

CMBI Credit Commentary

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

- *New issue CMINLE'27 tightened 9bps, QDJZWD'27 was stable this morning. Asian IG space tightened 1-3bps under better buying flows. Flows on LGFV/SOE Perps were light. LENOVO's USD2bn CB issue is credit positive but LENOVOs' valuation are not too appealing. See below.*
- **HRINTH:** *Will Huarong do another round of bond repurchase? See below.*
- **Chinese properties:** *Relaxation of housing policies in Guangzhou and Shenzhen. See below.*

❖ Trading desk comments 交易平台市场观点

Yesterday, HYUELE 29/31 tightened 5bps and DAEECs/DFHOLDS closed unchanged to 2bps tighter. SMBCAC 28s tightened 1bps amid two-way flows among AMs/PBs. AU bank T2s such as ANZs/CBAAs/WSTPs/MQGAUs were 3-5bps tighter. However, OCBCSP/UOBSP 32s were unchanged to 1bp wider. In Chinese IGs, HAOHUA 28-30s widened 3-5bps under heavy selling. Meanwhile TENCNT/BIDU 30s closed 1-2bps tighter. In the high beta TMTs, LENOVO/WB/XIAOMI 30s were unchanged to 1bp tighter. In financials, CMINLE priced a USD500mn 3-yr floating-rated bond at SOFR+76. Chinese bank T2s such as BCHINA '24/CCB '30 were under better buying. In Chinese AMCs, the recent new CCAMCL '29 edged 1bp tighter, ORIEAS '27 tightened 2bps. HRINTH 25/Perp were unchanged to 5bps tighter under small better buying. PINGIN '34 tightened 3bps. In AT1s, KBTBTB/ MQGAU/ WSTP/ QBEAU Perps were better buying and closed 0.1-0.2pt higher. EU AT1s were stable. In HK, AIA '34 edged 1bp tighter. BNKEA 27/32 were unchanged to 2bps tighter. LASUDE '26 was 1.1pts higher. NWDEVLs were 0.5-0.9pt lower amid mixed two-way flows among RMs. Chinese properties moved lower. SHUION 24-26s fell 3.4-4.5pts. VNKRLE 25/27/29 dropped another 1.9-2.6pts. CHIOLI 42-43s were down 0.9-1.1pts. LNGFOR 27-28s declined 0.3-0.4pt. FUTLAN/FTLNHD 24s, on the other hand, were up 0.5-0.6pt. In industrials, FOSUNI 25-27s remained sought-after and closed 0.5-0.9pt higher. Fosun International announced the sale of Hauck Aufhäuser Lampe Privatbank to ABN Amro for EUR672mn (cUSD730mn). HILOHO '24 was 1.5pts lower. In Macau gaming, MPEL/SANLTD 28s were up 0.2pt. In India, VEDLN 26-28s were 0.9-1.2pts higher, following media report of Vedanta Ltd's up-to INR85bn (USD1.2bn) potential share sale in Jun. In Indonesia, LMRTSP '26 was 0.8pt higher.

In LGFVs, QDJZWD priced a USD200mn 3-yr green bond at par to yield 7.9%. The recent new CNSHAN 6.5 Perp rose to a new high of 101.1, where we saw some profit taking selling emerged above 101. Meanwhile the flows in LGFVs were sporadic and mixed, mostly two-way in quality names versus small better selling in names from weaker regions. HZCONI '26 were up 0.1pt, GZGETH '27 was down 0.1pt. KMRLGP '24/GSHIAV '25 were 0.2-0.3pt

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lower. The property-related LGFVs such as CPDEV/BCDHGR 26s were 0.1-0.2pt higher. In the high beta names, HUANEN '29/HNINTL '30/CWAHK '26 were 0.6-0.8pt lower. In SOE perps, CHPWCN 3.45 Perp was up 0.1pt, CHSCOI 4 Perp was down 0.1pt.

❖ Last Trading Day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
VEDLN 9 1/4 04/23/26	87.2	1.2	SHUION 6.15 08/24/24	90.6	-4.5
LASUDE 5 07/28/26	66.3	1.1	SHUION 5 1/2 03/03/25	82.6	-3.7
VEDLN 13 7/8 01/21/27	97.3	1.0	SHUION 5 1/2 06/29/26	72.7	-3.4
VEDLN 13 7/8 12/09/28	94.4	0.9	VNKRLE 3 1/2 11/12/29	61.6	-2.6
FOSUNI 5 05/18/26	92.8	0.9	VNKRLE 3.975 11/09/27	68.2	-2.2

❖ Marco News Recap 宏观新闻回顾

Macro – S&P (+0.02%), Dow (-0.55%) and Nasdaq (+0.59%) were mixed on Tuesday. US Conference Board May'24 consumer confidence was 102, higher than the expectation of 96. UST yield rallied higher yesterday, 2/5/10/30 yield was 4.94%/4.56%/4.54%/4.66%.

