

CMBI Credit Commentary

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

- *Asian IG space were skewed to better buying this morning. GRWALL 26s were 4bps tighter. DAIL/FUKOKU Perp up 0.1-0.3pt. LGFVs were firm.*
- **CFAMCI:** *Positive profit alert for FY24 results. CFAMCIs remain our top picks in Chinese AMC space. CFAMCI 26-30s were unchanged to 0.1pt higher (1-4bps tighter) this morning. See below.*
- **FOSUNI:** *Fosun International accepted USD186.1mn of FOSUNI 5.95 10/19/25 for purchase in tender offer, USD213.9mn will remain outstanding. FOSUNI 25-28s were unchanged to 0.1pt higher this morning.*

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❖ Trading desk comments 交易台市场观点

Yesterday, SUMIBK/MUFG 31-36s were 1-3bps wider. The recent new EIBKOR 28s/30s widened 1-2bps on bank book selling. The recent new HKAA 30s/35s closed unchanged to 2bps wider amid mixed flows. In financials, DAHSIN/BNKEA/DBSSP/ ANZ/CBAAU T2s were 1-4bps wider on PB/RM selling. Leasing papers were mixed. BOCAVI 28s widened 1bp on PB selling, while FRESHK 26-28s tightened 1-2bps. In Chinese AMCs, CCAMCL/ORIEAS 26-30s tightened 1-3bps on Chinese accounts buying. AT1s were under better following UST yields tightened another 3-6bps. The recent new STANLN 7.625 Perp increased 0.6pt. HSBC 6.5/LLOYDS 8/BNP 8 Perps (callable in 28-31s) rebounded 0.4-0.8pt. In insurance hybrids, the recent new DAIL/GESP Perps were up 0.2-0.3pt. Holders of these two perps were keen to offload long-end risks. MYLIFE 54s/NIPLIF 54s/SUMILF Perp/FUKOKU Perp were unchanged to 0.1pt higher. In HK, BTSDF priced the 3.5NC1.5 bond at 98.327 to yield 9.7%. The old BTSDF 13.5 06/26/26 down 0.1pts. CHINLP 5.45 Perp rose 0.2pt to 100.5. NWDEVL Perps/27-31s dropped another 1.0-3.1pts and closed 3.9-7.6pts lower WTD. Chinese properties remained soft. VNKRL 25-29s dropped another 2.2-3.3pts and closed 16.4-21.4pts lower YTD. LNGFOR 27-32s decreased another 0.9-2.4pts and closed 6.5-8.9pts lower YTD. Outside properties, EHICAR 26-27s rose another 1.6-1.7pts and closed 2.4-2.7pts higher WTD. In India, VEDLNs were unchanged to 0.2pt higher. ADGREGs/ARENRS/ADANEMs were up 0.6-1.0pt. Hindenburg, the short-seller that probed Adani group, closed its business. UPLLIN Perp rose 1.0pt.

LGFVs were mixed. Selective higher-yielding USD LGFVs were sought after. SHGUOH 25s/HZCONI 25s/LIANYU 25s/WUXIND 26s were up 0.1-0.3pt. On the other hand, CNH LGFVs remained better offered, and we saw offshore holders would prioritize offloading CNH risks over USD LGFVs.. In SOE perps, CHPWCN 4.25/COFCHK 3.1 Perp were up 0.1pt.

❖ Last Trading Day's Top Movers

| Top Performers | Price | Change | Top Underperformers | Price | Change |
|----------------------|-------|--------|-----------------------|-------|--------|
| EHICAR 7 09/21/26 | 71.7 | 1.6 | VNKRLE 3.15 05/12/25 | 59.9 | -3.3 |
| EHICAR 12 09/26/27 | 69.5 | 1.4 | NWDEVL 6.15 Perp | 53.2 | -3.1 |
| ADGREG 6.7 03/12/42 | 86.0 | 1.0 | VNKRLE 3.975 11/09/27 | 32.7 | -2.6 |
| UPLLIN 5 1/4 Perp | 93.7 | 1.0 | LNGFOR 4 1/2 01/16/28 | 74.0 | -2.4 |
| PLNIJ 7 7/8 06/29/37 | 117.8 | 0.8 | VNKRLE 3 1/2 11/12/29 | 31.4 | -2.2 |

❖ Marco News Recap 宏观新闻回顾

Macro – S&P (+0.61%), Dow (+0.97%) and Nasdaq (+0.33%) rallied higher on last Friday. China Sep'24 CPI/PPI was +0.4%/-2.8% yoy, lower than the expectation of +0.6%/-2.5% yoy. UST yields retreated on last Friday, 2/5/10/30 yield reached 3.95%/3.88%/4.08%/4.39%.

❖ Desk Analyst Comments 分析员市场观点

➤ CFAMCI: Positive profit alert for FY24 results

China CITIC FAMC (CFAMCI) issued a positive profit alert. It expects its net profit attributable to equity holders of the company in FY24 to be RMB9-10bn, representing an increase of 410-466% yoy from FY23 of RMB1.8bn. The increase was mainly due to (i) steady growth in return on assets from overall recovery of capital markets; and (ii) more comprehensive risk management and substantial improvement in asset quality.

