*			
					7-8*	3	-	3	*if extended			
					8-9*	3	-	3				
					*if extended							

Options 3, 4, 5 subject to interest step-up or recalculation mechanism

<b>Credit enhancement</b>	All the new debt instruments will be credit-enhanced by the same guarantees and security package, involves onshore and offshore elements, cash sweep of a specified portfolio of projects/assets, and security over substantial intercompany claim due from CIFI Group Co.
<b>Consent approval threshold</b>	≥75% headcounts out of a quorum representing ≥75% in principal amount in EGM
<b>Restructuring approval threshold</b>	≥50% headcounts out of a quorum representing ≥75% in principal amount in scheme meeting
<b>Early bird RSA fee</b>	0.2% of aggregate claims by 27 Oct'24
<b>General RSA fee</b>	0.1% of aggregate claims after 27 Oct'24 and before 27 Nov'24
<b>Deadline</b>	27 Nov'24
<b>Reference date</b>	31 Mar'25
<b>Longstop date</b>	30 Jun'25, shall not be extended beyond 30 Sep'25

Source: Company filing.

### ➤ China Economy - Credit slowed with policy shift in progress

Credit growth further deteriorated in Sep as growth of outstanding social financing (SF) and RMB loans both hit another historic low. Government bond financing, the only major SF item with positive YoY growth, notably expanded while new RMB loans to households and corporate sector continued to slump, as real estate market remained in deep contraction. M2 growth picked up possibly due to the wave of stock market enthusiasm in late Sep. Looking forward, credit growth might mildly rebound in the next two quarters as the latest stimulus policies boost stock market sentiment, housing sales and individual credit demand. However, the recovery momentum might not last as the economy should continue to face slowdown and deflation pressures. To revive and reflate the economy, we believe additional policies are needed, including fiscal transfers to households, excess capacity reduction and market-oriented reforms.

**Social financing flow further dipped despite robust growth of government bond issuance.** The growth of outstanding social financing edged down to 8.0% YoY (all in YoY terms unless otherwise specified) in Sep from 8.1% in Aug, while the better-than-expected SF flow further plunged 9% to RMB3.8tn after dropping 3.1% to RMB3tn in Aug. Government bond issuance became the only major SF item with positive YoY growth, as it rose 54.8% to RMB1.54tn after growing 38% to RMB1.62tn in Aug. New RMB loans to the real sector rebounded from RMB1.04tn in Aug to RMB1.97tn in Sep, but declined by 22.2% YoY. Corporate bond financing turned negative in Sep, after dropping 39.9% to RMB170bn in Aug. Shadow financing moderately rebounded. M1 supply dropped 7.4% in Sep after declining 7.3% in Aug, as business activity remained weak. M2 mildly bounced up to 6.8% in Sep from 6.3%, possibly due to the sudden surge of enthusiasm in the stock market in late Sep.

**New loans further slumped amid weak business and consumer confidence.** Growth of outstanding RMB loans moderated to 8.1% in Sep from 8.5%, hitting another historic low. New RMB loans dropped 31.2% to RMB1.59tn in Sep, following the 33.8% dip to RMB900bn in Aug. New loans to households dropped by 41.8% to RMB500bn in Sep compared to 51.6% dip to RMB190bn in Aug, with a rebound in short-term loans but a 58% drop in medium- and long-term loans, as the property market remained in deep contraction in Sep. New loans to the corporate sector dropped another 11.5% in Sep to RMB1.49tn compared to RMB840bn in Aug, with short-term and medium- & long-term borrowing declining by 19.1% and 23.5% respectively. Bill financing moderated to RMB68.6bn in Sep compared to RMB545.1bn in Aug.

**Credit growth may mildly rebound in short term with uncertainty in its sustainability.** The latest policy moves indicate China's policy is shifting from conservative easing to strong loosening, and they have been boosting stock market sentiment, housing sales and individual credit demand. Credit growth may mildly rebound in the next two quarters. However, the recovery momentum might not last as the economy still faces slowdown and deflation pressures. To revive and reflate the economy, we believe additional policies are needed, including fiscal transfers to households, excess capacity reduction and market-oriented reforms.

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### ➤ **China Economy - Exports softened as global uncertainty rises**

China's exports of goods slowed down markedly in Sep as exports to most trading partners deteriorated. Exports of tech products and discretionary goods continued to slow. Imports of goods extended its fall due to the decline of commodity price while rebound of import volume was broad-based, especially the energy goods and agricultural products. China's export may face headwinds as global PMIs showed signs of downturn and re-stocking cycle nearing its end. However, with US elections concluding at the end of 2024 and exports coming under greater pressure in early 2025, we expect this might prompt the rollout of a more aggressive stimulus package in China. Looking ahead, exports growth is expected to decelerate from 4.5% in 2024 to 3.5% in 2025. Imports growth may mildly rise from 2.2% in 2024 to 2.7% in 2025. USD/RMB rate is expected to reach 7.05 at end-2024 and 7.0 at end-2025.

