

CMBI Credit Commentary

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

- *Asian IG space was unchanged to 2bps wider with light flows. NWDEVLs were unchanged to 0.25pt lower. VNKRLs down 0.5-1.5pts.*
- *Chinese AMCs: Spread compression to continue. We saw profit taking on AMC names. CCAMCL/ORIEAS widened up to 2bps, GRWALL/HRINTH were unchanged to 0.2pt lower this morning. See below for comments.*
- *China Economy - Weak PMI supports strong policy easing. See below for comments from CMBI economic research.*

❖ Trading desk comments 交易台市场观点

Yesterday, Chinese AMCs performed well following media report that CIC has begun due diligence on the potential acquisition of the three national AMCs, i.e. CCAMCL/ORIEAS/GRWALL. CCAMCL/ORIEAS 27-30s were 4-12bps tighter. GRWALL Perp was 0.3pt higher. HRINTH 26-30s were under strong buying and closed 0.5-1.8pts higher (10-40bps tighter). See comments below. In AT1s, CMZB priced USD750mn NC6.5 Perp at par to yield 7.5%, and the new CMZB Perp rose 0.5pt from RO under top-up buying from PB clients. Other EU AT1s were soft. BNP 7.375 Perp/INTNED 7.25 Perp/UBS 6.85 Perp were down 0.1-0.5pt. Meanwhile in JP insurance hybrids, FUKOKU 6.8 Perp/ASAMLI 6.9 Perp/MYLIFE '54 were 0.1-0.3pt higher. Elsewhere in financials, FRESHKs tightened 2-10bps. See our comments on [2 Oct '24](#). BOCAVIs were under better selling and closed 1-2bps wider. In Chinese IGs, HAOHUA 28-29s widened 1-2bps. TENCNT 28-29s tightened 2-3bps. ZHOSHK '28 tightened another 12bps, closed 24bps tighter WTD. In HK, AIA '40/PCPDC '26 were down 0.6-0.7pt. NWDEVLs were unchanged to 0.3pt lower. Chinese properties moved higher. ROADKG 28-30s/Perps rose 1.8-3.8pts. VNKRL 27/29 gained 2.5-2.6pts, closed 3.9-4.5pts higher WTD. LNGFOR 27-32s and SHUION 25-26s increased 1.4-2.0pts. FUTLAN/FTLNHD 25-26s were up 0.6-1.3pts. Outside properties, EHICAR '26 and '27 rose another 2.3pts and 1.0pts, respectively. WESCHI '26 was 0.9pt higher. HONGQI '25 was down 0.2pt. In Macau gaming, MPEL/WYNMAC/ STCITY 25-29s were 0.3-0.8pt higher. See our comments on [2 Oct '24](#). In Indonesia, LPKRIJs were unchanged to 0.2pt higher post the partial call of LPKRIJ '26. See our comments on [2 Oct '24](#). MDLNIJ '25 declined another 0.8pt. In India, UPLINs were up 0.2-0.3pt.

In LGFV, WUXIMU '24/GZDZCD '26 were up 0.3pt. ZZREAL/ZHJWCI 25s were 0.2pt higher. On the other hand, CPDEV 25/26/Perp and ZHHFGR '25 were down 0.1pt on some profit taking selling. In SOE perps, SPICPT 3.45 Perp/HUADIA 3.375 Perp were up 0.1pt, CHPWCN 3.45 Perp/CHSCOI 3.4 Perp were down 0.1pt.

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❖ Last Trading Day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
ROADKG 5.2 07/12/29	46.0	3.8	MDLNIJ 5 06/30/25	43.7	-0.8
ROADKG 6 03/04/29	47.4	3.5	SUMIBK 2.296 01/12/41	71.6	-0.7
ROADKG 5 1/8 01/26/30	43.7	3.0	AGILE 15.124 PERP	3.1	-0.7
VNKRLE 3.975 11/09/27	70.7	2.6	AIA 3.2 09/16/40	78.2	-0.7
VNKRLE 3 1/2 11/12/29	66.5	2.5	PCPDC 5 1/8 06/18/26	91.0	-0.6

❖ Marco News Recap 宏观新闻回顾

Macro – S&P (+0.01%), Dow (+0.09%) and Nasdaq (+0.08%) were stable on Wednesday. US Sep'24 ADP employment was +143k, higher than the expectation of +124k. UST yields rallied higher yesterday, 2/5/10/30 yield reached 3.63%/3.55%/3.79%/4.14%.

