

CMBI Credit Commentary

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

- *Markets were quiet this morning. Asian IG space was stable. LGFVs were under better buying. AT1 were active with two-way flows. DALWANs/NWDEVLs were unchanged to 0.6pt higher.*
- **Chinese AMCs:** Spread compression to continue. See comments below.
- **LNGFOR:** Longfor repaid RMB1bn Dec'24 puttable LNGHDV 3.7'36 onshore bonds. LNGFORs were unchanged this morning.

❖ Trading desk comments 交易台市场观点

Last Friday, KR space remained under better selling amid political uncertainties. HLINSUs/DAESECs/NACFs/SHNHANs were 2-3bps wider. HYUELEs/LGENSOs also widened 2-4bps. In JP, RAKUTN 27s/29s/Perps closed unchanged to 0.1pt higher. The insurance hybrids such as MYLIFE 54s/FUKOKU Perp were up 0.1-0.2pt. In Chinese IGs, BABAs/TENCNTs/HAOHUAs were unchanged to 2bps wider. In financials, HRINTH 29s were 2-4bps wider. The bank T2s were under better buying. ANZNZs/NANYANs/WSTPs/UOBSPs were 1-3bps tighter. In EU AT1s, ACAFP 6.7/BNP 7.375/SOCGEN 8.5 Perps were 0.2-0.5pt higher. In Chinese properties, DALWAN 25-26s were up 0.3-0.5pt, closed 0.5-0.7pt higher WoW. FTLNHD 26s/FUTLAN 25s were up 0.2-0.3pt. In stated-owned names, CHIOLIs were up 0.3pt, while YUEXIUs were down 0.5pt. Outside properties, EHICAR 27s were up 0.4pt. See our comments on [6 Dec '24](#). In Indonesia, MDLNIJ 25s declined 0.5pt. MEDCIJ 26-29s closed unchanged to 0.1pt higher. Medco Energi announced to issue IDR2.5tn (cUSD157mn) onshore bonds for refinancing its IDR bonds and the partial buyback of USD bonds. In India, Adani complex bonds were down 0.1-0.3pt.

In LGFVs, the flows were light two-way. QDPDHG priced a USD216mn 3-yr bond at par to yield 6.9%. LIANYU 25s/GZINFU 26s/CDCOMM 27s were up 0.2-0.3pt. There were mixed flows on CNH papers such as CQXUHC 26s/HNXHCI 25s. In SOE perps, HUANEN 5.3/SPICPT 3.45 Perps were down 0.1pt.

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
CITLTD 4.85 04/25/46	93.2	1.1	MDLNIJ 5 06/30/25	39.4	-0.5
CITLTD 4.6 04/14/35	96.1	1.0	YUEXIU 3.8 01/20/31	86.0	-0.5
CCAMCL 5 02/08/48	89.3	0.8	GRNLGR 8 1/4 01/22/31	16.5	-0.4
CHGRID 4.85 05/07/44	102.2	0.6	SDECDI 2.4 06/03/26	94.6	-0.4
TAISEM 4 1/2 04/22/52	97.6	0.5	RILIN 3 3/4 01/12/62	72.4	-0.4

❖ Marco News Recap 宏观新闻回顾

Macro – S&P (+0.25%), Dow (-0.28%) and Nasdaq (+0.81%) were mixed on last Friday. US Nov'24 NFP was +227k, higher than the expectation of +202k. China Nov'24 CPI/PPI was +0.2%/-2.5% yoy, compared to the expectation of -0.5%/-2.8% yoy. UST yield retreated on Friday, 2/5/10/30 yield reached 4.10%/4.03%/4.15%/4.34%.

❖ Desk Analyst Comments 分析员市场观点

➤ Chinese AMCs: Spread compression to continue

We saw a notable spread compression among the AMC bonds in 2024, and expect the compression to continue, driven by recent stimulus packages, on-going government support, as well as strong capitalization and operating support CIC and CITIC could bring. While the conviction levels are lower, HRINTHs continue to be our top picks in the Chinese AMC universe for their better risk-return profiles. Within the HRINTH curve, we continue to prefer HRINTH 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 HRINTH 3.875 11/13/29, HRINTH 3.375 02/24/30 and HRINTH 3.625 09/30/30.

Outside HRINTH, we like CCAMCL 4.4 Perp of which, we believe that the certainty of call on the first call date is also high. We are neutral to GRWALL 7.15 Perp. At 103.9, GRWALL 7.15 Perp is trading at YTC of 5.5% with the first call date in Jul'27. We consider GRWALL 7.15 Perp fairly priced and prefer HRINTH 4.25 Perp and CCAMCL 4.4 Perp more for their more balanced risk-return profiles.