❖ Desk analyst comments 分析员市场观点

➤ HRINTH: Will Huarong do another round of bond repurchase?

HRINTHs remain our top picks in Chinese AMC space

China CITIC Financial Asset Management (Huarong) announced the transfer of its 60% stakes in China Huarong Financial Leasing (Financial Leasing) to CITIC Group for a consideration of cRMB12bn (cUSD1.7bn). The share transfer will boost Huarong's liquidity and is in line with the Huarong's strategy to re-focus on distressed asset management. While the conviction levels of HRINTHs are lower after a good run since 2H23, HRINTHs, especially HRINTH 4.25 Perp, remain to be our top picks in the sector. We see the likelihood that Huarong could use part of the share transfer proceeds to buy back its longer-dated and lower cash price bonds. Within the Chinese AMC space, we also like GRWALL 3.95 Perp and CCAMCL 4.4 Perp.

Share transfer in line with Huarong's strategic focus

Under the share transfer agreement, Huarong will sell 60% out of its 79.92% stakes in Financial Leasing to CITIC Group for cRMB12bn. The share transfer will be subject to the internal approval of CITIC Group, MOF, EGM of Huarong, etc. Financial Leasing should be the 6th out of 8 non-core assets divested by Huarong over the few 2 years. The sale proceeds will boost Huarong's financial flexibility in refinancing and the one-off gain (cRMB6.4bn) will also help improve the equity base of Huarong at the company level (though the impact at consolidated level should be more muted). The share transfer should help re-direct its focus on expanding distressed asset management. On a pro-forma basis, Huarong's consolidated liab/asset would remain at 95% after deconsolidation of Financing Leasing. We believe that Huarong could further divest its remaining 19.92% stakes in Financing Leasing. Based on the current valuation, the remaining stakes are worth cRMB4bn, representing a source of alternative liquidity.

The close tie with CITIC Group demonstrated once again

The share transfer once again demonstrates that Huarong is an integral part of CITIC Group and the ability of CITIC Group to strengthen Huarong's liquidity and operating profile. Recalled that Huarong acquired 5.01% stakes in CITIC Ltd. (267 HK) for HKD13.6bn from CITIC Group. See our comment titled: [HRINTH: What are behind the name change?](#)

Will Huarong resume bond repurchases?

During Sep-Nov'23, Huarong announced bond repurchases totaled USD1.5bn, focusing on the longer-date and lower cash price bonds. The estimated non-recurring gain from these repurchases is cUSD350mn. We believe that the repurchases were funded with onshore bonds of RMB20bn issued in Aug'23 at a coupon rate of 3.1%. With the proceeds of cUSD1.7bn to be received from transferring the shares of Financial Leasing and another onshore bonds issue in Dec'23 (RMB6.4bn at 3.3%), we believe that Huarong has a strong financial flexibility in considering further repurchases of its long-dated and lower cash price offshore bonds, as well as preparing for the redemption of HRINTH 4.25 Perp which is callable on 30 Sep'25 at par. The repurchases of lower cash price bonds could help cut Huarong's net debts, funding costs and strengthen its equity base.

➤ LENOVO: Credit positive CB issue but valuation not too appealing

On 29 May'24, Lenovo Group announced to issue 3-yr, zero-coupon CBs of USD2bn to Alat, a wholly owned subsidiary of the sovereign wealth fund of Saudi Arabia. Concurrently, Lenovo Group signed strategic collaboration framework agreement with Alat to set up a regional MEA headquarters and a new manufacturing facility in the Kingdom of Saudi Arabia. The initial conversion price of CBs is HKD10.42 per share, a 11.8% discount compared to the close price of Lenovo Group (0992.HK) on 28 May'24. Alat can only convert CBs to share from 30 days to 2 days before the maturity of CB. The CB can be converted to 10.78% of enlarged stakes.

