

CMBI Credit Commentary

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

The Asset Asian G3 Bond Benchmark Review 2023

We hope you found our commentaries and ideas helpful. We seek to elevate our efforts and value-add further in the coming year. We highly appreciate your support to us in Sell-Side Analysts of the polls of "[The Asset Asian G3 Bond Benchmark Review 2024](#)". Thank you for your support!

- *New CHALUM'28 widened 3bps this morning. Asian IG space was unchanged to c2bps wider with light flows. Media reported that Dalian Wanda is nearly getting cUSD1.4bn loans to pay some pre-IPO investors, DALWANS were unchanged this morning.*
- *HRINTH: Positive profit alert for 1H24 results. HRINTHs remain our top picks in Chinese AMC space. HRINTHs moved -0.1 to +0.15pt this morning. See comments below.*
- *China Economy - Continued expansion of exports. CMBI expects exports and imports of goods to rise 3.6% and 3.3% in 2024 after dropping 4.6% and 5.5% in 2023. See below comments from CMBI economic research.*

❖ Trading desk comments 交易台市场观点

Yesterday, Asia IG space was firm. INDUBK priced a USD500mn 3-yr floating-rate bond at SOFR+56. In Chinese SOEs, CHALUM priced the USD650mn 3.5-yr bond at CT5+98/CT3+93 on Wed night. We consider the new CHALUM 4.75 '28 expensive and believe that the bond was priced 10-15bps inside our FV estimate. See our comments on [7 Aug'24](#). The bond widened around 6bps to CT5+104 this morning. Meanwhile, CHALUM announced to call CHALUM 4.1 PERP in full (o/s USD750mn) on 11 Sep'24, the first call date. HAOHUA tightened 2bps. In TMT, MEITUA/LENOVO 30s were 3-5bps tighter. In financials, Chinese AMCs were under better buying. CCAMCL 26-27s/ORIEAS 27-29s were 2-7bps tighter. GRWALL Perp was 0.1pt higher. After close, China CITIC Financial AMC announced positive profit alert. See below for comments. In regional financials, ANZ/MQGAU/WSTP T2s tightened 4-8bps. In AT1s, CMHI 3.875 Perp/ICBCAS 3.2 Perp/BBLTB 5 Perp were up 0.1pt. SANTAN 5 Perp/SOCGEN 8.5 Perp were 0.3-0.7pt higher. In JP, MUFG 8.2 Perp/NIPLIF '53 were 0.2-0.3pt higher. In KR, DAESEC 5.5 '27 tightened 5bps. HYUELEs/HYUCAPs tightened 1-2bps. LGENSO 27s widened 2bps. In HK, NANYAN 6 '34/BNKEA 6.75 '34 closed 3-6bps tighter. AIA/CKHH 33-34s tightened 2-5bps. NWDEVL '28/31 lowered 1.0-1.3pts while the other NWDEVLs were unchanged. Chinese properties were firm. FUTLAN '25/FTLNHD 24-26s were 0.6-1.5pts higher. SHUION 24-26s were 0.4-0.7pt higher. DALWANS were up 0.3-0.4pt. In Macau gaming, STCITY/SANLTD 28-30s were 0.5-0.8pt higher. In India, RNW announced retap of USD125mn on RNW 7.95 '26 at 101 and the bond price was

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unchanged. UPLLIN 28/30/Perp was 1.0-1.1pts higher. Last night, Moody's downgraded UPL one notch to Ba2, and placed ratings under review for further downgrade. VEDLNs were 0.2-0.3pt higher. See our comments on [7 Aug'24](#). In Indonesia, MDLNIJ 25/27 declined 0.6-1.7pts.

In LGFVs, GZINFU/CHDUIN 26s were up 0.1pt. CPDEV 25/26/Perp were 0.1-0.2pt higher. CDCOMM '27/CQNANA '26 were down 0.2pt. In the high beta names, HUANEN '31 was 0.2pt lower. SUNSHG/GRPCIN 26s were up 0.1-0.2pt.

❖ Last Trading Day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
UPLLIN 4 5/8 06/16/30	82.7	1.1	MDLNIJ 5 06/30/25	42.6	-1.7
UPLLIN 4 1/2 03/08/28	87.8	1.0	NWDEVL 8 5/8 02/08/28	96.0	-1.3
UPLLIN 5 1/4 PERP	70.6	1.0	ROADKG 6.7 03/30/28	54.9	-1.2
STCITY 6 1/2 01/15/28	94.7	0.8	AIA 4.47 05/23/47	87.3	-1.2
SHUION 6.15 08/24/24	99.4	0.7	NWDEVL 3 3/4 01/14/31	72.0	-1.0

❖ Marco News Recap 宏观新闻回顾

Macro – S&P (-0.77%), Dow (-0.60%) and Nasdaq (-1.05%) closed lower on Wednesday. UST yield rallied higher yesterday, 2/5/10/30 yield reached 4.00%/3.79%/3.96%/4.26%.