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	5.5
HRINTH 4.25 Perp	XS2235973943	250	30 Sep'25	5yr UST+6.979%	300	98.6	6.0
HRINTH 3.875 11/13/29	XS2076078786	200	-			92.4	5.7
HRINTH 3.375 02/24/30	XS2122990810	271	-			89.8	5.7
HRINTH 3.625 09/30/30	XS2235973869	139	-			89.9	5.7

Source: Bloomberg.

Table 2: YTM/YTC of Chinese AMCs bonds and perps

	Ask YTM/YTC (%)	Mod Duration	Ask px
CCAMCL	5.0-6.0	0.2-12.8	88.4-102.2
GRWALL	5.0-5.6	0.4-5.1	85.7-104.2

HRINTH	5.5-6.0	0.1-12.8	87.1-100.2
ORIEAS	5.2-5.3	0.9-5.3	87.5-101.9

Source: Bloomberg.

Consolidation of the three AMCs under CIC shows government support to continue

In Sep'24, media reported that China Investment Corporation (CIC) started the due diligence process on Cinda and Orient. The due diligence on Great Wall was completed in Aug'24. MOF currently owns majority stakes in these three AMCs, and MOF may transfer its stakes to CIC which is wholly-owned by MoF. On the other hand, CITIC Group replaced the MOF as the largest shareholder of China CITIC FAMC (Huarong) since Nov'22.

As we have been arguing, we view the AMC sector a very strategically important constituent in maintaining the stability of the Chinese financial system. Hence, we take a top-down, instead of bottom-up, view on the sector. We are not concerned that the potential share transfer to CIC from MOF will weaken the government support and linkage, taking cues from the ownership transfer of Huarong to CITIC Group. Even after the shareholding changes, all big 4 Chinese AMCs will still be firmly in the grip of MOF.

Indeed, we believe that the transfer of ownership to CIC reveals the Chinese government's determination to improve the financials, capitalization, as well as operating performance and management on a more commercial basis, as in the case of Huarong. To us, the potential shareholding changes reinforce our view that the government views all big 4 from a top-down approach and the government support to them will continue.

Huarong turns focus to higher quality equity investments

In 1H24, Huarong reversed to PBT of RMB4.8bn from LBT of RMB4.9bn with the fair value gain on distressed debts and other financial assets, as well as higher contributions from its associates and joint ventures. Huarong has been disposing non-core assets to enhance its financial flexibility in refinancing as well as to redirect its focus to its distressed asset management.

In 2024, the focus of Huarong turned to acquisitions of higher quality equity stakes, from bonds and perps repurchase, by recycling the proceeds from the assets disposal, such as 5.01% in CITIC Ltd. In Nov'24, Huarong announced a RMB50bn investment plan (in CITIC Limited, Bank of China, CEB Bank and a trust). We believe that these will provide Huarong stable and recurring earnings and cash flow. In our view, the higher quality equity investments, focus in distressed asset management business and along with close tie with CITIC Group will continue to support Huarong's credit profile.

Great Wall successfully raised USD500mn to refinance despite low capital adequacy

We are yet to see any regulatory actions towards Great Wall on the breach of minimum regulatory requirement on the capital adequacy since Dec'22. The latest CET1 ratio disclosed by Great Wall was 9.81% at Jun'22, we believe the CET1 ratio as at Dec'22 should fall below the regulatory requirement of 9% based on the sizeable loss incurred in FY22 of RMB45bn. In our view, the potential transfer of ownership to CIC from MOF will help address the capital shortfall issue of Great Wall.

Despite the low capital adequacy ratio coupled with failure to publish its financial reports on time, Great Wall successfully issued GRWALL 7.15 Perp of USD300mn to refinance GRWALL 3.95 Perp of USD400mn on the first call date in Jul'24. As we have been arguing, we are not too concerned about Great Wall's repayment ability given the demonstrated support from the Chinese government to the AMC sector. We also take comfort that the AMCs remain accessible to various funding channels.

Non-call risk on perps remains low for Chinese AMCs

We like the AMC perps in view of the high certainty of call, as well as their yield pick-up over the senior bonds. At 98.8, HRINTH 4.25 Perp was traded at YTC of 5.8%, offer 19bps yield pick-up over HRINTH 5 11/19/25. CCAMCL 4.4 Perp was traded at YTC of 5.3% at 98.4. All the perps issued by the AMC were called on their respective first call dates. The most recent call was performed by Great Wall in Jul'24 on GRWALL 3.95 Perp.

We believe that the likelihood for the three outstanding perps being called on the first call dates remains high including CCAMCL 4.4 Perp, the only perp without high coupon step-up in case of non-call. The coupon of CCAMCL 4.4 Perp will be reset to a c7.3% based on current UST which is expensive from Cinda's perspective given its access to lower cost funding alternatives.

