

CMBI Credit Commentary

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

- *Asian IG space were skewed to better buying this morning. GRWALL 26s were 4bps tighter. DAIL/FUKOKU Perp up 0.1-0.3pt. LGFVs were firm.*
- **CFAMCI:** *Positive profit alert for FY24 results. CFAMCIs remain our top picks in Chinese AMC space. CFAMCI 26-30s were unchanged to 0.1pt higher (1-4bps tighter) this morning. See below.*
- **FOSUNI:** *Fosun International accepted USD186.1mn of FOSUNI 5.95 10/19/25 for purchase in tender offer, USD213.9mn will remain outstanding. FOSUNI 25-28s were unchanged to 0.1pt higher this morning.*

❖ Trading desk comments 交易台市场观点

Yesterday, SUMIBK/MUFG 31-36s were 1-3bps wider. The recent new EIBKOR 28s/30s widened 1-2bps on bank book selling. The recent new HKAA 30s/35s closed unchanged to 2bps wider amid mixed flows. In financials, DAHSIN/BNKEA/DBSSP/ ANZ/CBAAU T2s were 1-4bps wider on PB/RM selling. Leasing papers were mixed. BOCAVI 28s widened 1bp on PB selling, while FRESHK 26-28s tightened 1-2bps. In Chinese AMCs, CCAMCL/ORIEAS 26-30s tightened 1-3bps on Chinese accounts buying. AT1s were under better following UST yields tightened another 3-6bps. The recent new STANLN 7.625 Perp increased 0.6pt. HSBC 6.5/LLOYDS 8/BNP 8 Perps (callable in 28-31s) rebounded 0.4-0.8pt. In insurance hybrids, the recent new DAIL/GESP Perps were up 0.2-0.3pt. Holders of these two perps were keen to offload long-end risks. MYLIFE 54s/NIPLIF 54s/SUMILF Perp/FUKOKU Perp were unchanged to 0.1pt higher. In HK, BTSDF priced the 3.5NC1.5 bond at 98.327 to yield 9.7%. The old BTSDF 13.5 06/26/26 down 0.1pts. CHINLP 5.45 Perp rose 0.2pt to 100.5. NWDEVL Perps/27-31s dropped another 1.0-3.1pts and closed 3.9-7.6pts lower WTD. Chinese properties remained soft. VNKRL 25-29s dropped another 2.2-3.3pts and closed 16.4-21.4pts lower YTD. LNGFOR 27-32s decreased another 0.9-2.4pts and closed 6.5-8.9pts lower YTD. Outside properties, EHICAR 26-27s rose another 1.6-1.7pts and closed 2.4-2.7pts higher WTD. In India, VEDLNs were unchanged to 0.2pt higher. ADGREGS/ARENRS/ADANEMs were up 0.6-1.0pt. Hindenburg, the short-seller that probed Adani group, closed its business. UPLLIN Perp rose 1.0pt.

LGFVs were mixed. Selective higher-yielding USD LGFVs were sought after. SHGUOH 25s/HZCONI 25s/LIANYU 25s/WUXIND 26s were up 0.1-0.3pt. On the other hand, CNH LGFVs remained better offered, and we saw offshore holders would prioritize offloading CNH risks over USD LGFVs.. In SOE perps, CHPWCN 4.25/COFCHK 3.1 Perp were up 0.1pt.

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

Cyrena Ng, CPA 吴倩莹
 (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
EHICAR 7 09/21/26	71.7	1.6	VNKRLE 3.15 05/12/25	59.9	-3.3
EHICAR 12 09/26/27	69.5	1.4	NWDEVL 6.15 Perp	53.2	-3.1
ADGREG 6.7 03/12/42	86.0	1.0	VNKRLE 3.975 11/09/27	32.7	-2.6
UPLLIN 5 1/4 Perp	93.7	1.0	LNGFOR 4 1/2 01/16/28	74.0	-2.4
PLNIJ 7 7/8 06/29/37	117.8	0.8	VNKRLE 3 1/2 11/12/29	31.4	-2.2

❖ Marco News Recap 宏观新闻回顾

Macro – S&P (+0.61%), Dow (+0.97%) and Nasdaq (+0.33%) rallied higher on last Friday. China Sep'24 CPI/PPI was +0.4%/-2.8% yoy, lower than the expectation of +0.6%/-2.5% yoy. UST yields retreated on last Friday, 2/5/10/30 yield reached 3.95%/3.88%/4.08%/4.39%.

❖ Desk Analyst Comments 分析员市场观点

➤ CFAMCI: Positive profit alert for FY24 results

China CITIC FAMC (CFAMCI) issued a positive profit alert. It expects its net profit attributable to equity holders of the company in FY24 to be RMB9-10bn, representing an increase of 410-466% yoy from FY23 of RMB1.8bn. The increase was mainly due to (i) steady growth in return on assets from overall recovery of capital markets; and (ii) more comprehensive risk management and substantial improvement in asset quality.

