

## CMBI Credit Commentary

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

- *New issues KOB COP'27/29 widened c2bps, CKHH'29/34 opened 1-2bps wider then closed unchanged this morning. HYUELEs tightened 1-2bps. China TMT BABA/TENCNT were 1-2bps wider. HRINTHs were weak and down 0.25-0.5pt. LGFV/SOE Perps were stable with light two-way flows. ROADKGs down 1.5-2.5pts post the bondholder identification.*
- **YUEXIU/CHJMAO:** *YUEXIU's Dim Sum plan but CHJMAOs are our top picks among SOE developers. See below.*
- **XIAOMI:** *Takeaways from investor day 2024. We maintain buy recommendations on XIAOMI'30/31 and XIAOMI'27 (CB). See below.*

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#### ❖ Trading desk comments 交易台市场观点

Yesterday, the new CKHH 29s closed 1bp tighter, whilst its 34s widened 5bps. CKHH 33s widened 5bps, dragged by the weak performance of new issues. In Chinese IGs, HAOHUA '29/TENCNT '28 were unchanged to 2bps wider under small selling. In the high-beta TMTs, MEITUA/WB 30s were 1-3bps wider. In financials, HRINTHs were under better selling from RM/PBs and closed 0.1-0.3pt lower. BNKEA/NANYAN 27-29s closed unchanged to 3bps tighter. KR space was mixed. LGELEC 27/29 edged 1-2bps tighter while HYNCRD/SAMTOT/HYUELE/HYMNTR/KOROIL 27-29s were unchanged to 2bps wider. DAESec 27/29 were also 2-4bps wider. In SG, the front end of DBSSPs/UOBSPs were under selling from PBs/AMs and widened 1bp. In JP, SMBCACs/SUMIFLs were under better buying from PBs/AMs and tightened 1-3bps. We saw some consolidation in EU AT1s space, driven by profit taking from AMs. HSBC 6.375 Perp/BNP 8 Perp were down 0.2-0.5pt. In HK, NWDEVL Perps were under better selling from PBs and closed 0.2-0.4pt lower. Chinese properties performed mixed. LNGFOR 28/32 and FUTLAN/FTLNHD 24-26s were up 0.6-1.0pt. CHIOLIs were up 0.2-0.4pt. However, ROADKG 24-26s dropped 1.4-2.4pts, after the gain of 1.8-3.9pts on Tue. Road King sent out the notice to identify bondholders as expected. See our daily yesterday. In industrials, FOSUNI 26-27s were up 0.3-0.6pt. In Indian space, VEDLN 26/28 were up 0.5-1.2pts. Vedanta Resources Ltd. announced its plan to raise up to a total of USD600mn-equivalent through rupee-denominated bonds and a loan. Indonesian names were mixed. MEDCIJ '25 was up 0.7pt. LMRTSP 24/26 were 1.7-2.9pts lower. INDYIJ priced a USD350mn 5NC2 bond at par to yield 8.75%.

In LGFVs, the new CNH CQNANA 3-yr bond was under selling pressure given the primary indigestion. The bond once lowered to 99.75but closed at 100. Meanwhile, the new USD LYURBN 6.8 '26 declined 0.1pt from the RO at par, amid balanced two-way flows. Aside from new issues, we also had an

active session in LGFVs across USD/CNH papers. The flows were skewed to better selling in the USD low-yielding front-end papers, whilst the flows were skewed to better buying in the CNH bonds as the yield pickup against onshore CNY issues remained attractive. In the high-yielding LGFVs, CPDEV Perp/BCDHGR '26 were up 0.1-0.2pt. The high-beta names were traded in mixed two-way flows amid a slightly risk off tone. ZHONAN/GRPCIN 26s were down 0.1-0.2pt, with some small clips coming out of PBs/AMs.

#### ❖ Last Trading Day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
VEDLN 13 7/8 12/09/28	89.7	1.2	LMRTSP 7 1/4 06/19/24	91.9	-2.9
LNGFOR 3.85 01/13/32	49.8	1.0	ROADKG 6.7 09/30/24	52.2	-2.4
VEDLN 9 1/4 04/23/26	81.6	0.8	LMRTSP 7 1/2 02/09/26	80.0	-1.7
FTLNHD 4 1/2 05/02/26	37.3	0.8	ROADKG 5 1/8 07/26/26	20.2	-1.6
SHUION 6.15 08/24/24	89.6	0.8	ROADKG 6 09/04/25	34.5	-1.4

#### ❖ Marco News Recap 宏观新闻回顾

**Macro** – S&P (+0.02%), Dow (-0.11%) and Nasdaq (+0.10%) were mixed on Wednesday. US new home sales increased 8.8% yoy to 693k units in Mar'24, reaching highest level since Sep'23. UST yield rallied higher yesterday, 2/5/10/30 yield reached 4.89%/4.64%/4.65%/4.78%.