❖ Desk Analyst Comments 分析员市场观点

➤ Chinese AMCs: Spread compression to continue

Media reported that China Investment Corporation (CIC) started the due diligence process on China Cinda (CCAMCL) and China Orient (ORIEAS) in Sep'24, while the due diligence on China Great Wall (GRWALL) was completed in Aug'24. MOF currently owns majority stakes in these three AMCs, and MOF may transfer its stakes to CIC which is wholly-owned by MoF. On the other hand, CITIC Group replaced the MOF as the largest shareholder of China CITIC FAMC (HRINTH) since Nov'22.

As we have been arguing, we view the AMC sector a very strategic important constituent in maintaining the stability of the Chinese financial system. Hence, we take a top-down, instead of bottom-up, view on the sector. We are not concerned that the potential share transfer to CIC from MOF will weaken the government support and linkage, taking cues from the ownership transfer of Huarong to CITIC Group. Even after the shareholding changes, all big 4 Chinese AMCs will still be firmly in the grip of MOF.

Indeed, we believe that the transfer of ownership to CIC reveals the Chinese government's determination to improve the financials, capitalization, operating performance and management on a more commercial basis, as in the case of Huarong. To us, the potential shareholding changes reinforce our view that the government views all big 4 from a top-down approach and the government support to them will continue.

We saw a notable spread compression among the AMC bonds and expect the compression trend to continue, driven by recent stimulus packages, continuous government support, as well as the improving capitalization and operating performance CIC could bring. While the conviction levels are lower, HRINTHs continue to be our top picks of sector. We also see room for further compression for GRWALLs against CCAMCLs. HRINTHs and GRWALLs are still trading at 30-40bps over CCAMCLs. We also consider NANYANs yield pick-up plays over CCAMCLs.

Security Name	ISIN	Amt o/s (USD mn)	Ask price	YTM/YTC (ask, %)	Mod duration	First call date	Coupon reset	Step-up (bps)
CCAMCL 4 ¾ 02/08/25	XS1757392466	300	99.8	4.86	0.34	-	-	-
CCAMCL 2 ½ 03/18/25	XS2133246673	500	98.9	4.88	0.45	-	-	-
CCAMCL 4 ¼ 04/23/25	US16891VAB53	1700	99.6	4.95	0.53	-	-	-
CCAMCL 1 ¾ 01/20/26	XS2281795075	300	96.4	4.81	1.25	-	-	-

