

CMBI Credit Commentary

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

- *Light flows this morning. Asian IG space was unchanged to 2bps tighter. Chinese developers were strong post yesterday meeting. NWDEVs rebounded 0.5-1.75pts. DALWAN/LNGFOR were unchanged to 0.5pt higher.*
- **Chinese TMT:** *IG picks with solid liquidity profiles. See comments below.*
- **ZHHFGR:** *Zhuhai Huafa Properties proposes to offer up to RMB5.5bn six-year CBs. ZHHFGRs were unchanged this morning.*

❖ Trading desk comments 交易平台市场观点

Yesterday, HYUELEs/KORGASs/LGENSOs/POHANGs remained under better selling and widened 1-4bps. In Chinese IGs, BABAs/TENCNTs were unchanged to 2bps wider. See our comments below on Chinese TMTs. In financials, Chinese AMCs were better sold. CCAMCLs/ORIEASs were 1-3bps wider. See our comments on [9 Dec '24](#). NSINTW/BNKEA/DAHSIN/WSTP/ANZ T2s closed 1-3bps tighter. EU AT1s had a constructive session. BNP 8/SOCGEN 8.5 Perps were 0.1-0.3pt higher. In JP, NIPLIF 51-54s/SUMILF Perp were 0.1-0.3pt higher. HK and Chinese properties were firm following China's Politburo announced it would implement "moderately loose" monetary policy next year and would stabilize the property market. NWDEVL Perps/27-30a increased 1.0-2.6pts. VNKRLE 27-29s rose 1.2-2.1pts. LNGFOR 27-32s/DALWAN 25-26s/SHUION 25-26s/ROADKG 28-30s were up 0.6-1.3pts. FTLNHD/FUTLAN 25-26s and CHJMAO 26-29s were up 0.3-0.6pt. Outside properties, BTSDF 26s closed unchanged despite Moody revised H&H's outlook to negative from stable. In Macau gaming, MPELs/WYNMACs were 0.2-0.4pt higher. In Indonesia, MDLNIJ 25s rose another 0.4pt after the increase of 2.1pts over last week. In India, UPLLIN Perp was up 1.0pt. Adani complex bonds were down 0.1-0.3pt.

In LGFVs, there were some deployment buying flows focusing on high-yielding papers across USD and CNH issues. Zhuhai Huafa Properties proposed to issue up-to CNY5.5bn 6-yr domestic CBs. ZHHFGR 25s closed unchanged. CPDEV 25-26s were up 0.1-0.2pt. LYINDE 25s/HZCONI 26s/BJAFHO 26s were up 0.1pt. The CNH names such as CHTOCO/ZYSOAI 26s were also up 0.1pt. In SOE perps, CHSCOI 3.4 Perp was up 0.1pt, CHCOMU 3.65 Perp was down 0.2pt.

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
NWDEVL 5 1/4 PERP	68.0	2.6	TAISEM 4 1/2 04/22/52	96.4	-1.2
NWDEVL 4 1/8 07/18/29	71.8	2.5	CITLTD 4.6 04/14/35	95.0	-1.1
NWDEVL 4 1/2 05/19/30	70.7	2.3	SINOPC 4 1/4 04/24/43	91.5	-0.9
NWDEVL 4 1/8 PERP	51.6	2.1	CHGRID 4 05/04/47	90.1	-0.9
VNKRLE 3.975 11/09/27	60.1	2.1	TENCNT 4.525 04/11/49	88.5	-0.8

❖ Marco News Recap 宏观新闻回顾

Macro – S&P (-0.61%), Dow (-0.54%) and Nasdaq (-0.62%) retreated on Monday. China Nov'24 import/export in USD was -3.9%/+6.7% yoy, lower than the expectation of +0.3%/+8.5% yoy. UST yield edged higher yesterday, 2/5/10/30 yield reached 4.13%/4.07%/4.20%/4.39%.

❖ Desk Analyst Comments 分析员市场观点

➤ Chinese TMT: IG picks with solid liquidity profiles

We like the solid liquidity profiles of the Chinese TMT issuers. A few of them are in net cash positions and sit comfortably at their rating levels. We prefer TMT credits which are less vulnerable to geopolitical risk, as well as proxies on domestic consumptions which could benefit from government's measures to stimulate domestic consumption. Furthermore, we prefer BBB- over A-rated TMT credits for better risk-return profiles. We maintain buy on **MEITUA 0 04/27/27**, **MEITUA 2.125 10/28/25**, **WB 3.375 07/08/30**, **XIAOMI 3.375 04/29/30** and **XIAOMI 2.875 07/14/31**. For investors with lower risk appetite, we recommend buy on **TENCNT 3.595 01/19/28** and **TENCNT 3.975 04/11/29**, switching from TENCNT 2.39 06/03/30 and TENCNT 2.88 04/22/31 for shorter tenor given our expectation of higher rate volatility and their lower cash prices among the shorter tenor TENCNT bonds.

