Fixed Income
Credit Commentary

17 Feb 2025

CMBI Credit Commentary

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

- *Market sentiment remained firm this morning. Long-term TMT BABA/TENCNT tightened 3-5bps. AU T2s and JP floaters were under better selling. The new GRNCH'28 was unchanged. VNKRLEs down 0.1 to 0.4pt. LNGFOR were unchanged to 0.4pt higher.*

- ***Chinese AMCs:** Central Huijing Investment to become the controlling shareholder of Cinda, Great Wall and Orient. CCAMCL/ORIEAS were 2-3bps tighter while CFAMCI/GRWALL were unchanged to 0.25pt higher this morning. See below.*

- ***China Economy:** CMBI expects China would maintain accommodative monetary policy with possible RRR cut by 50bps and LPR cuts by 20-30bps in 2025. Outstanding social financing and loans may pick up 8.2% and 7.7% at end-2025 after rising 8% and 7.6% at end-2024. See below for comments from CMBI economic research.*

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

Cyrena Ng, CPA 吴蒨瑩
(852) 3900 0801
cyrenang@cmbi.com.hk

Jerry Wang 王世超
(852) 3761 8919
jerrywang@cmbi.com.hk

❖ Trading desk comments 交易台市场观点

Market sentiment remained firm on last Friday. New GRNCH 8.45'28 rose 1pt. China TMTs were active, long-end BABA/TENCNT were well bid. MEITUA/WB/LENOVO widened c2bps. China AMCs were two-way that we saw buyers on CCAMCL/ORIEAS belly and perps while sellers on CFAMCI perps. HK bank T2s were 5-10bps tighter, BNKEAs were outperformed. EU AT1s performed well, STANLN/LLOYDS rose c0.5pt. Korea space was under balance two way flows with profit taking on front-end DAESEC and better buying flows on KHFC/LGENSO. Japan space recent outperformer MIZUHO/MUFG floaters were 1-2bps wider while fixed tranches were 1-2bps tighter. Chinese/HK developers were mixed, LNGFOR/VNKRLE increased 1.5-2.5pt. NWDEVLs moved -0.4 to +1.2pts with perp underperformed. In SEA, Adani complex was unchanged to 0.5pt higher.

In LGFV space, we continued to see demand from RM in high yielding USD and CNH issues. Double digit yielding LGFVs continued to be compressed led by Shandong names. LGFV developer CPDEV/ZHHFGRs were unchanged to 0.2pt higher.

CMBI Fixed Income
fis@cmbi.com.hk

❖ Last Trading Day's Top Movers

Top Performers	Price	Change
LNGFOR 3.85 01/13/32	**70.1**	**2.5**
LNGFOR 3.95 09/16/29	**78.0**	**2.2**
LNGFOR 3 ⅜ 04/13/27	**87.7**	**2.2**
VNKRLE 3 ½ 11/12/29	**66.0**	**1.9**
LNGFOR 4 ½ 01/16/28	**86.2**	**1.7**

Top Underperformers	Price	Change
ROADKG 5 ⅛ 01/26/30	**38.2**	**-0.6**
NWDEVL 5 ¼ Perp	**28.0**	**-0.4**
NWDEVL 6.15 Perp	**40.1**	**-0.3**
NWDEVL 3 ¾ 01/14/31	**49.8**	**-0.2**
NWDEVL 4.8 Perp	**21.1**	**-0.1**

❖ Marco News Recap 宏观新闻回顾

Macro – S&P (-0.01%), Dow (-0.37%) and Nasdaq (+0.41%) were mixed on last Friday. US Jan'25 retail sales -0.9% mom, lower than the expectation of -0.2% mom and after an upward revision to +0.7% mom in Dec'24. UST yield retreated on last Friday, 2/5/10/30 yield at 4.26%/4.33%/4.47%/4.69%.

❖ Desk Analyst Comments 分析员市场观点

➢ Chinese AMC: Central Huijing Investment to become the controlling shareholder of Cinda, Great Wall and Orient

MoF proposes to transfer gratuitously all of its holdings in Cinda, Great Wall and Orient to Central Huijing Investment (Huijin), subject to regulatory approvals. See Table 1 below. Huijing is wholly-owned by China Investment Corporation (CIC), which in turns, wholly-owned by MoF. After the proposed share transfer, Huijing will become the controlling shareholder of these three AMCs. MoF remains as their ultimate shareholders.