Exports moderated notably due to broad-based decline to major trading partners. China's exports of goods slowed down markedly to 2.4% (all on a YoY basis unless specified) in Sep compared to 8.7% in Aug, missing market expectation of 5.9%. Exports to largest trading partners including ASEAN, the EU and the US saw moderated growth from 9%, 13.4% and 4.9% in Aug to 5.5%, 1.3% and 2.2%, possibly due to the fading of front-loading effect. Exports to other Asian countries dipped notably including Japan, South Korea and India, dropping to -7.1%, -9.2% and -9.3% in Sep after growing 0.5%, 3.4% and 14%; while exports to Russia rebounded from 10.4% to 16.6% in Sep. Exports to emerging economies including Africa and Latin America also moderated from 4.5% and 19.7% to -0.7% and 3.4% in Sep. Overall, export growth in 3Q24 remained largely consistent with that in 2Q at around 6%, with notable rebound in the US and EU but moderated growth in ASEAN.

Exports of tech products and discretionary goods continued to decline. Exports of tech products saw moderated growth in Sep. During the month, integrated circuits and personal computer dropped to 6.3% and 4.2%, both slowing down in two consecutive months, while cell phone dipped 5.2% after surging 17% in Aug. Other consumer discretionary goods including textile products, garments and toys dipped 3.4%, 7% and 8% following 4.5%, -2.7% and -8.3% growth in Aug. Property-related products including furniture and lamps further declined by 12.3% and 13.1% compared to 4.5% and 7.6% drop in Aug, while home appliances moderated from 12% to 4.5%. Ship exports remained robust with remarkable 113.8% growth compared to 60.6% in Aug, while vehicle exports slowed down to 25.7% from 32.7%. General equipment dropped to 2.9% in Sep compared to 11.3% in Aug while steel products accelerated to 11.3% from 6.8%.

Imports extended its fall due to drop of commodity price while import volume mostly rebounded. China's imports of goods continued to moderate to 0.3% in Sep after dipping to 0.5% in Aug, below market expectations of 1.2%. Imports volume of energy products rebounded mildly with volume of crude oil, coal and natural gas rising to -0.6%, 12.9% and 18.1% in Sep from -7%, 3.4% and 8.3%. However, their import value was dragged by the decline of import price with crude oil and coal dropping 10.2% and 3.5% in Aug. For raw materials, import volume of iron ore and copper ore both rebounded to 2.9% and 8.7% respectively from -4.7% and -4.8% in Aug, while their import price dropped to -10.6% and 10.1% in Sep compared to -4.9% and 17.2% in Aug. Intermediate goods including steel products, copper products and rubber recovered mildly to -13.4%, -0.3% and -2.5% in Sep from -20.3%, -11.3% and -4.6% in volume, while plastics in primary form further dipped 12.6% from 7.2%. Imports volume of agricultural products continued to surge notably as grain and soybean increased 24.9% and 59% in Sep.

China may face headwinds in export as global manufacturing activities showed signs of downturn. The underperformance this month in export growth may be partly attributed to port distortion caused by extreme weather, but the more significant factor is the softening of external demand. Global PMI has been declining for the fourth month to 58.8 in Sep, the biggest contraction since July 2023. The declining new orders index and rising finished goods inventory index showed the re-stocking cycle since mid-2023 might have run its course. We expect a moderate rebound in exports in Oct due to the weather distortions this month. But exports thereafter may slow down especially in 1H25 as overseas demand for goods gradually softens. However, with the US elections concluding at the end of 2024 and exports coming under greater pressure in early 2025, we expect this might trigger the introduction of a more aggressive stimulus package. Looking forward, exports growth is expected to decelerate from 4.5% in 2024 to 3.5% in 2025. Imports growth may mildly rise from 2.2% in 2024 to 2.7% in 2025. USD/RMB rate is expected to reach 7.05 at end-2024 and 7.0 at end-2025 as the US growth and inflation gradually decline while China's growth and inflation slowly improve.

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#### ➤ 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 Hybrid Renewables	USD	-	20yr	7.0%	Baa3/-/BBB-
China Power Construction	USD	-	PNC5	5.05%	-/-/BBB
Citic Securities	USD	-	3/3.5yr	SOFR+120/T+105	-/BBB+/-
Korea Land & Housing Corp	USD	-	3yr	T+75	Aa2/AA/-
Muthoot Finance Ltd	USD	-	4.5yr	-	-/BB/BB
Ningbo Haishu Development	USD	-	3yr	-	-/-/-
Sekisui House Ltd	USD	-	5/10yr	-	-/BBB+/-
Zhaoqing Guolian Investment Holding	USD	-	3yr	5.8%	-/-/BBB-

➤ **News and market color**

- Regarding onshore primary issuances, there were 67 credit bonds issued yesterday with an amount of RMB57bn. As for month-to-date, 250 credit bonds were issued with a total amount of RMB231bn raised, representing a 29.2% yoy decrease
- **[DALWAN]** Dalian Wanda Commercial Management further redeems 30% effective principal amount of USD 600m 7.25% guaranteed bonds due 2024 with accrued interest; Media reported that DWCM exit Kunshan Economic Development Wanda Plaza Commercial Management
- **[GEMDAL]** Moody's withdrew Gemdale Caa1 CFR at issuer's request
- **[NWSZF]** NWS Holdings expects USD156mn net proceeds from Hyva sale, one-off loss of cHKD440mn
- **[SKYFAM]** Skyfame winding-up petition hearing adjourned by Bermuda court to 31 Jan'25
- **[WESCHI]** Moody's downgraded West China Cement to B2, senior unsecured ratings to B3 and maintained negative rating outlook

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