

## CMBI Credit Commentary

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

- *Asian IGs tightened 1-2bps with light flows this morning. AMCs were well bid. BABA/TENCNT tightened 1-2bps. LGFV space turned to quiet and new ZZMTRG'27 was unchanged.*
- **HYUELE:** *3Q24 revenue reached all-time high. Maintain buy on HYUELEs. See below for comments.*
- **DALWAN:** *Media reported that Dalian Wanda Group prepaid USD190mn due-Jan'25 loan backed by Sunseeker, Legendary shares. DALWANs moved -0.1 to +0.1pt this morning.*

#### ❖ Trading desk comments 交易台市场观点

Yesterday, HYUELE were 1-2bps tighter following its strong 3Q24 results. See comments below. KOHNPW/KOROIL/HYUCAP 27-31s were under better buying and closed 1-3bps tighter. SUMIFLs tightened 1-3bps on PB buying. SEKIS 30/34 widened 1-2bps. In Chinese IGs, HAOHUA/TENCNT 28-30s were 1-2bps tighter. In financials, NANYAN/BNKEA/AIA 30-34s were 1-4bps tighter. Chinese AMCs were firm. CCAMCL/ORIEAS 26-30s tightened 1-4bps. HRINTH 26-27s were unchanged to 0.1pt higher (2-5bps tighter). In insurance hybrids, NIPLIF '54/MYLIFE '54/SUMILF 5.875 Perp recovered 0.2pt but still closed 0.7-1.0pt lower WTD. ZURNVX '55 also rebounded 0.1pt, closed 0.3pt lower WTD. In EU AT1s, BACR 8 Perp/BNP 4.625 Perp/UBS 6.85 Perp were 0.1-0.2pt higher under buying from AMs/Prop desks. Chinese properties were mixed. FTLNHD/FUTLAN 25-26s and CHIOLI 34-43s were up 0.3-0.5pt while VNKRL 25-29s declined 0.4-0.6pt. In Macau gaming, SANLTD 27-31s were unchanged to 0.3pt lower. See our comments on [24 Oct '24](#). Outside China, GLPSP Perps were 0.1-0.3pt lower. GLPSP/GLPCHI 25-26s were unchanged. GLP Pte extended the tender offer deadline by 4 days to 1 Nov'24, and is looking to price the 3.5-yr USD bond next week. In Indonesia, MDLNIJ '25 dropped 0.9pt.

In LGFVs, ZZMTRG '27 priced the USD500mn 3-yr sustainable bond at CT3+75. The flows were skewed to better buying on the recent new issues. The low-yielding LGFVs were under selling out of RMs on back of the recent spike in rates. YZHINV '26 was 0.3pt higher. ZHHFGR '25/GXCMIN '25 were up 0.1pt. On the other hand, GZGETH/YTGFIH 27s were 0.1pt lower. CDHIIN/BJCONS/BCDHGR 26s were down 0.1-0.2pt. In SOE perps, CHPWCN 3.45 Perp/HUANEN 3.08 Perp were up 0.1-0.2pt.

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

**Cyrena Ng, CPA** 吳靄瑩  
(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 |
|-----------------------|-------|--------|-----------------------|-------|--------|
| HAOHUA 4 3/4 06/19/49 | 91.8  | 1.4    | MDLNIJ 5 06/30/25     | 44.1  | -0.9   |
| HAOHUA 3.7 09/22/50   | 77.0  | 0.8    | VNKRLE 3.975 11/09/27 | 66.4  | -0.6   |
| CNOOC 3.3 09/30/49    | 75.8  | 0.8    | XINHUZ 11 06/06/25    | 92.6  | -0.6   |
| TENCNT 4.525 04/11/49 | 88.9  | 0.8    | VNKRLE 3 1/2 11/12/29 | 62.8  | -0.5   |
| SINOPE 3.44 11/12/49  | 78.4  | 0.8    | HYSAN 3.55 06/16/35   | 83.0  | -0.5   |

## ❖ Marco News Recap 宏观新闻回顾

**Macro** – S&P (+0.21%), Dow (-0.33%) and Nasdaq (+0.76%) were mixed on Thursday. US Sep'24 Markit manufacturing/ service PMI was 47.8/55.3, higher than the expectation of 47.5/55.0. The latest US initial jobless claim was +227k, lower than the expectation of +243k. UST yield retreated yesterday, 2/5/10/30 yield reached 4.07%/4.03%/4.21%/4.47%.

