

CMBI Credit Commentary

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

- *The sentiment in Asia IG space was strong this morning. HAOHUA '30/TENCNT '29 tightened 4-5bps. ZHOSHK '28 tightened 7bps. CCAMCL/GRWALL 30s tightened 4-10bps.*
- *LGFV: Transform into market-oriented SOEs by Jun'27. In LGFV space, our picks are CCUDIH, CPDEV, GSHIAV, GXFING, KMRLGP and ZHHFGR for better risk-return profiles. See below for comments.*
- *China's Information Office of the State Council will hold a press conference on 8 Oct'24 to introduce the implementation of incremental policies to support the economy.*

❖ Trading desk comments 交易平台市场观点

Last Friday, HYUELE/LGENSO 27-31s were 2-6bps tighter. DAESEC 29s tightened 5bps, while DAESEC 26-27s were under better selling and closed unchanged to 1bps wider. Meanwhile KRKPSC 27/29 were 6-9bps tighter. In Chinese IGs, HAOHUA/TENCNT 29-30s were unchanged to 3bps tighter. MEITUA 28-30s tightened 1-4bps. ZHOSHK 28s tightened 3bps. In financials, CCAMCLs/ORIEASs were 1-3bps tighter. FRESHK 27-28s were 7-10bps tighter. BCLMHK Float 27 tightened 1bp. In EU AT1s, CMZB 7.5 Perp declined another 0.2pt. The recent new ACAFP 6.7 Perp/INTNED 7.25 Perp/LLOYDS 6.75 Perp/UBS 6.85 Perp were skewed to profit-taking selling and closed 0.1-0.3pt lower. In HK, NANYAN 34s closed 2bps tighter. BNKEA 27/32/34 tightened 2-7bps. NWDEVL Perps/27-31s were 0.3-0.9pt lower. In Chinese properties, ROADKG 28-30s rose 4.0-5.0pts, and ROADKG Perps were 0.2-0.6pt higher. DALWAN '25/PINGRE '26/FUTLAN '25/VNKRLE '27 were up 0.3-0.4pt. Outside properties, HILOHO '24 was 0.5pt higher, EHICAR '27 was 0.5pt lower. In Macau gaming, SANLTD '27/MPEL '29 were 0.2-0.3pt lower. In Indonesia, MDLNIJ 25/27 were 0.7-1.4pts higher. In India, ADSEZ/ADANEM 29-31s were down 0.2pt.

In USD LGFVs, CCUDIH '26/SIDEVE '26/HZCONI '25 were 0.1-0.2pt higher. ZHEBAR/HNFARM 27s were up 0.1pt. CPDEV 26/Perp, on the other hand, were down 0.1-0.3pt. The CNH LGFVs were under better selling from offshore RMs/AMs. In SOE perps, COFCHK 3.1 Perp/HUANEN 3.08 Perp were 0.1pt higher, CCBINT 3.329 Perp was 0.3pt lower.

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❖ Last Trading Day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
ROADKG 5 1/8 01/26/30	49.1	5.0	CHGRID 4 05/04/47	89.0	-1.7
ROADKG 5.9 09/05/28	54.5	4.6	SINOPE 3.44 11/12/49	79.7	-1.4
ROADKG 5.2 07/12/29	50.0	4.5	CHIOLI 3 1/8 03/02/35	81.0	-1.3
ROADKG 6 03/04/29	51.9	4.4	MUFG 4.286 07/26/38	94.5	-1.3
ROADKG 6.7 03/30/28	61.7	4.1	SINOPE 3.68 08/08/49	83.2	-1.2

❖ Marco News Recap 宏观新闻回顾

Macro – S&P (+0.90%), Dow (+0.81%) and Nasdaq (+1.22%) were higher on last Friday. The Sep'24 Nonfarm Payroll was +254k, higher than the expectation of +147k. The Sep'24 unemployment rate was 4.1%, lower than the expectation of 4.2%. UST yield moved higher last Friday, 2/5/10/30 yield reached 3.93%/3.81%/3.98%/4.26%.