Table 1: Shareholdings to be transferred to Huijing

Company	Shareholdings
Cinda	58%
Great Wall	73.53%
Orient	71.55%

Source: Company fillings.

As of Jun'24, Huijing directly holds 19 financial institutions in China, including the big 4 banks, China Development Bank, CICC, China Re, and China Export & Credit Insurance. As discussed before, we believe that the transfer of ownership to Huijing reveals the Chinese government's determination to improve the financials, capitalization, as well as operating performance of these three AMCs on a more commercial basis, as in the case of China CITIC FAMC. CITIC Group replaced the MoF as the largest shareholder of China CITIC FAMC since Nov'22. Meanwhile, the proposed share transfer reinforces our belief that the government views all big 4 AMCs from a top-down approach and the government support to them continues.

Besides, we expect to see Huijing to address the capital shortfall issue of Great Wall due to the sizeable loss incurred in FY22 of RMB45bn, while the net profit in FY23 was only RMB1.8bn. That said, we are not too concerned about Great Wall's repayment ability given the demonstrated support from the Chinese government to the AMC sector. We also take comfort that the AMCs remain accessible to various funding channels.

In Chinese AMC space, we expect the spread compression to continue as driven by on-going government support. While the conviction levels are lower, CFAMCIs continue to be our top picks for their better risk-return profiles. Within the CFAMCI curve, we continue to prefer CFAMCI 4.25 Perp in view of the high certainty of call on the first call date. We also like CFAMCI 3.875 11/13/29, CFAMCI 3.375 02/24/30 and CFAMCI 3.625 09/30/30. Outside CFAMCI, we like CCAMCL 4.4 Perp of which, we believe that the certainty of call on the first call date is also high. We are neutral to GRWALL 7.15 Perp. At 104.5, GRWALL 7.15 Perp is trading at YTC of 5.1% with the first call date in Jul'27. We consider GRWALL 7.15 Perp fairly priced and prefer CFAMCI 4.25 Perp and CCAMCL 4.4 Perp more for their more balanced risk-return profiles.

Table 2: Our Chinese AMCs picks

Security name	ISIN	Amt o/s (USDmn)	First call date	Coupon reset	Step-up (bps)	Px	YTC/YTM (%)
CCAMCL 4.4 Perp	XS2397254579	1,700	3 Nov'26	5yr UST+3.232%	-	98.8	5.1
CFAMCI 4.25 Perp	XS2235973943	250	30 Sep'25	5yr UST+6.979%	300	99.6	4.9
CFAMCI 3.875 11/13/29	XS2076078786	199.5	-			93.5	5.4
CFAMCI 3.375 02/24/30	XS2122990810	270.5	-			90.8	5.5
CFAMCI 3.625 09/30/30	XS2235973869	139	-			90.8	5.5

Source: Bloomberg.

Table 3: YTM/YTC of Chinese AMCs bonds and perps

	Ask YTM/YTC (%)	Mod Duration	Ask px
CCAMCL	4.7-6.0	0.1-12.8	86.9-101.7
CFAMCI	4.9-5.9	0.1-12.7	88.7-100.1
GRWALL	4.5-5.4	0.4-5.1	85.9-104.5
ORIEAS	5.1-5.2	0.7-5.1	87.8-102.0

Source: Bloomberg.

➢ China Economy: Credit demand gradually improves

Credit demand recovered in Jan as growth rates of social financing and new RMB loans beat market expectations. Government bond issuance remained robust while corporate credit demand has finally recovered. As leading indicators, Chinese stocks, credit growth and housing market in higher-tier cities all started to rebound from 4Q24, pointing to a probable recovery of the China economy in 2025. Amid the pledge to further support domestic economy and offset Trump 2.0 shock, China would maintain accommodative monetary policy with possible RRR cuts by 50bps and LPR cuts by 20-30bps in 2025. Outstanding social financing and loans may pick up 8.2% and 7.7% at end-2025 after rising 8% and 7.6% at end-2024.