## ❖ Desk Analyst Comments 分析员市场观点

## ➤ HYUELE: 3Q24 revenue reached all-time high. Maintain buy on HYUELEs

SK Hynix's operating performance continued to improve in 3Q24 with all-time high quarterly revenue at KRW17.5tn. This was attributable to the strong growth in premium products HBM and eSSD. The sales of HBM products increased 70% qoq and 330% yoy, while the sales of eSSD products were 20% higher qoq and 430% yoy. The 3Q24 operating profit margin and EBITDA margin also increased notably. See Table 2.

While SK Hynix focuses on premium products, the ASP of DRAM and NAND rose mid-teen qoq in 3Q24. However, the higher ASP was partly offset by the decrease in bit shipments. In 3Q24, the bit shipment of DRAM decrease slightly qoq, in line with the company's guidance made in 2Q24 while the bit shipment of NAND fell by mid-teen qoq, higher than the guidance of mid-single digit decrease qoq.

SK Hynix guides the 4Q24 DRAM bit shipment to increase mid-single digit qoq and FYE24 to increase mid-to-high teen yoy; while NAND bit shipment to increase low-teen qoq in 4Q24 and mid-teen yoy in FYE24. In 4Q24, SK Hynix will supply 12-layer HBM3E product as scheduled which were mass-produced in Sep'24. The HBM sales in 4Q24 will then account for 40% of DRAM revenue, increase from 30% in 3Q24. For NAND, SK Hynix will expand the sale of high-capacity eSSD to cope with the increasing market demand. We expect the growth momentum of SK Hynix's revenue and operating profit to continue in 4Q24 and 2025. The strong demand for AI services memory will continue to support higher ASP and higher bit shipments of HBM and eSSD.

As at Sep'24, SK Hynix accumulated higher cash balances while the total debts decreased compared to Jun'24, thanks to the strong operating cash flow generation during 3Q24. The net debts reduced by 29% to KRW11.0tn at Sep'24 from Jun'24. The next USD bond maturities of HYUELE Float 11/17/25 of USD300mn will be due in Nov'25, and two USD bonds totaled USD1.75bn in Jan'26. We expect SK Hynix to be able to refinance the bonds at reasonable costs in view of its strong cash flow generation and good access to different funding channels. Meanwhile, we expect the management to remain disciplined in expansion and the capex will continue to be funded with its cash on hand and operating cash flow.

We maintain buy on HYUELEs in view of SK Hynix's strong market position globally, improving cash flow and credit profile. Within the HYUELE complex, we prefer HYUELE 1 ½ 01/19/26 and HYUELE 2 ¾ 01/19/31 most for lower cash prices. At 95.9 and 85.4, HYUELE 1 ½ 01/19/26 and HYUELE 2 ¾ 01/19/31 was traded at YTM

of 4.9% (z-spread of 89bps) and 5.1% (z-spread of 144bps), respectively. HYUELEs also provide 6-36bps yield pick-up over Micron's bonds.

**Table 1: Bond profiles of HYUELEs**

| Security Name         | O/s amt (USDmn) | Mod Dur | Px    | YTM (%) | Z-Spread (bps) | Rating (M/S/F) |
|-----------------------|-----------------|---------|-------|---------|----------------|----------------|
| HYUELE Float 11/17/25 | 300             | 0.1     | 101.1 | 5.3     | 69.0           | Baa2-/BBB      |
| HYUELE 6 ¼ 01/17/26   | 750             | 1.2     | 101.5 | 4.9     | 81.1           | Baa2/BBB-/BBB  |
| HYUELE 1 ½ 01/19/26   | 1000            | 1.2     | 95.9  | 4.9     | 88.5           | Baa2/BBB-/BBB  |
| HYUELE 5 ½ 01/16/27   | 500             | 2.1     | 101.3 | 4.9     | 98.5           | Baa2/BBB-/BBB  |
| HYUELE 6 ¾ 01/17/28   | 1000            | 2.9     | 104.0 | 5.0     | 126.9          | Baa2/BBB-/BBB  |
| HYUELE 5 ½ 01/16/29   | 1000            | 3.7     | 101.6 | 5.1     | 134.1          | Baa2/BBB-/BBB  |
| HYUELE 2 ¾ 01/19/31   | 1000            | 5.6     | 85.4  | 5.1     | 143.7          | Baa2/BBB-/BBB  |
| HYUELE 6 ½ 01/17/33   | 750             | 6.3     | 108.3 | 5.3     | 155.5          | Baa2/BBB-/BBB  |

Source: Bloomberg.