The issue is credit positive to Lenovo as this demonstrated its access to low-cost (from a credit perspective) funding alternative in a high interest environment. The chance of the CB being converted into equities appears to be high in view of the discount of conversion price to current stock price. The conversion will help boost Lenovo's equity base. We like the credit story of Lenovo and acknowledge its solid FY24 (FYE Mar) results. We also notice the yield pick-up of 30-40bps of long-dated LENOVOs over US peers such as DELLs/HPQs. That said, for Chinese TMT, we prefer **WBs** and **MEITUAs** on valuation.

➤ Chinese properties: Relaxation of housing policies in Guangzhou and Shenzhen

On 28 May'24, Guangzhou and Shenzhen announced relaxation of housing policies as expected. Both cities lowered the down payment ratios and mortgage rates while Guangzhou further relaxed the home purchase restrictions for non-Guangzhou residents. See below table for the summary. As of today, Beijing is the only Tier-1 city which has yet to further relax its housing policies post central government launched supportive policies to stabilize real estate market in mid-May'24. We expect Beijing to adjust its housing policies soon given its highest inventory level among four Tier-1 cities. As of May'24, the inventory month of commercial residential housing in Beijing, Shanghai, Guangzhou and Shenzhen was 29, 9, 23 and 27 months, respectively.

In our view, the recent policy relaxations from central and local governments are positive to the industry in general. We consider developers which have more landbank in high tier cities, e.g. China Jinmao and Yanlord, would benefit most from the recent policy relaxation. As of Dec'23, the landbank in Tier-1/2 cities accounted for 80%-90% of China Jinmao and Yanlord's total landbank. We have buy recommendation on **CHJMAOs** and **YLLGSPs**. We also expect the performance of **CPDEVs** to be supported by the expectation of further relaxation of housing policies in Beijing.

Guangzhou

1. Shortening the required years of paying social security or individual income tax for non-Guangzhou residents to purchase home from 2 years to 6 months
2. Lowering minimum down payment ratios for first/second home buyers to 15%/25% from 30%/40%
3. Removing lower limit of mortgage rates for first/second home buyers
4. Allowing buyers with 2 and more than 2 homes to apply commercial mortgage loan for purchasing home in non-restricted area
5. Shortening the required time of residents/non-Guangzhou residents paying provident fund for applying provident fund loans from 1/2 years to 6 months

Shenzhen

1. Lowering minimum down payment ratios for first/second home buyers to 20%/30% from 30%/40%
2. Lowering minimum mortgage rates for first/second home buyers to LPR-45bps/LPR-5bps from LPR-10bps/LPR+30bps

➤ Offshore Asia New Issues (Priced)

Issuer/Guarantor	Size (USD mn)	Tenor	Coupon	Priced	Issue Rating (M/S/F)
CMB International Leasing Management Limited	500	3yr	6.1%	SOFR+76	A3/-/-
Qingdao Jiaozhou Bay Development Group Co., Ltd	200	3yr	7.9%	7.9%	-/-/-

➤ Offshore Asia New Issues (Pipeline)

Issuer/Guarantor	Currency	Size (USD mn)	Tenor	Pricing	Issue Rating (M/S/F)
Jinjiang Road and Bridge Construction & Development	USD	-	364D	6.8%	-/-/-

➤ News and market color

- Regarding onshore primary issuances, there were 71 credit bonds issued yesterday with an amount of RMB54bn. As for month-to-date, 965 credit bonds were issued with a total amount of RMB1,142bn raised, representing a 7.7% yoy increase
- **[ADEIN]** Adani Enterprises board approved fundraising of up to INR166bn (cUSD2bn) via issuance shares/other eligible securities
- **[CHINSC]** China SCE onshore unit sought to extend its RMB506mn due 1Jul'24 onshore bond for three years
- **[DALWAN]** Media reported that Dalian Wanda Commercial Management started remitting funds to settle 20% installment payment due on 29 May for 7.25% USD bond; The company exited Fuzhou Baihuting Wanda Plaza Commercial Management
- **[IQ]** iQIYI announced repurchase right notification for 4% convertible senior notes due 2026
- **[LMRTSP]** LMIRT obtained new secured amortising term loan facility of up to IDR2.5trn (cUSD155mn) to prepay SGD-denominated secured bank loans in Jun'24
- **[SMCGL]** San Miguel Global Power Holdings 1Q24 net sales increased 7.3% yoy to USD758.7mn and EBITDA rose 15.5% yoy to USD207mn

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