As discussed before, the focus of CFAMCI turned to acquisitions of higher quality equity stakes in 2024 which provide CFAMCI with recurring earnings and cash flow. We maintain our view that CFAMCI's focus on higher quality equity investments and its core distressed asset management businesses, along with the close tie with CITIC Group will continue to support its credit profile.

Meanwhile, we believe the capital adequacy of CFAMCI to remain adequate, supporting by improving earnings as well as higher quality investments in its investment portfolio. As at Jun'24, the capital adequacy ratio of CFAMCI was 16.1%, increased from 15.1% as at Dec'23, higher than the regulatory requirement of 12.5%. On the other hand, we expect CFAMCI continues to refinance its USD bonds through lower-cost onshore funding channels as lower-cost alternatives. In 2024, CFAMCI redeemed offshore bonds totaled USD1.4bn without tapping offshore bond markets. It also redeemed onshore bonds of RMB6bn (cUSD819mn) in 2024, and CFAMCI does not have any onshore bonds outstanding after the redemption.

While the conviction levels in the Chinese AMC space are lower, CFAMCIs continue to be our top picks in the Chinese AMC space for their better risk-return profiles. Within the CFAMCI curve, we continue to prefer CFAMCI 4.25 Perp a good short-tenor carry play 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 as we believe that the certainty of call on the first call date is also high.

Table 1: 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%	-	98.2	5.4
CFAMCI 4.25 Perp	XS2235973943	250	30 Sep'25	5yr UST+6.979%	300	99.1	5.6
CFAMCI 3.875 11/13/29	XS2076078786	200	-	-	-	92.3	5.7
CFAMCI 3.375 02/24/30	XS2122990810	271	-	-	-	89.4	5.8

CFAMCI 3.625 09/30/30 XS2235973869 139 - - - 89.4 5.8

Source: Bloomberg.

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

Issuer/Guarantor	Size (USD mn)	Tenor	Coupon	Priced	Issue Rating (M/S/F)
AMBANK (M) BERHAD	300	5yr	T+78	T+78	A3/BBB+/-
H&H Holdings	300	3.5NC1.5	9.125%	9.7%	Ba3/BB/-
IIFL Finance Ltd	325	3.5yr	8.75%	8.8%	-/B+/B+

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

Issuer/Guarantor	Currency	Size (USD mn)	Tenor	Pricing	Issue Rating (M/S/F)
Bapco Energies Sukuk Limited	USD	-	10yr	6.75%	-/-/B+
Hanrui Overseas Investment/Jiangsu Hanrui Investment Holdings	USD	-	3yr	6.6%	Unrated
Shengzhou City Construction Investment and Development Group	USD	-	3yr	6.2%	Unrated

➤ **News and market color**

- Regarding onshore primary issuances, there were 175 credit bonds issued yesterday with an amount of RMB168bn. As for month-to-date, 1,362 credit bonds were issued with a total amount of RMB1,084bn raised, representing a 54.2% yoy increase
- China's average new home prices dropped 5.3% yoy in Dec'24 according to NBS
- [AGRBK]** Agricultural Bank of China proposed to offer USD15bn offshore MTNs
- [CFAMCI]** China CITIC FAMC expects its net profit to surge between 410%-466% in FY24
- [FOSUNI]** Fosun International accepted USD186.1mn of FOSUNI 5.95 10/19/25 for purchase in tender offer, USD213.9mn will remain outstanding
- [LENOVO]** Lenovo agreed to buy high-end storage solutions provider Infinidat for an undisclosed amount, expanding its global enterprise storage portfolio
- [NWDEVL]** New World Development to sell residential unit at State Pavilia to its CEO for HKD54.9mn (cUSD7mn)
- [SHIMAO]** Hong Kong High Court directs scheme meeting to be held on 24 Feb'25; substantive petition hearing on 31 Mar'25

Fixed Income Department

Tel: 852 3657 6235/ 852 3900 0801

fis@cmbi.com.hk

CMB International Global Markets Limited ("CMBIGM") is a wholly owned subsidiary of CMB International Capital Corporation Limited (a wholly owned subsidiary of China Merchants Bank)

Author Certification

The author who is primary responsible for the content of this research report, in whole or in part, certifies that with respect to the securities or issuer that the author covered in this report: (1) all of the views expressed accurately reflect his or her personal views about the subject securities or issuer; and (2) no part of his or her compensation was, is, or will be, directly or indirectly, related to the specific views expressed by that author in this report.

