

CMBI Credit Commentary

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

- *KR names were strong with better buying flows this morning. China IG benchmark were unchanged to 2bps wider and TMTs were weak. LGFVs were actively two-way traded. Front-end Perps rebounded with active flows.*
- *INDYIJ: Change recommendation to buy despite weaker 9M24 results. INDYIJ'29 rose 0.3pt post the results. See below comments.*
- *China Economy - Exports surged with uncertainties ahead. See below for comments from CMBI economic research.*

❖ Trading desk comments 交易台市场观点

Yesterday, UST yield tightened 3-7bps from last close in Asia ahead of Fed's expected 25bps FFR cut last night. KRKPSC 27-29s tightened 12-18bps. In Chinese IGs, HAOHUAs/TENCNTs were unchanged to 3bps tighter. MEITUAs were 4-7bps tighter on strong buying from RMs. WB/XIAOMI 30-31s were 5-8bps tighter. ZHOSHK 28s tightened 5bps. In financials, FRESHK 28s tightened 20bps. PINGIN 29-34s were also 4-9bps tighter. SHCMBK '33 widened 3bps following Moody's one-notch downgrade. Chinese AMCs were mixed. CCAMCLs/ORIEASs closed 1-4bps tighter while the front end of HRINTHs/GRWALLs widened 2-6bps. CBAAU/ANZ/MQGAU T2s were better bid by RMs and tightened 2-7bps. In insurance hybrids, QBEAUs were unchanged to 0.1pt higher post Fitch revised outlook on QBE Insurance to positive from stable. QBEAU announced to call the QBEAU '44 on 2 Dec '24, the first call date. MYLIFE '54/NIPLIF '54/SUMILF 5.875 Perp were 0.3-0.8pt higher. EU AT1s were skewed to better selling from FMs/PBs. HSBC 6.95/LLOYDS 6.75/UBS 6.85 Perps were 0.2-0.6pt lower. In HK, BNKEA/NANYAN T2s tightened 5-9bps. AIAs/CKHHs were 2-4bps tighter on PB buying. Chinese properties were mixed. VNKRLE 25-29s rose 1.0-1.5pts. ROADKG 28-30s/Perps were 0.5-1.1pts higher. SHUION/FTLNHD/FUTLAN 25-26s and LNGFOR 27-32s were up 0.4-0.8pt. However, DALWAN 25-26s dropped 2.4-3.0pts, closed 4.6-4.7pts lower WTD. In Macau gaming, SANLTDs/STCITYs/WYNMACs were up 0.2-0.7pt. Outside China, GLPSP Perps were 1.2-1.4pts higher. In Indonesia, MDLNIJ '27 increased 1.4pts. In India, ADANEMs/ADSEZs/ADGREGs were 0.3-0.6pt higher.

In LGFVs, SDMSGK priced a CNH 3-yr bond at par to yield 6.9%. HZZLDE announced a tap of USD33mn on its originally USD100mn HZZLDE 6.5 10/25/27. On secondary, the flows were skewed to better buying ahead of the conclusion on NPC standing committee meeting. HKIQCL '27/LYURBN '27 were 0.1-0.2pt higher. CPDEV 25/26 were up 0.1pt. YWSOAO 25-26s were unchanged to 0.1pt higher following Moody's revised its outlook to positive from stable. SOE perps were better offered by AMs. SPICPT 3.45/HUADIA 3.375/HUANEN 5.3 Perps were 0.1-0.3pt lower.

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❖ Last Trading Day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
VNKRLE 3 1/2 11/12/29	61.6	1.5	DALWAN 11 02/13/26	77.6	-3.0
SUMIBK 6.184 07/13/43	110.1	1.5	DALWAN 11 01/20/25	87.5	-2.4
MDLNIJ 5 04/30/27	33.3	1.4	CNOOC 7.4 05/01/28	108.8	-0.7
GLPSP 4 1/2 PERP	61.8	1.4	CITLTD 4.85 03/13/38	88.9	-0.6
VNKRLE 3.975 11/09/27	65.3	1.3	CITLTD 4.65 04/25/36	90.2	-0.5

❖ Marco News Recap 宏观新闻回顾

Macro – S&P (+0.74%), Dow (-0.00%) and Nasdaq (+1.51%) were mixed on Thursday. The latest US initial jobless claim was +221k, lower than the expectation of +223k. UST yield retreated yesterday, 2/5/10/30 yield reached 4.21%/4.17%/4.31%/4.52%.