Table 1: Our Chinese TMT picks

Security name	ISIN	Amt o/s (USDmn)	Px	Z-spread (bps)	YTM/YTP (%)	First put date	Put px
MEITUA 0 04/27/27	XS2333568751	1,484	98.3	125	5.6	27 Apr'25	100.37
MEITUA 2.125 10/28/25	US58533EAB92	750	97.5	92	5.1	-	-
WB 3.375 07/08/30	US948596AE12	750	90.7	158	5.3	-	-
XIAOMI 3.375 04/29/30	US98422HAA41	600	92.0	134	5.1	-	-
XIAOMI 2.875 07/14/31	US98422HAC07	800	87.1	147	5.2	-	-
TENCNT 3.595 01/19/28	US88032WAG15	2,500	97.0	80	4.6	-	-
TENCNT 3.975 04/11/29	US88032WAN65	3,000	97.2	92	4.7	-	-

Source: Bloomberg.

MEITUA 0 04/27/27 and MEITUA 2.125 10/28/25

We maintain buy on MEITUA 0 04/27/27 (CB), puttable at 100.37 on 27 Apr'25, is trading at 98.3 with a YTP of 5.6%. We also like MEITUA 2.125 10/28/25 for lower cash price and less than a year to maturity. At 97.5, MEITUA 2.125 10/28/25 is trading at YTM of 5.1%. In our view, Meituan is able to redeem the MEITUA 0 04/27/27 and MEITUA 2.125 10/28/25 comfortably with its internal resources based on its net cash position as at Sep'24, and the issuance of the two USD bonds totaled USD2.5bn in Oct'24 further boost its liquidity.

Meituan delivered strong growth in revenue and profits in 9M24, driven by increase in number of delivery transactions, number of online marketing active merchants, as well as growth in goods retail businesses. The number of delivery transactions increased by 18% yoy in 9M24 to 19bn. At Sep'24, Meituan had unrestricted cash and cash equivalent of RMB43bn. Along with the short-term treasury investment of RMB92bn, Meituan's net cash position (unrestricted cash and short term investments minus total debts) further increased to RMB93bn at Sep'24. Over the past 5 years, its net cash position averaged RMB59bn.

In our view, Meituan has ample liquidity to cover its short-term debts of RMB13bn and capex, and to redeem or repay its offshore maturities in the medium term with its internal financial resources. In Oct'24, Meituan issued USD bonds totaled USD2.5bn, which is more than sufficient to cover the redemption of MEITUA 0 04/27/27 of USD1,484mn (callable in Apr'25) and MEITUA 2.125 10/28/25 of USD750mn due in Oct'25.

Furthermore, Meituan's brand Keeta officially launched in Riyadh, the capital of Saudi Arabia, in Oct'24. As per Meituan, it is also keen on expanding the coverage of Keeta to other Saudi Arabia cities. While international expansion of Keeta will burn cash at initial stage to gain market shares, we view the risk is partly mitigated by the net cash position of Meituan as at Sep'24.

WB 3.375 07/08/30

We maintain buy on WB 3.375 07/08/30, the only outstanding senior bonds of Weibo. WB 3.375 07/08/30 offers the second highest YTM among its BBB-rated TMT peers with similar tenor, after LENOVO 6.536 07/27/32 which we view the valuation is expensive at the current level. At 90.7, WB 3.375 07/08/30 is trading at YTM of 5.3%.

The higher YTM of WB 3.375 07/08/30 priced in the comparably slower business growth of Weibo than that of BBB-rated peers in the likes of Meituan and Xiaomi. Weibo's 9M24 revenue growth was largely muted compared to that in 9M23. Lower advertising revenue in 9M24 was offset by higher value-added services revenue, supported by growth of membership services and game-related revenues. The monthly active users decreased to 587mn as of Sep'24 from 605mn as of Sep'23. Besides, Weibo's operating cash flow fell 13% yoy in 9M24 while capex increased by 49% yoy.

We expect that the operating performance of Weibo will continue to be pressured by intense competition with WeChat and ByteDance. That said, we take comfort from Weibo's net cash (unrestricted cash and short term investments minus total debts) position of USD339mn as at Sep'24, and it did not have any ST debts.

XIAOMI 3.375 04/29/30 and XIAOMI 2.875 07/14/31

We maintain buy on XIAOMI 3.375 04/29/30 and XIAOMI 2.875 07/14/31 on Xiaomi's solid credit profile with strong net cash position. At 92.0 and 87.1, XIAOMI 3.375 04/29/30 and XIAOMI 2.875 07/14/31 are trading at YTM of 5.1% and 5.2%, respectively.