Besides, the author confirms that neither the author nor his/her associates (as defined in the code of conduct issued by The Hong Kong Securities and Futures Commission) (1) have dealt in or traded in the stock(s) covered in this research report within 30 calendar days prior to the date of issue of this report; (2) will deal in or trade in the stock(s) covered in this research report 3 business days after the date of issue of this report; (3) serve as an officer of any of the Hong Kong listed companies covered in this report; and (4) have any financial interests in the Hong Kong listed companies covered in this report.

Important Disclosures

There are risks involved in transacting in any securities. The information contained in this report may not be suitable for the purposes of all investors. CMBIGM does not provide individually tailored investment advice. This report has been prepared without regard to the individual investment objectives, financial position or special requirements. Past performance has no indication of future performance, and actual events may differ materially from that which is contained in the report. The value of, and returns from, any investments are uncertain and are not guaranteed and may fluctuate as a result of their dependence on the performance of underlying assets or other variable market factors. CMBIGM recommends that investors should independently evaluate particular investments and strategies, and encourages investors to consult with a professional financial advisor in order to make their own investment decisions.

This report or any information contained herein, have been prepared by the CMBIGM, solely for the purpose of supplying information to the clients of CMBIGM and/or its affiliate(s) to whom it is distributed. This report is not and should not be construed as an offer or solicitation to buy or sell any security or any interest in securities or enter into any transaction. Neither CMBIGM nor any of its affiliates, shareholders, agents, consultants, directors, officers or employees shall be liable for any loss, damage or expense whatsoever, whether direct or consequential, incurred in relying on the information contained in this report. Anyone making use of the information contained in this report does so entirely at their own risk.

The information and contents contained in this report are based on the analyses and interpretations of information believed to be publicly available and reliable. CMBIGM has exerted every effort in its capacity to ensure, but not to guarantee, their accuracy, completeness, timeliness or correctness. CMBIGM provides the information, advices and forecasts on an "AS IS" basis. The information and contents are subject to change without notice. CMBIGM may issue other publications having information and/ or conclusions different from this report. These publications reflect different assumption, point-of-view and analytical methods when compiling. CMBIGM may make investment decisions or take proprietary positions that are inconsistent with the recommendations or views in this report.

CMBIGM may have a position, make markets or act as principal or engage in transactions in securities of companies referred to in this report for itself and/or on behalf of its clients from time to time. Investors should assume that CMBIGM does or seeks to have investment banking or other business relationships with the companies in this report. As a result, recipients should be aware that CMBIGM may have a conflict of interest that could affect the objectivity of this report and CMBIGM will not assume any responsibility in respect thereof. This report is for the use of intended recipients only and this publication, may not be reproduced, reprinted, sold, redistributed or published in whole or in part for any purpose without prior written consent of CMBIGM.

Additional information on recommended securities is available upon request.

Disclaimer:

For recipients of this document in the United Kingdom

This report has been provided only to persons (I) falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended from time to time) ("The Order") or (II) are persons falling within Article 49(2) (a) to (d) ("High Net Worth Companies, Unincorporated Associations, etc.,") of the Order, and may not be provided to any other person without the prior written consent of CMBIGM.

For recipients of this document in the United States

CMBIGM is not a registered broker-dealer in the United States. As a result, CMBIGM is not subject to U.S. rules regarding the preparation of research reports and the independence of research analysts. The research analyst who is primary responsible for the content of this research report is not registered or qualified as a research analyst with the Financial Industry Regulatory Authority ("FINRA"). The analyst is not subject to applicable restrictions under FINRA Rules intended to ensure that the analyst is not affected by potential conflicts of interest that could bear upon the reliability of the research report. This report is intended for distribution in the United States solely to "major US institutional investors", as defined in Rule 15a-6 under the US, Securities Exchange Act of 1934, as amended, and may not be furnished to any other person in the United States. Each major US institutional investor that receives a copy of this report by its acceptance hereof represents and agrees that it shall not distribute or provide this report to any other person. Any U.S. recipient of this report wishing to effect any transaction to buy or sell securities based on the information provided in this report should do so only through a U.S.-registered broker-dealer.

For recipients of this document in Singapore

This report is distributed in Singapore by CMBI (Singapore) Pte. Limited (CMBISG) (Company Regn. No. 201731928D), an Exempt Financial Adviser as defined in the Financial Advisers Act (Cap. 110) of Singapore and regulated by the Monetary Authority of Singapore. CMBISG may distribute reports produced by its respective foreign entities, affiliates or other foreign research houses pursuant to an arrangement under Regulation 32C of the Financial Advisers Regulations. Where the report is distributed in Singapore to a person who is not an Accredited Investor, Expert Investor or an Institutional Investor, as defined in the Securities and Futures Act (Cap. 289) of Singapore, CMBISG accepts legal responsibility for the contents of the report to such persons only to the extent required by law. Singapore recipients should contact CMBISG at +65 6350 4400 for matters arising from, or in connection with the report.