As discussed before, the focus of CFAMCI turned to acquisitions of higher quality equity stakes in 2024 which provide CFAMCI with recurring earnings and cash flow. We maintain our view that CFAMCI's focus on higher quality equity investments and its core distressed asset management businesses, along with the close tie with CITIC Group will continue to support its credit profile.

Meanwhile, we believe the capital adequacy of CFAMCI to remain adequate, supporting by improving earnings as well as higher quality investments in its investment portfolio. As at Jun'24, the capital adequacy ratio of CFAMCI was 16.1%, increased from 15.1% as at Dec'23, higher than the regulatory requirement of 12.5%. On the other hand, we expect CFAMCI continues to refinance its USD bonds through lower-cost onshore funding channels as lower-cost alternatives. In 2024, CFAMCI redeemed offshore bonds totaled USD1.4bn without tapping offshore bond markets. It also redeemed onshore bonds of RMB6bn (cUSD819mn) in 2024, and CFAMCI does not have any onshore bonds outstanding after the redemption.

While the conviction levels in the Chinese AMC space are lower, CFAMCIs continue to be our top picks in the Chinese AMC space for their better risk-return profiles. Within the CFAMCI curve, we continue to prefer CFAMCI 4.25 Perp a good short-tenor carry play in view of the high certainty of call on the first call date. We also like CFAMCI 3.875 11/13/29, CFAMCI 3.375 02/24/30 and CFAMCI 3.625 09/30/30. Outside CFAMCI, we like CCAMCL 4.4 Perp as we believe that the certainty of call on the first call date is also high.

Table 1: Our Chinese AMCs picks

| Security name | ISIN | Amt o/s (USDmn) | First call date | Coupon reset | Step-up (bps) | Px | YTC/YTM (%) |
|-----------------------|--------------|-----------------|-----------------|----------------|---------------|------|-------------|
| CCAMCL 4.4 Perp | XS2397254579 | 1,700 | 3 Nov'26 | 5yr UST+3.232% | - | 98.2 | 5.4 |
| CFAMCI 4.25 Perp | XS2235973943 | 250 | 30 Sep'25 | 5yr UST+6.979% | 300 | 99.1 | 5.6 |
| CFAMCI 3.875 11/13/29 | XS2076078786 | 200 | - | - | - | 92.3 | 5.7 |
| CFAMCI 3.375 02/24/30 | XS2122990810 | 271 | - | - | - | 89.4 | 5.8 |

CFAMCI 3.625 09/30/30 XS2235973869 139 - - - 89.4 5.8

Source: Bloomberg.

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

| Issuer/Guarantor | Size (USD mn) | Tenor | Coupon | Priced | Issue Rating (M/S/F) |
|-------------------|---------------|----------|--------|--------|----------------------|
| AMBANK (M) BERHAD | 300 | 5yr | T+78 | T+78 | A3/BBB+/- |
| H&H Holdings | 300 | 3.5NC1.5 | 9.125% | 9.7% | Ba3/BB/- |
| IIFL Finance Ltd | 325 | 3.5yr | 8.75% | 8.8% | -/B+/B+ |

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

| Issuer/Guarantor | Currency | Size (USD mn) | Tenor | Pricing | Issue Rating (M/S/F) |
|---|----------|---------------|-------|---------|----------------------|
| Bapco Energies Sukuk Limited | USD | - | 10yr | 6.75% | -/B+ |
| Hanrui Overseas Investment/Jiangsu Hanrui Investment Holdings | USD | - | 3yr | 6.6% | Unrated |
| Shengzhou City Construction Investment and Development Group | USD | - | 3yr | 6.2% | Unrated |

➤ **News and market color**

- Regarding onshore primary issuances, there were 175 credit bonds issued yesterday with an amount of RMB168bn. As for month-to-date, 1,362 credit bonds were issued with a total amount of RMB1,084bn raised, representing a 54.2% yoy increase
- China's average new home prices dropped 5.3% yoy in Dec'24 according to NBS
- **[AGRBK]** Agricultural Bank of China proposed to offer USD15bn offshore MTNs
- **[CFAMCI]** China CITIC FAMC expects its net profit to surge between 410%-466% in FY24
- **[FOSUNI]** Fosun International accepted USD186.1mn of FOSUNI 5.95 10/19/25 for purchase in tender offer, USD213.9mn will remain outstanding
- **[LENOVO]** Lenovo agreed to buy high-end storage solutions provider Infinidat for an undisclosed amount, expanding its global enterprise storage portfolio
- **[NWDEVL]** New World Development to sell residential unit at State Pavilia to its CEO for HKD54.9mn (cUSD7mn)
- **[SHIMAO]** Hong Kong High Court directs scheme meeting to be held on 24 Feb'25; substantive petition hearing on 31 Mar'25

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