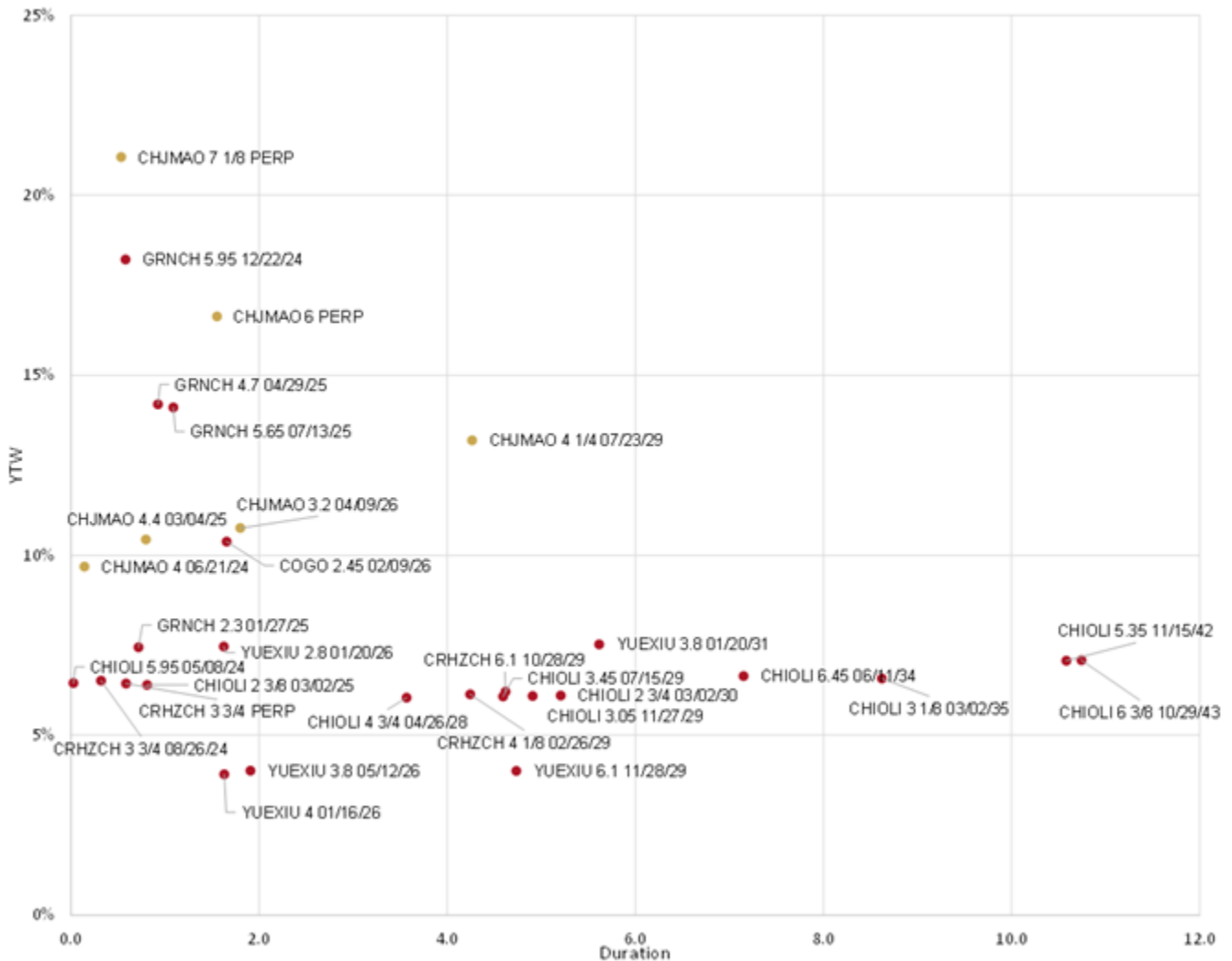
#### ❖ Desk analyst comments 分析员市场观点

##### ➤ YUEXIU/CHJMAO: YUEXIU's Dim Sum plan but CHJMAOs are our top picks among SOE developers

Media reported Yuexiu Property's plan to issue 3-yr Dim Sum bonds of USD200mn equivalent. Despite the recent rating downgrade, Yuexiu has been demonstrating its strong resilience against market downturn. In FY23, it posted contract sales of cRMB142bn, equivalent to 108% of its target. Its contract sales increased c14% and it was the best performer by yoy change in contract sales under our radar of 32 Chinese property developers. Although its contract sales declined 50% yoy to RMB21.7bn in 1Q24, we expect these to pick up with projects to be launched and more relaxed regulatory environment for property sales in higher tier cities. In FY24, 51% of its saleable resources of RMB270bn are in GBA. Yuexiu Property targets to achieve contract sales of RMB147bn, representing c4% increase from the level in FY23. Indeed, Yuexiu Property is one of the few Chinese property developers provided guidance on contract sales target and cash flow in FY24.

