

CMBI Credit Commentary

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

- *Markets were cautious before tonight's NFP data and flows were mixed two-way. IG space were stable while LGFV sector were active and we saw buying flows on due 2024 names.*
- **HRINTH:** *Good access to onshore funding supports continuous bond repurchases. See below.*
- **YUNINV:** *Southwest Securities International Securities sold USD3mn of YUNINV 6.5 03/02/25 at consideration of USD2.81mn. YUNINV was largely unchanged this morning.*

❖ Trading desk comments 交易台市场观点

Yesterday, overnight UST yields tightened 6-10bps. Asia IG spread products grinded 1-3bps tighter, while sentiment was a bit firmer. In Chinese SOE/TMT benchmarks, HAOHUA/TENCNT/BABA 30s/31s were under better buying. In the front end of IG papers, we saw some profit taking on SOE 24s. BOCAVI/CTIH 23s papers were also better-offered. In financials, HRINTH curve recovered from Wednesday lows and bounced 0.25-1.25pts. Chinese bank T2s remained stable. However, Korea space was traded in a weaker tone. LGENSO 26s edged 3bps wider. GSCCOR 28s widened 5bps. In SG bank T2s, DBSSP/OCBCSP papers widened 3-5bps. HK Corp perp space stayed range-bound. NWDEVL 6.15 Perp/CKINF 4.85 Perp were up 0.75-1pt. Whilst LEEMAN 5.5 Perp/NANFUN 5 Perp were down 0.5pt. HK/Chinese properties remained weak. YLLGSP '24 lowered 1.25pts. GEMDAL '24 dropped 2pts. ROADKG 26s/CSCHCN 24s were down 1-1.25pts. ROADKGs were 0.5-1pt lower. FUTLANs/FTLNHDs edged down 0.5pt. In industrials, AACTEC 26s/31s were up 0.15-0.35pt. AAC Tech further repurchased USD9.35mn of 2.625% due-2026s, and USD22.95mn of 3.75% notes due-2031s. EHICAR/WESCHI 26s were up 0.25-0.5pt. Macau gaming space was firm. MPEL/WYNMAC 28-30s were up 0.75-1pt. In Indian space, renewables GRNKENS/RPVINS were up 0.5pt. Indonesian SOEs FRIDPT 52s/IDASAL 50s were better bid. MEDCIJ 25-28s were 0.5pt higher. Media reported Medco Energi planned to repurchase some of its outstanding USD notes via another tender offer, as per its CFO during the 1H23 earning call. Elsewhere, GLPCHI 24s/26s were unchanged to 0.5pt higher post 1H23 results.

In the LGFV/Perp space, market stayed cautious and flows were light amid rates volatility. Chongqing/Shandong names were subdued. CQLGST 24s/CQNANA 26s edged 0.25-0.35pt lower. SHUGRP 24s/SHGUOH 26s were better offered. Selected 7-8% LGFVs were better bid. JMUDIV '25/GZDZCD '26 were 0.125pt higher. CPDEV '26 was down 1.25pts. ZHHFGR '25 was down 0.25pt. In SOE perps, CHPWCN 3.45 Perp/CHCOMU 3.425 Perp/CCBINT 3.329 Perp were 0.1-0.2pt higher.

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❖ Last Trading Day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
FRIDPT 6.2 04/14/52	81.1	1.4	GEMDAL 4.95 08/12/24	43.2	-1.9
HRINTH 4 1/4 11/07/27	83.3	1.2	YLLGSP 6.8 02/27/24	90.7	-1.2
HRINTH 4 3/4 04/27/27	85.4	1.1	ROADKG 5.2 01/12/26	37.2	-1.2
NWDEVL 6.15 PERP	73.0	1.0	CSCHCN 9 06/26/24	47.7	-1.0
HRINTH 4 7/8 11/22/26	86.5	0.9	DALWAN 11 02/13/26	35.8	-0.4

❖ Marco News Recap 宏观新闻回顾

Macro – S&P (-0.13%), Dow (-0.03%) and Nasdaq (-0.12%) were weak on Thursday. The latest US initial jobless claim was +207k, slightly higher than last week data of +205k while lower than the expectation of +210k. US 30yr mortgage rate reached the highest level since 2000 as 7.49%. The UST yields were stable yesterday, 2/5/10/30 yield reached at 5.03%/4.68%/4.72%/4.89%, respectively.

❖ Desk analyst comments 分析员市场观点

➤ HRINTH: Good access to onshore funding supports continuous bond repurchases

On 5 Oct'23, media reported that a trading desk traded more than USD40mn Huarong bonds. This large trading volume in a generally quiet session could reveal further USD bond repurchased by Huarong, in our view. On 16 Aug'23, Huarong raised 3-year onshore financial bonds of RMB20bn (cUSD2.7bn) at a coupon rate of 3.1%. The good access to low-cost onshore funding offers Huarong the financial flexibility to continue the repurchases of its offshore bonds. Indeed, we expect Huarong, as well as other Chinese AMCs, to buy back their offshore bonds at discount to deleverage and bring down funding costs.

Recalled that Huarong announced the successive repurchases of longer-dated USD bonds with lower cash prices an SGD bonds totaled USD741.7mn equivalent in principal amount since 19 Sep'23. Since then, the repurchased USD bonds moved 0.25 to 1.75pts higher. We estimate that at least USD290mn of these repurchases were conducted since 19 Sep'23. Taking cues from the "modest" pricing movement after the sizeable repurchases, we suspect that a significant part of the repurchases were conducted through direct repurchases from major holders instead of on-market repurchases.

HRINTHs remain to be our top picks of the Chinese AMC sector. Within the HRINTH curve, our preferences are HRINTH 3.75 05/29/24, HRINTH 5.5 01/16/25 and HRINTH 4.25 Perp (callable 09/30/25). We also like GRWALL 3.95 Perp (callable 07/31/24) after the recent price correction and CCAMCL 4.4 Perp (callable 03/11/26) as a low beta play.

➤ Offshore Asia New Issues (Priced)

Issuer/Guarantor	Size (USD mn)	Tenor	Coupon	Priced	Issue Rating (M/S/F)
Uzbekistan	660	5yr	8.125%	8.125%	-/-/-

➤ **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
- **[CHINSC]** Moody's downgraded China SCE's ratings to Ca/C and maintained negative outlook
- **[MEDCIJ]** Medco Energi said to continue repurchasing bonds via another tender
- **[SHIMAO]** Shimao chairman's Mason Group HKD0.0338 per share privatization offer expected to become effective on 10 Nov subject to fulfillment of conditions

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