❖ Desk analyst comments 分析员市场观点

➤ HRINTH: Positive profit alert for 1H24 results. HRINTHs remain our top picks in Chinese AMC space

China CITIC FAMC (Huarong) expects to achieve positive net profit attributable to equity holders in 1H24 compared with losses of RMB4.9bn in 1H23 (though we are still figuring out what does it mean logically for the net profit attributable to equity holders to increase 191%-212% from the losses in the same period of last year!!). As per HRINTH, the recovery is driven by the steady increase in ROA from core business transformation and relative improvement in the capital market; and (ii) steady improvement on effectiveness of risk management and control. These should somewhat related to lower credit costs, in our view.

Moreover, the share transfer of Financial Leasing to CITIC Group at RMB12bn was approved at the EGM on 28 Jun'24. CITIC Group will pay Huarong in a lump sum payment within 10 business days after the approval from MOF and NFRA. Huarong has been disposing of non-core assets, as listed below, and these disposals were approved at the same EGM together with share transfer of Financial Leasing. The prices of the shares disposals of Daqin Railway will be determined on the date of transfer while the price of other disposals will be determined a day prior of transfer. Based on our estimates, Huarong will realize RMB41.2bn from the disposals based on the last closing prices.

Company	Number of Shares	Shareholding %	Share px (last close)	Est. proceeds
Daqin Railway	424,671,935	2.42%	RMB6.89	RMB2,926mn
Kunlun Energy (stock code: 0135)	214,440,000	2.48%	HKD7.57	HKD1,623mn
China Power (stock code: 2380)	605,867,000	4.90%	HKD3.6	HKD 2,181mn
China Telecom (stock code: 0728)	1,206,336,000	1.32%	HKD4.4	HKD 5,308mn
Bank of China (stock code: 3988)	9,746,051,000	3.31%	HKD3.33	HKD 32,454mn

Source: Company filing.

Furthermore, the positive profit alert of Huarong is in stark contrast to the profit warning of China Cinda which expects 40-50% decrease in net profit attributable to equity holders in 1H24 implying profit of RMB2bn-2.4bn.

China Cinda said the decline was due to decrease in income from core business and increased credit risk provision, resulting from change in market and macroeconomic situations. The contrast, in our review, reflects Huarong's operating performance recovering from a low base, supported by CITIC Group. We view Huarong a resilient player in the sector.

We expect Huarong's stronger financial flexibility after the disposal of Financial Leasing and non-core assets, proceeds from onshore bond issuances, as well as improved 1H24 financials to continue to support the performance of HRINTHs. While the conviction levels of HRINTHs are lower after price rally since 2H23, HRINTHs, especially HRINTH 4.25 Perp, remain to be our top picks in the sector. Within the Chinese AMC space, we also like CCAMCL 4.4 Perp.

➤ China Economy - Continued expansion of exports

China's exports of goods moderated in July as external demand may have started to soften with declines of PMI in most economies. Exports to Japan and Korea were the primary drag as the two countries continued to diversify their supply chains beyond China. But China's exports of goods remained stronger than its domestic demand as excess capacity and vicious competition existed in most manufacturing industries. In July, imports of goods significantly beat market expectations thanks to strong imports for processing trade whereas domestic demand was still weak. Looking forward, China's exports of goods may maintain moderate growth with some mild slowdown in 2H24 as external demand is likely to further soften while tariffs expectations may boost export order delivery in advance. Imports of goods may slowly improve in the second half of the year thanks to a mild demand recovery and reflation in industrial sector. We expect exports and imports of goods to rise 3.6% and 3.3% in 2024 after dropping 4.6% and 5.5% in 2023. We expect the RMB to reach 7.15 at end-2024 and 7.10 at end-2025 as US growth and inflation gradually decline while China's growth and inflation slowly improve.

Exports moderated unexpectedly due to a decline in growth to Asian countries and Russia. China's exports of goods moderated to 7% (all on a YoY basis unless specified) in July from 8.6% in June even with a lower base, against the market expectation of 9.5%. Considering exports to Vietnam and South Korea surged by 21% and 13.9%, the figure looks even weaker. Asian countries were the primary drag as exports to Japan and South Korea plummeted to -6% and 0.8% in July from 0.9% and 4.1% in June. Exports to ASEAN also moderated from 15% to 12.2% July while exports to India accelerated from 4.7% to 8.6%. Exports to the US and EU continued to recover with the YoY growth rates up from 6.6% and 4.1% to 8.1% and 8% in July. Exports to Russia dipped by 2.4% in July compared to +3.5% in June. Exports to Latin America inched down while Australia and the UK saw negative growth.