Social financing flow continued to improve. The growth of outstanding social financing (SF) remained flat at 8% YoY (all in YoY terms unless otherwise specified) in Jan, while the SF flow rose 9% to RMB7trn after rising 47.5% to RMB2.9trn in Dec, beating market expectation at RMB6.6trn. Government bond issuance continued to accelerate, rising 135.5% to RMB693bn in Jan, as MOF has allocated the 2025 LG debt quota in advance. New RMB loans to the real sector increased YoY for the first time in 15 months, rising 7.8% to RMB5.2trn in Jan compared to RMB840.2bn in Dec, while corporate bond issuance also expanded by 3.1% to RMB445.4bn. The M1 supply, once mainly reflecting corporate business vitality, now better captures overall liquidity of money under the new calibre, which moderated to 0.4% from 1.2%. M2 also edged down to 7% in Jan from 7.3% dragged by the decline of corporate and non-bank financial institutions deposits.

New RMB loans rebounded driven by corporate credit demand. Growth of outstanding RMB loans edged down to 7.5% in Jan from 7.6%, while the new RMB loans rose 4.3% to RMB5.1trn, following the 15.4% dip to RMB990bn in Dec. New loans to households dropped by 54.7% to RMB443.8bn distorted by the Chinese New Year. New loans to the corporate sector rebounded by 23.8% in Jan to RMB4.8trn, as M&L term loans rose by

4.5%, the first positive YoY growth after 11 months, to RMB3.46trn, possibly boosted by strong early-year performance pressure in the banking system and more room for the leverage up in corporate sector after the government debt resolution. We might need another month to better examine the trend excluding the CNY distortions.

Credit demand may gradually improve amid policy stimulus. Credit demand in the corporate sector has finally shown signs of stabilization following the policy stimulus, which has already boosted government bond financing and long-term borrowing from households. Chinese stocks, credit growth and housing market in higher-tier cities as leading indicators for the business cycle have rebounded since 4Q24, pointing to a probable recovery of the China economy in 2025. Amid the pledge to further support domestic economy and offset Trump 2.0 shock, China would maintain accommodative monetary policy with possible RRR cut by 50bps and LPR cuts by 20-30bps in 2025. Outstanding social financing and loans may pick up 8.2% and 7.7% at end-2025 after rising 8% and 7.6% at end-2024.

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➢ Offshore Asia New Issues (Priced)

Issuer/Guarantor	Size (USD mn)	Tenor	Coupon	Priced	Issue Rating (M/S/F)
Zhejiang Tianzihu Industry	38.4	3yr	4.85%	4.85%	Unrated

➢ Offshore Asia New Issues (Pipeline)

Issuer/Guarantor	Currency	Size (USD mn)	Tenor	Pricing	Issue Rating (M/S/F)
Hutchison Port Holdings Trust	USD	-	5yr	-	Baa1/A-/-
Hong Kong JY Flower/ Kunming Industrial Development & Investme	USD	-	1.5yr	8.5%	Unrated
Kansai Electric Power	USD	-	5yr	-	A3/-/-

➢ News and market color

- Regarding onshore primary issuances, there were 77 credit bonds issued last Friday with an amount of RMB58bn. As for month-to-date, 366 credit bonds were issued with a total amount of RMB305bn raised, representing a 22.4% yoy decrease

- Indonesia's State-Owned Enterprise (SOE) Ministry is considering an alternative option of merging seven state-owned construction companies (Adhi Karya, Wijaya Karya, PT PP, Waskita Karya, Hutama Karya, Brantas Abipraya, and Nindya Karya) into a single entity instead of forming three holding companies as initially proposed

- **[GEELY]** Geely expects a pretax gain of RMB6.47bn (cUSD892mn) on merger of key brands Zeekr and Lynk and Co

- **[RAKUTN]** Rakuten expects first consolidated operating profit in five years in FY24

- **[SINOCE]** Sino-Ocean winding-up petition further adjourned to 14 Apr'25 from 17 Feb'25

- **[TOPTB]** Thai Oil FY24 EBITDA fell 38% yoy to THB22bn (cUSD651mn)
- **[VEDLN]** Vedanta Limited's Cairn Oil & Gas to invest up to USD4bn in the next four years in upstream ventures

Fixed Income Department
Tel: 852 3657 6235/ 852 3900 0801
fis@cmbi.com.hk
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