❖ Desk Analyst Comments 分析员市场观点

➤ INDYIJ: Change recommendation to buy despite weaker 9M24 results

USD mn	9M23	9M24	yoy change
Revenue	2,299	1,784	-22.4%
-Coal revenue	2,069	1,552	-25.0%
-Non-coal revenue	230	232	0.9%
Gross profit	440	269	-38.8%
Operating profit	269	136	-49.4%
Pre-tax profit	205	95	-53.5%
Adj.EBITDA	304	189	-37.8%
Gross margin	19.1%	15.1%	-
Adj.EBITDA margin	13.2%	10.6%	-
	Jun'24	Sep'24	
Cash	650	706	8.6%
ST debt	88	353	302.9%
LT debt	1,067	936	-12.3%
Total debt	1,155	1,289	11.6%
Net debt	504	583	15.6%
Total debt/Adj.EBITDA	4.1x	4.5x	-
Adj.EBIT/Interest	5.3x	2.1x	-

Source: Company fillings.

Indika Energy reported weaker 9M24 results, driven mainly by lower ASP. In 9M24, its revenue decreased 22.4% yoy to USD1.8mn. The ASP of coal sales of Kideco and Indika Resources lowered 20% and 28% yoy, more than offset the increases in sales volume of 2.7% and 31.2% yoy, respectively. Indika's operating profit and Adj.EBITDA dropped 49.4% and 37.8% yoy despite lower SG&A. We expect Indika Energy's operating performance to slightly improve in 4Q24 as the coal production of Indonesia may increase c50% yoy in 4Q24 according to Indonesia government's production target.

Indika Energy's liquidity profile remain sufficient with positive free cash in 9M24. As of Sep'24, its cash on hand increased 8.6% to USD706mn and total debts increased 11.6% to USD1,289mn from USD1,155mn in Jun'24. Given the weaker operating performance, Indika's total debt/Adj.EBITDA and Adj.EBIT/interest ratio moved to

4.5x and 2.1x in Sep'24 from 4.1x and 5.3x in Jun'24, compared to Moody's downgrade trigger of 4.0x/2.0x, respectively.

We are not too concerned about the possible negative rating action given Indika's sufficient liquidity for its maturities. Indeed, we see strong technical of the oil and gas, as well as mining sector in Indonesia given the trend of early redemption through market repurchases, tender offers and call. We expect this trend to continue in view of Indonesian government's intention to lengthen the holding period of repatriated export earnings. This should further strengthen the onshore liquidity. We consider Indika a candidate for early redemption given its sufficient liquidity and disciplined capex. Recalled that Indika Energy repurchased USD310mn of INDYIJ 8.25'25 via tender offer in Apr'24 then called the remaining USD224mn bonds in Oct'24. At 102.9, INDYIJ 8.75'29 was traded at YTM of 7.8%. In our opinion, INDYIJ 8.75'29 offers good carry with limited downside. Hence, we change our recommendation on INDYIJ'29 to buy from neutral on its better risk-return profiles.

➤ **China Economy - Exports surged with uncertainties ahead**

China's exports of goods notably rebounded as extreme weather congested the shipment last month and front-loading this month drove additional momentum. Exports of transportation products moderated while products that are vulnerable to tariff hikes surged. Imports of goods further contracted as domestic demand remained soft, with dipping import volume of crude oil and intermediate products. The front-loading effect would support export in the near term but export could encounter strong headwinds in 2025 as Trump 2.0 era might mean an escalation of trade tensions with possible higher tariffs against China. However, intensifying pressure on export could mean China may unveil more aggressive policy loosening to boost domestic demand. Looking ahead, export and import growth is expected to moderate from 4.5% and 2.2% in 2024 to 1.5% and 1% in 2025, in our view. USD/RMB rate is expected to reach 7.30 at end-2024 and 7.5 at end-2025.

Exports surged remarkably across all trading partners due to distortion last month and front-loading this month. The headwinds of exports last month were congestions in harbour caused by extreme weathers last month, which lead to notable rebound this month, surging to 12.7% (all on a YoY basis unless specified) in Oct compared to 2.4% in Sep, above market expectation of 5.1%. Overall, the export slowed down to 7.4% in Sep-Oct from 8.7% in Aug. Exports to the largest trading partners including ASEAN, the EU and the US saw notable growth from 5.5%, 1.3% and 2.2% to 15.8%, 12.7% and 8.1% in Oct, as trade uncertainties ahead of the US elections drove front-loading effect. Exports to other Asian countries also recovered from decline as Japan, South Korea and India increased to 6.8%, 5% and 3.8% after dropping to -7.1%, -9.2% and -9.3% in Sep, while exports to Russia surged to 26.7% from 16.6% in Sep. Exports to emerging economies including Africa and Latin America also significantly expanded from -0.7% and 3.4% to 20.9% and 22.9% in Oct.