CCAMCL 4.4 Perp	XS2397254579	1700	98.4	5.22	1.86	11/03/26	5yrUST+3.232%	-
CCAMCL 5 ¾ 02/07/27	XS2662422802	400	101.9	4.86	1.94	-	-	-
CCAMCL 3 ¼ 01/28/27	XS2436124205	1000	96.7	4.76	2.18	-	-	-
CCAMCL 4.4 03/09/27	XS1573135099	700	99.0	4.83	2.27	-	-	-
CCAMCL 3 03/18/27	XS2133246590	300	96.1	4.70	2.33	-	-	-
CCAMCL 5 ¾ 07/23/27	XS2862887663	500	101.4	4.84	2.34	-	-	-
CCAMCL 4 ¾ 02/08/28	XS1757392540	1200	99.8	4.83	3.04	-	-	-
CCAMCL 2 ½ 01/20/28	XS2281797790	400	92.9	4.85	3.09	-	-	-
CCAMCL 5 ¾ 05/28/29	XS2823828061	800	103.6	4.88	3.79	-	-	-
CCAMCL 4 ¾ 02/21/29	XS1948752826	600	99.6	4.86	3.89	-	-	-
CCAMCL 5 ½ 01/23/30	XS2860787709	500	102.9	4.87	4.40	-	-	-
CCAMCL 5.2 12/05/29	XS1149077072	320	100.8	5.03	4.42	-	-	-
CCAMCL 5.2 02/11/30	XS1188021957	100	101.2	4.95	4.60	-	-	-
CCAMCL 3 ¼ 03/18/30	XS2133246327	500	91.7	4.89	4.91	-	-	-
CCAMCL 3 01/20/31	XS2281799572	800	88.9	5.09	5.56	-	-	-
CCAMCL 4 ¾ 12/04/37	XS1728342640	545	90.8	5.75	9.32	-	-	-
CCAMCL 5 02/08/48	XS1757392896	200	91.2	5.69	13.08	-	-	-
GRWALL 4 ¼ 04/28/25	XS2471127584	500	99.3	5.48	0.54	-	-	-
GRWALL 2 ⅞ 11/23/26	XS2407007942	300	95.2	5.27	2.01	-	-	-
GRWALL 7.15 Perp	XS2841151553	300	104.6	5.31	2.44	07/02/27	3yUST+7.682%	500
GRWALL 3 ¾ 08/31/27	XS1645684827	500	96.7	5.14	2.69	-	-	-
GRWALL 6 ¾ 01/02/28	XS2841151801	200	102.9	5.40	2.80	-	-	-
GRWALL 2 ¾ 08/18/30	XS2206799004	497.26	84.4	5.53	5.31	-	-	-
HRINTH Float 02/24/25	XS2122990737	300	100.3	5.65	0.01	-	-	-
HRINTH 3 ¼ 11/13/24	XS2076078513	500	99.7	5.58	0.11	-	-	-
HRINTH 5 ½ 01/16/25	XS1165659514	1400	100.0	5.52	0.28	-	-	-
HRINTH 4 ¼ Perp	XS2235973943	250	98.6	5.71	0.95	09/30/25	5yrUST+6.979%	300
HRINTH 5 11/19/25	XS1317967492	800	99.4	5.57	1.06	-	-	-
HRINTH 4 ¾ 06/03/26	XS1422790615	900	98.6	5.53	1.55	-	-	-
HRINTH 4 ⅞ 11/22/26	XS1515240015	650	98.6	5.59	1.96	-	-	-
HRINTH 4 ¾ 04/27/27	XS1596795358	850	98.2	5.52	2.33	-	-	-
HRINTH 4 ¼ 11/07/27	XS1711550373	1100	96.0	5.68	2.80	-	-	-
HRINTH 4 ½ 05/29/29	XS2001732283	544.35	95.9	5.50	4.06	-	-	-
HRINTH 3 ⅞ 11/13/29	XS2076078786	199.53	92.5	5.58	4.46	-	-	-
HRINTH 3 ¾ 02/24/30	XS2122990810	270.5	90.0	5.54	4.79	-	-	-
HRINTH 3 ¾ 09/30/30	XS2235973869	139	90.2	5.58	5.25	-	-	-
HRINTH 5 ½ 04/27/47	XS1603397487	78.5	92.2	6.14	12.09	-	-	-
HRINTH 4.95 11/07/47	XS1711992716	403	85.4	6.15	12.53	-	-	-
NANYAN 3.8 11/20/29	XS2080210011	700	99.8	5.68	0.13	-	-	-
NANYAN 5.05 02/27/25	HK0001051330	14.6	100.2	4.57	0.39	-	-	-
NANYAN 6 ½ Perp	XS2467774209	650	102.1	5.62	2.28	04/28/27	5yrUST+3.509%	-
NANYAN 7.35 Perp	XS2587421681	300	104.6	5.86	3.00	03/07/28	5yrUST+3.158%	-
NANYAN 6 08/06/34	XS2842544491	700	102.5	5.49	4.13	-	-	-
ORIEAS 1 ⅞ 11/17/25	XS2255664968	450	96.7	4.96	1.08	-	-	-
ORIEAS 5 ½ 02/01/27	XS2757520452	750	101.2	4.96	1.92	-	-	-
ORIEAS 4 ½ 12/21/26	XS1536781625	229	99.7	4.66	2.06	-	-	-
ORIEAS 4 ¾ 12/21/27	XS1692177774	1000	98.5	4.88	2.92	-	-	-
ORIEAS 5 ¾ 06/06/29	XS2826701604	650	103.1	4.99	3.81	-	-	-
ORIEAS 4 ½ 03/20/29	XS1964673435	300	98.3	4.93	3.98	-	-	-
ORIEAS 3 ½ 09/24/29	XS2053056706	500	93.8	4.92	4.48	-	-	-