❖ Desk analyst comments 分析员市场观点

➤ LGFV: Transform into market-oriented SOEs by Jun'27

Per media report, China's regulator has issued the Decree 150 to direct LGFVs to offload nonstandard/off-balance-sheet local government debts, i.e. either backed or guaranteed by local governments, and transform into market-oriented SOEs from LGFVs by Jun'27. Under the Decree 150, LGFVs need to obtain approval from at least two-third of its creditors to exit from the LGFV list. Creditors opposing the exit would need to prove to the local governments that the LGFVs are still serving as financing vehicles of their local governments. While LGFVs are only allowed to perform refinancing currently, they may be permitted to perform new financing subject to regulatory approvals after transformation into market-oriented SOE.

We are aware of the government's ongoing de-risking efforts on LGFVs from the patchy information provided by different news reports. See Table 1. The exit from LGFV list may weaken the future funding access of some existing LGFVs. That said, given the policy objective to manage the leverage and credit risk of LGFVs, we expect the regulators to pursue the transformation in a prudent manner and local governments will have some discretions of final LGFV list.

On the other hand, while we expect the aggregate debts of respective local governments to be reduced modestly assuming part of the LGFV's nonstandard debts to be refinanced via issuance of local government debts, we believe the debt risks of respective local governments to be notably mitigated by higher fiscal receipts such as government transfer or land sales. In LGFV space, our picks are CCUDIH, CPDEV, GSHIAV, GXFING, KMRLGP and ZHHGFR for better risk-return profiles.

Table 1: Summary of Decrees on LGFV per media report

Date	Decree	Details
Jan'24	35	Urged financial institutions to support LGFVs of 12 heavily indebted provinces on repayments of debts due before 2025 via debt restructuring or debt swap
Mar'24	14	Extended the coverage to all 31 provinces from 12 provinces listed in Decree 35

Jul'24 134 Extended the validity of Decree 35 which supported LGFV's refinancing to Jun'27 from Dec'24

Source: CMBI Research.

Table 2: Summary of our LGFV picks

Security Name	ISIN	O/S amt (USDmn)	Mod Dur	YTM/YTC (% , ask)	Ask Px	Rating (M/S/F)
CCUDIH 5 06/14/25	XS2476853085	250	0.6	5.81	99.5	Baa2-/BBB
CCUDIH 7 06/13/26	XS2701555968	200	1.5	5.86	101.8	-/-/BBB
CCUDIH 6.8 06/25/27	XS2824607266	230	2.4	6.43	100.9	-/-/BBB
CPDEV 5.75 Perp	XS2076167456	500	0.1	6.46	99.9	-/-/BB-
CPDEV 3.85 07/14/25	XS2098096568	450	0.7	6.71	97.9	-/-/BB+
CPDEV 4.65 01/19/26	XS2279594282	500	1.2	7.55	96.5	-/-/BB+
GSHIAV 4.9 03/30/25	XS2455963590	300	0.5	5.13	99.9	-/BBB+/-
GXFING 7 ½ 11/14/25	XS2713658537	150	1.0	5.80	101.8	-/-/BBB
KMRLGP 3.9 12/12/24	XS2084435002	200	0.2	9.50	99.0	-/-/-
KMRLGP 8 ½ 12/07/25	XS2558634791	253	1.1	8.60	99.9	-/-/-
ZHHFGR 2.95 02/28/25	XS2379456895	200	0.4	6.10	98.8	-/-/BBB
ZHHFGR 2.8 11/04/25	XS2250383762	400	1.0	6.06	96.7	-/-/BBB

Source: Bloomberg.

➤ **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)
Adani Green Energy	USD	-	20y	-	Baa3-/BBB-

➤ **News and market color**

- Onshore primary issuances suspend during the National Day Holiday
- China's Information Office of the State Council will hold a press conference on 8 Oct'24 to introduce the implementation of incremental policies to support the economy
- **[CIFIHG]** CIFI Holdings issues 84.1mn new shares due to exercise of conversion rights attached to HKD434mn CBs

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