Exports of transportation products moderated while other products accelerated. Transportation products led the growth in export items in 2024, but the momentum has slowed in Oct as exports of ships and motor vehicles slowed down from 113.8% and 25.7% in Sep to 13.5% and 3.9%. We will see if this will become a trend or a one-month volatility with more data in future. Tech products rebounded in Oct as integrated circuits and personal computer bounced up to 17.7% and 15.7% in Oct from 6.3% and 4.2%, while decline of cellphone moderated to -0.7% from -5.2%. We notice the trace of front-loading effect as products that are vulnerable to tariff hikes notably surged including intermediate products. Steel products and unwrought aluminium accelerated to 24.4% and 31.2% in Oct compared to 11.3% and 20.1%. General equip and textile products also expanded by 30.3% and 15.6% after 2.9% growth and 3.4% dip in Sep. Property-related products including furniture and lamps saw moderate growth after declining in Sep, while home appliances rebounded significantly.

Imports further contracted due to higher base and soft domestic demand. China's imports of goods remained tepid dipping 2.3% in Oct after edging down 0.3% in Sep, below market expectations of 0%. For energy products, imports volume of coal and natural gas increased to 19.9% and 28.5%, while crude oil dipped 8.7%. Import price of crude oil and coal also notably dropped by 17.7% and 10% in Oct. Surprisingly, import volume of foodstuff has surged markedly since 3Q24 with grain and soybean rising 56.7% and 2.6% from 59% and 24.9%

in Sep, possibly because China is expediting to fulfil its obligation in 2020 trade deal as Trump is heading to the White House. For raw materials, import volume of iron ore moderately rebounded to 4.5% in Oct from 2.9%; while copper ore dropped to 0.2% from 8.9%. Intermediate goods including steel products further declined while copper products and rubber marginally recovered.

The front-loading effect would support export in the near term but strong headwinds may come in Trump 2.0 era. As Trump won the presidential election with GOP dominating in senate, the US-China trade tensions might further escalate in 2025. China's foreign trade may face further headwinds in 2025 in addition to global PMIs downturn. However, China may launch stronger policy stimulus to boost domestic demand and offset the negative impact of Trump's tariffs. Looking forward, we expect export and import growth to moderate from 4.5% and 2.2% in 2024 to 1.5% and 1% in 2025, while USD/RMB rate is expected to reach 7.3 at end-2024 and 7.5 at end-2025.

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➤ Offshore Asia New Issues (Priced)

Issuer/Guarantor	Size (USD mn)	Tenor	Coupon	Priced	Issue Rating (M/S/F)
No Offshore Asia New Issues Priced Today					

➤ Offshore Asia New Issues (Pipeline)

Issuer/Guarantor	Currency	Size (USD mn)	Tenor	Pricing	Issue Rating (M/S/F)
Nanxun Communications Investment Group	USD	-	3yr	6.2%	-/-/-
PRC Ministry of Finance	USD	-	3/5yr	-	-/-/-

➤ News and market color

- Regarding onshore primary issuances, there were credit bonds issued yesterday with an amount of RMB0bn. As for month-to-date, 363 credit bonds were issued with a total amount of RMB359bn raised, representing a 1.3% yoy decrease
- [ADEIN]** Adani Enterprises lowers FY25 capex by 16% to cUSD8bn
- [CIFIHG]** CIFI Holdings (Group) not expected to pay USD500mn CIFIHG 6.45 11/07/24 on maturity date
- [NSANY]** Nissan 1H24 revenue down 1.3% yoy to cUSD38.8bn and operating profit down 90.2% yoy to cUSD213.6mn. The company plans to lay off 9,000 jobs and cut its production capacity by 20%
- [QBEAU]** Fitch affirmed QBE Insurance's A- rating and revised rating outlook to positive from stable
- [SMCPM]** San Miguel will pay cash dividends of PHP0.35 per share on 2 Dec'24
- [YUEXIU]** Yuexiu Property received HKD500mn three-year revolving loan
- [YWSOAO]** Moody's affirmed Yiwu State-owned Capital Operation's Baa3 rating and revised rating outlook to positive from stable

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