ORIEAS 2 ¼ 11/17/30	XS2255665007	300	88.4	4.98	5.44	-	-	-
Source: Bloomberg.						-	-	-

➤ China Economy - Weak PMI supports strong policy easing

China's economy has remained weak as PMI continued to contract in September. Manufacturing production recovered thanks to stable export growth and seasonal improvement after the hot summer. But demand continued to deteriorate in both manufacturing and service. Manufacturers were still reluctant to expand inventory amid demand weakness as material purchase remained in contraction. Deflation persisted as ex-factory price index continued to contract. The weak PMI supports China's recent policy shift towards strong loosening with abrupt RRR and interest rate cuts and property stimulus. The policy shift has boosted speculation sentiment with a sharp rally in Chinese stocks and RMB exchange rates. To sustainably revive and reflate the economy, additional policies are needed including large-scale fiscal transfer to households, effective excess capacity reduction and market-oriented reforms to restore the animal spirit.

Manufacturing continued to contract with less magnitude. China's manufacturing sector continued to contract with less magnitude, in line with the trend of global manufacturing activities. Manufacturing PMI climbed from 49.1% in Aug to 49.8% in Sep. Production index rebounded to above 50%, yet demand remained weak as new order index was still below 50%. Foreign trade activity further contracted as new export order index and import index respectively declined from 48.7% and 46.8% in Aug to 47.5% and 46.1% in Sep. Product inventory, material inventory and material purchase indexes remained in contraction as manufacturers tried to keep inventory low due to demand weakness. Material and ex-factory prices continued to decline as deflation lasted longer than expected in manufacturing. Employment also contracted due to demand weakness and manufacturing upgrade towards high labour productivity. Breaking down by sector, medicine, auto, electrical equipment, and computer, telecom & electronic equipment remained in expansion while energy and steel continued to contract.

Service started to contract for first time this year. China's Service PMI declined from 50.2% in Aug to 49.9% in Sep. Consumer demand deteriorated in most sectors as new order index dropped noticeably from 46.8% in Aug to 45% in Sep. Deflation pressure increased in service as the input cost index and ex-factory price index respectively declined from 48.8% and 47.1% in Aug to 47.9% and 45.7% in Sep. Employment in service remained weak as the index further contracted. Breaking down by sector, activities in postal service, telecom, broadcasting & TV service, internet, software & information tech service and banking service were in expansion; while railway transport, and culture, sports & entertainment activities contracted.

Policy is shifting towards strong loosening. China's macro policies are shifting towards strong loosening as the policymakers have announced abrupt RRR and interest rate cuts and additional property stimulus measures recently. The trigger of the policy shift may be the open debate in China about possible Japanification of the economy amid the prolonged property slump, persisted deflation and continued consumption weakness. Some investors bet additional fiscal stimulus may come after the credit loosening and property stimulus policies. The policy shift has boosted speculation sentiment with a sharp rally in Chinese stocks and RMB exchange rates. To revive and reflate the economy, additional policies are needed including large-scale fiscal transfer to households, effective excess capacity reduction and market-oriented reforms to restore animal spirit in the economy.

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➤ Offshore Asia New Issues (Priced)

Issuer/Guarantor	Size (USD mn)	Tenor	Coupon	Priced	Issue Rating (M/S/F)
Biocon Biologics Global PLC	800	5NC2	6.67%	6.9%	-/BB/BB

➤ 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

- Onshore primary issuances suspend during the National Day Holiday
- Media reported that China wealth fund may buy majority stakes in three AMCs
- **[ADEIN]** Media reported that Adani Enterprises set to raise up to USD2bn via share placement in next week
- **[FOSUNI]** Media reported that Fosun International completed USD888mn sustainability-linked syndicated loan
- **[MONMIN]** Mongolian Mining completes redemption of USD122.5mn of perpetual securities
- **[NWDEVL]** New World Development to pay land premium of less than HKD2.2bn for Fanling site in HK
- **[SHIMAO]** Shimao announced improvements to offshore debt restructuring plan; more than 50% of creditors including AHG bondholders show support for proposal
- **[VEDLN]** Vedanta Resources announced USD6.4mn of VEDLN 13.875'27 validly tendered after early tender deadline

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