Xiaomi released strong results in 9M24, driven by growth in smartphone shipment and ASP, as well as increase in delivery of smart EV. Xiaomi further lifted the FY24 delivery goal of smart EVs to 130k units, from 120k units and 100k units announced in Jun'24 and Mar'24, respectively. In 9M24, the gross margin of Xiaomi was flat at 21%, higher gross margin in smart EV was partly offset by lower gross margin in smartphone which was due to higher production costs. We expect Xiaomi's FY24 EBITDA to increase 53% to cRMB29bn from RMB19bn in FY23.

Xiaomi's credit profiles remained solid. As of Sep'24, Xiaomi had net cash (unrestricted cash and short term investments minus total debts) of RMB72bn, while its unrestricted cash to ST debts ratio at 8.0x. We expect Xiaomi to remain in a net cash position over the medium term despite increasing R&D expenses and capex in the EV segment, supported by abundant cash on hand and strong operating cash inflows.

TENCNT 3.595 01/19/28 and TENCNT 3.975 04/11/29

For investors with lower risk, we recommend switch to **TENCNT 3.595 01/19/28 and TENCNT 3.975 04/11/29** from TENCNT 2.39 06/03/30 and TENCNT 2.88 04/22/31 for shorter tenor given our expectation on higher rate volatility and their lower cash prices among the shorter tenor TENCNT bonds. At 97.0 and 97.2, TENCNT 3.595 01/19/28 and TENCNT 3.975 04/11/29 are trading at YTM of 4.6% and 4.7%, and Z-spread of 80bps and 92bps, respectively.

Tencent delivered steady increase in revenue and profit in 9M24, with highest growth from online advertising segment. Tencent gross profit margin increased to 53% in 9M24, thanks to the growth in high-margin domestic games, video accounts and Weixin Search. In 9M24, Tencent generated RMB204bn operating cash flow, representing 22% increase yoy. As at Sep'24, Tencent had unrestricted cash of RMB145bn and net cash (unrestricted cash and short term investments minus total debts) of RMB6bn, increased from net cash of RMB2bn as at Dec'23.

We believe the needs of external financing for new investments to be limited for Tencent, following its self-funded strategy through recycling of capital unlocked from divestments. As of Sep'24, Tencent's investments in listed entities totaled RMB274bn. We expect Tencent continues to maintain a solid credit profile in line with its credit ratings of A1/A+, with a net cash position of RMB6bn as at Sep'24, improving gross profit margin and strong free cash flow generation.

Meanwhile, Tencent is in discussions with Apple to share revenue on Mini Games on WeChat platform via Apple's iOS payment system. Apple charges 30% commission on all the transactions performed on its iOS system. Our base case is Tencent to pass on part of the Apple's charges to the third-party game developers, and the financial impact on Tencent should be limited.

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

Issuer/Guarantor	Size (USD mn)	Tenor	Coupon	Priced	Issue Rating (M/S/F)
ANZ Banking Group	650/850	2/5yr	4.42%/4.615%	T+30/55	Aa2/AA-/AA-
ANZ Banking Group	350/900	2/5yr	5.096%/5.476%	SOFR+47/85	Aa2/AA-/AA-

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

Issuer/Guarantor	Currency	Size (USD mn)	Tenor	Pricing	Issue Rating (M/S/F)
Anhui Xihu Investment Holdings	USD	-	3yr	7.5%	-/-/-

➤ **News and market color**

- Regarding onshore primary issuances, there were 80 credit bonds issued yesterday with an amount of RMB65bn. As for month-to-date, 542 credit bonds were issued with a total amount of RMB522bn raised, representing a 27.7% yoy increase
- [CCAMCL]** Media reported that China Ministry of Finance plans to transfer its stake in China Cinda AMC to the country's sovereign wealth fund Central Huijin Investment in coming weeks
- [CHJMAO]** China Jinmao completed redemption of all USD400mn CHJMAO 7.125 PERP

- **[FUTLAN/FTLNHD]** Seazen Group's shareholders approved RMB1bn loan to Seazen Holdings Group by S-Enjoy Group at EGM
- **[LOGPH]** Logan Group's CSA longstop date further extended to 18 Dec'24
- **[SECGRP]** Moody's affirmed Shanghai Electric Holdings' Baa3 rating and changed rating outlook to stable from positive
- **[YGCZCH]** Fitch assigned Shandong Energy BB+ rating with stable outlook
- **[ZHHFGR]** Zhuhai Huafa Properties proposes to offer up to RMB5.5bn six-year CBs

Fixed Income Department

Tel: 852 3657 6235/ 852 3900 0801

fis@cmbi.com.hk

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