Consumer goods deteriorated while IT products, vehicles and ships showed resilience. Consumer basket including bags, garment and toys dipped by 11.8%, 4.4% and 3.9% in July after dropping 3.2%, 1.8% and 2.2% in June. Property-related products including furniture and lamps declined by 5.5% and 6.6% in July from 5.6% and -2.2% growth while home appliances edged down to 17.2% from 17.9%. Exports of IT products were still robust, as computers and integrated circuits rose 19.3% and 27.7% in July compared to 9.8% and 23.4% in June, while cellphones picked up 5%. Exports of ships and auto vehicles continued their rapid growth at 54.8% and 13.8% compared to 53.8% and 12.6% in June.

Imports beat expectations whereas domestic demand was still weak. China's imports of goods notably rebounded 7.2% in July after dropping 2.3% in June, above market expectations of 3.2%. Energy products rebounded as the import volume of crude oil, coal and natural gas bounced back to -3.1%, 17.7% and 5.3% compared to -10.8%, 11.9% and 0.4% in June. Import volume of iron ore accelerated to 10% from 2.2% while that of copper ore increased 9.9%. Intermediate goods including steel products and copper declined 25.7% and 2.9% in July after dropping 6.6% and 2.1%, while products and plastics in primary form and machine tool notably increased by 10.7% and 16.6% from -5.5% and 1.8%. For integrated circuits, the growth of import volume increased markedly from 9.5% to 16.3%, possibly due to the front-loading effect amid further sanctions. Consumer goods including auto vehicles and beauty cosmetics remained subdued throughout 2024. The import

growth was primarily driven by imports for processing trade as it surged by 14.6% in July while general imports only rose by 0.4%, a sign of still-weak domestic demand.

Amidst a deceleration in exports, China's economy confronts increased growth pressure. In the context of slowing domestic consumption and investment growth, the absence of robust exports and a narrowing trade deficit could amplify economic pressures. The exports data might be very volatile in upcoming months given the tariffs expectations effected by US elections and possible cooling down of external demand. But we still expect moderate growth to maintain with some mild slowdown in 2H24 thanks to the low base effect and China's increasing price advantage in most manufacturing products. We expect the USD/RMB rate to reach 7.15 at end-2024 and 7.10 at end-2025 as US growth and inflation gradually decline while China growth and inflation slowly improve.

Click [here](#) for full report

➤ Offshore Asia New Issues (Priced)

Issuer/Guarantor	Size (USD mn)	Tenor	Coupon	Priced	Issue Rating (M/S/F)
Chinalco Capital Holdings	650	3.5yr	4.75%	T+93	-/-/A-
Industrial Bank HK	500	3yr	1.71%	SOFR+56	-/-/BBB

➤ 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

- Regarding onshore primary issuances, there were 116 credit bonds issued yesterday with an amount of RMB103bn. As for month-to-date, 417 credit bonds were issued with a total amount of RMB423bn raised, representing a 75.1% yoy increase
- [ADEIN]** Media reported that Adani Enterprises may undertake QIP by as soon as Sep'24 to raise cINR100bn (cUSD1.2bn)
- [CHALUM]** Aluminum Corporation of China to redeem all USD750mn CHALUM 4.1 PERP on 11 Sep'24
- [DALWAN]** Media reported that Dalian Wanda Commercial Management is nearly getting cUSD1.4bn loans to pay some pre-IPO investors
- [EVERRE]** China Evergrande's liquidators commenced legal proceedings against PwC
- [HRINTH]** China CITIC Financial AMC expects 1H24 net profits to increase 191% to 212% yoy
- [HYUELE]** S&P upgraded SK Hynix to BBB From BBB- and placed stable outlook on the rating
- [LNGFOR]** Longfor unit announced to buy back and cancel RMB2bn 21Longhu05 bonds on 12 Aug'24

- **[SOFTBK]** SoftBank Group 1Q25 revenue rose 7.4% yoy to cUSD10.6bn and adj. EBITDA rose 6.9% yoy to cUSD3.2bn; Media reported that SoftBank Group plans to buy back up to JPY500bn (cUSD3.45bn) of its common shares
- **[UPLLIN]** Moody's downgraded UPL Corp to Ba2 and placed the rating under review for further downgrade
- **[VNRLE]** China Vanke secured RMB4bn (cUSD550mn) loans from banks

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