**Table 2: SK Hynix Q3FY24 financial highlights**

| KRWbn                   | 3Q24          | 2Q24          | qoq change    | 3Q23          | yoy change    |
|-------------------------|---------------|---------------|---------------|---------------|---------------|
| Revenue                 | 17,573        | 16,423        | 7%            | 9,066         | 94%           |
| -DRAM                   | 12,126        | 10,839        | 12%           | 6,074         | 100%          |
| -NAND                   | 4,920         | 5,091         | -3%           | 2,448         | 101%          |
| -Others                 | 527           | 493           | 7%            | 544           | -3%           |
| Gross profit            | 9,171         | 7,496         | 22%           | 64            | 14,230%       |
| Operating profit        | 7,030         | 5,469         | 29%           | (1,792)       | -             |
| EBITDA                  | 10,100        | 8,591         | 18%           | 1,541         | 555%          |
| Net profit              | 5,753         | 4,120         | 40%           | (2,185)       | -             |
| Operating cash flow     | 7,804         | 5,697         | 37%           | 1,029         | 658%          |
| Capex                   | 3,516         | 2,079         | 69%           | 1,520         | 131%          |
| Gross profit margin     | 52%           | 46%           | +6 pct pt     | 1%            | +51 pct pt    |
| Operating profit margin | 40%           | 33%           | +7 pct pt     | -20%          | -             |
| EDITDA margin           | 57%           | 52%           | +5 pct pt     | 17%           | +40 pct pt    |
| Net profit margin       | 33%           | 25%           | +8 pct pt     | -24%          | -             |
|                         | <b>Sep'24</b> | <b>Jun'24</b> | <b>Change</b> | <b>Dec'23</b> | <b>Change</b> |
| Cash and equivalent     | 10,858        | 9,688         | 12%           | 8,921         | 22%           |
| Total debt              | 21,845        | 25,228        | -13%          | 29,469        | -26%          |
| Net debt                | 10,987        | 15,540        | -29%          | 20,548        | -47%          |
| Net debt/equity         | 17%           | 26%           | -9 pct pt     | 42%           | -25 pct pt    |
| Net debt/EBITDA         | 0.4x          | 0.8x          | -             | 3.7x          | -             |

Note: Total debt included borrowings and bonds

Source: Company filling, CMBI Research

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

| Issuer/Guarantor      | Size (USD mn) | Tenor | Coupon | Priced | Issue Rating (M/S/F) |
|-----------------------|---------------|-------|--------|--------|----------------------|
| Zhengzhou Metro Group | 500           | 3yr   | 4.751% | T+75   | -/-/A                |

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

| Issuer/Guarantor             | Currency | Size (USD mn) | Tenor | Pricing | Issue Rating (M/S/F) |
|------------------------------|----------|---------------|-------|---------|----------------------|
| State Power Investment Group | USD      | -             | PNC3  | -       | -/-/A-               |

➤ **News and market color**

- Regarding onshore primary issuances, there were 132 credit bonds issued yesterday with an amount of RMB152bn. As for month-to-date, 1,149 credit bonds were issued with a total amount of RMB1,086bn raised, representing a 3.6% yoy increase
- **[ADGREG]** Media reported that Adani Green examines options for debt raising of between USD300mn and USD400mn via private placement targeting global investors
- **[DAFAPG]** DaFa Properties' share listing on HKEx to be cancelled on 29 Oct'24
- **[DALWAN]** Media reported that Dalian Wanda Group prepaid USD190mn due-Jan'25 loan backed by Sunseeker, Legendary shares
- **[JIAYUA]** Jiayuan International share listing on HKEx to be cancelled on 29 Oct'24
- **[YUEXIU]** Yuexiu property announced to sell stake of Guangzhou Grandcity Development for RMB1.1bn

*Fixed Income Department*

*Tel: 852 3657 6235/ 852 3900 0801*

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

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