Additionally, Yuexiu Property maintains its good access to various funding channels. Last year, it raised HKD8.4bn (cUSD1.1bn) from rights issues and cRMB3.4bn (cUSD470mn) from 2 offshore/FTZ bond issuance. Yuexiu Property has a stable credit profile with net gearing, adj liab/assets and cash/ST debts ratios at 58%, 67.4% and 2.0x, respectively as of Dec'23. Its debt maturity profile is also manageable with next offshore bond maturities in Jan'26. The Dim Sum issue, if goes ahead, will further enhance its financial flexibility and reinforce our belief that issuers are turning away from the USD bond market to lower-cost alternative funding channels.

We like YUEXIUs as stable and decent carry plays. That said, among SOE developers, our top-picks are CHJMAOs which, in our view, offer the best risk-return profiles. Recalled that Jinmao is a consolidated subsidiary of Sinochem which has been supportive to Jinmao. There are cross acceleration clauses between the USD bonds of Jinmao and those of Sinochem. We expect the supports from Sinochem to Jinmao will be forthcoming.



➤ **XIAOMI: Takeaways from investor day 2024**

Xiaomi guided: 1) the order book of EV SU7, launched in Mar'24, has reached 70k units. Xiaomi targeted to sell 100k units SU7 in 2024 and expected gross profit margin of SU7 to be 5%-10%. Additionally, Xiaomi's EV segment would reach P/L breakeven at 300k-400k units sales per year; 2) FY24 revenue could exceed RMB300bn, representing c10.7% increase from RMB271bn in FY22. Its FY24 operating expenses margin would be stable while R&D expenses would increase c25% to RMB24bn, including RMB11-12bn in EV segment.

We expect Xiaomi's FY24 EBITDA to be RMB15.4bn, down 18.4% from RMB18.9bn in FY23 due to higher R&D expenses and low gross profit margin of EV. That said, Xiaomi's credit profile remains solid. As of Dec'23, Xiaomi had net cash (total debts - unrestricted cash – ST deposits and investments) of RMB79.9bn, increased from RMB44.1bn in Dec'22. We believe Xiaomi would maintain its net cash position in the near term. We maintain buy recommendation on XIAOMI'30/31 and XIAOMI'27 (CB), puttable at 100.0 in Dec'25, as a shorter-dated play on the XIAOMI curve.

Security Name	ISIN	o/s amount (USD mn)	Maturity/ Next put date	Ask Price	YTM	YTP	Rating (M/S/F)
XIAOMI 0 12/17/27	XS2269112863	855	12/17/2025	92.04	-	5.1	Baa2/-/-
XIAOMI 3 ¾ 04/29/30	US98422HAA41	600	04/29/2030	87.49	5.9	-	Baa2/BBB-/BBB
XIAOMI 2 ¾ 07/14/31	US98422HAC07	800	07/14/2031	83.51	5.8	-	Baa2/BBB-/BBB
XIAOMI 4.1 07/14/51	US98422HAE62	400	07/14/2051	70.06	6.5	-	Baa2/BBB-/BBB

Source: Bloomberg.

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

Issuer/Guarantor	Size (USD mn)	Tenor	Coupon	Priced	Issue Rating (M/S/F)
Indika Energy	350	5NC2	8.75%	8.75%	Ba3/-/BB-
Korea Ocean Business Corp	600	3/5yr	5.375%/5.25%	T+60/70	Aa2/-/AA-
Nanning Communications Investment Group	300	3yr	7.3%	7.3%	-/-/BBB-

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

Issuer/Guarantor	Currency	Size (USD mn)	Tenor	Pricing	Issue Rating (M/S/F)
Korea Expressway Corporation	USD	-	3/5yr	-	-/-/-

➤ **News and market color**

- Regarding onshore primary issuances, there were 171 credit bonds issued yesterday with an amount of RMB182bn. As for month-to-date, 1,638 credit bonds were issued with a total amount of RMB1,637bn raised, representing a 1.9% yoy decrease
- **[CHIOIL]** Moody's downgraded China Oil and Gas to Ba3 and maintained negative outlook
- **[HONGQI]** Fitch affirmed China Hongqiao at BB+ and placed stable outlook
- **[HYUELE]** Media reported that SK Hynix will invest cUSD14.5bn to expand DRAM production capacity
- **[PTTGC]** PTT Global Chemical announced to repurchase cUSD753mn due 2032, 2051, 2052 bonds via tender offers
- **[ROADKG]** Road King launched bondholder identification for its USD bonds; Media reported that lenders of Road King's USD368mn due Sep'24 loans are seeking a prepayment of the loan
- **[VEDLN]** Vedanta Ltd board approved raising USD600mn-equivalent through loan, INR bonds
- **[VNRLE]** China Vanke denied rumoured plans to transfer 10 assets in Shenzhen for over RMB8.7bn
- **[YIDCHL]** Yida China reached consensus with petitioner to seek withdrawal of winding up petition
- **[YUEXIU]** Media reported that Yuexiu Property plans to issue USD200mn equivalent Dim Sum bonds

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