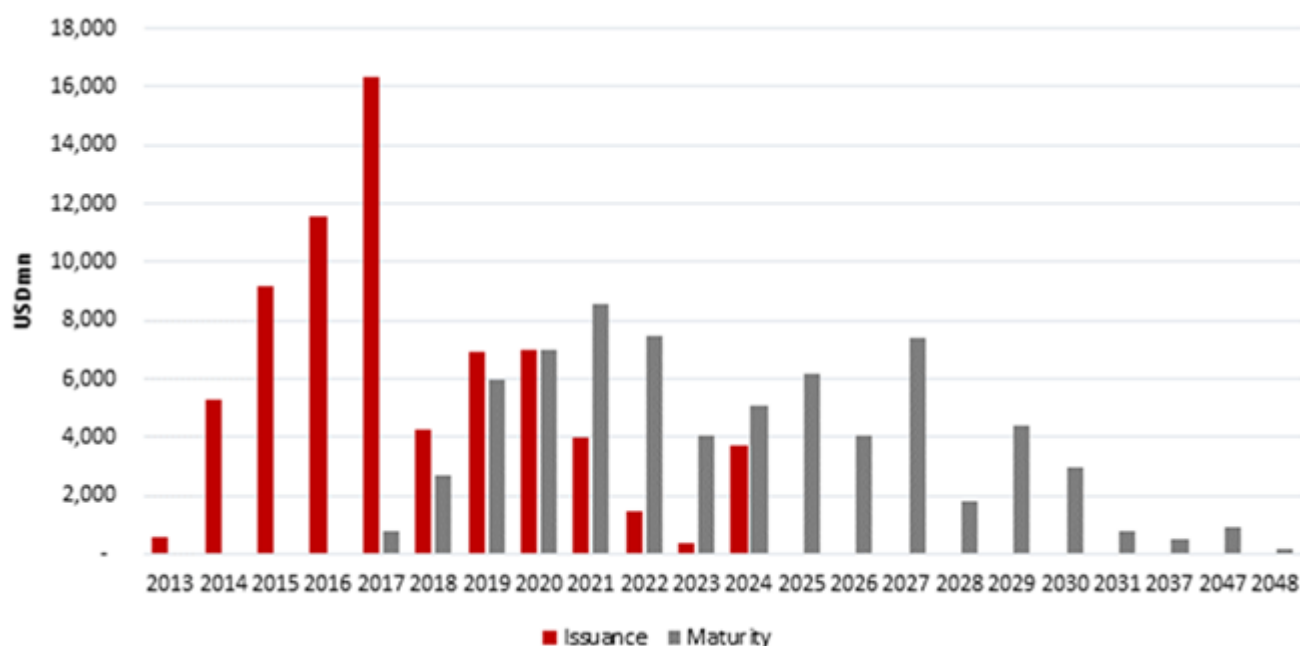
Our confidence in the perps being called on the first call dates is also predicated on Huarong's calls on HRINTH 2.875 Perp in Sep'21 and HRINTH 4.5 Perp in Jan'22 totaled USD2bn when Huarong was in the mid of financial distress and recapitalization. It also announced the call of HRINTH 4 Perp on 29 Sep'22 ahead of its first call date on 7 Nov'22.

Offshore net redemption trend will likely continue in 2025

The sector has experienced net redemption trend offshore since 2021. YTD, the offshore net redemption in the sector is USD1.4bn. The net issuance of Orient was USD200mn, while the net redemption of Cinda and Great Wall were both USD100mn. For Huarong, it redeemed two bonds totaled USD1.4bn at maturity without tapping offshore markets. We understand that Huarong has been refinancing its offshore bonds via onshore funding channels, and its last offshore issuance was back in Sep'20. We also saw the same net redemption trend onshore in 2024. The net redemption for Orient was RMB1.7bn and Huarong retired RMB6bn bonds.

In 2025, USD6.2bn of bonds and perps will be up for redemptions. Given AMCs' good access to low-cost onshore funding, we believe that AMCs could fund a considerable part of these via onshore funding channels. Recalled that Orient issued 3-year onshore bonds at a coupon rate of only 2.46% in May'24. Hence, the net redemption will likely continue.

Chart 1: Chinese AMCs offshore USD bonds maturities



Note: The first call date of the perps is treated as "maturity" in the chart.

Source: Bloomberg, CMBI Research.

➤ 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)
ANZ Banking Group	USD	-	2/5yr	T+50/75	Aa2/AA-/AA-
ANZ Banking Group	USD	-	2/5yr	SOFR Equiv	Aa2/AA-/AA-

➤ News and market color

- Regarding onshore primary issuances, there were 94 credit bonds issued last Friday with an amount of RMB109bn. As for Month-to-date, 463 credit bonds were issued with a total amount of RMB443bn raised, representing a 59.1% yoy increase
- [BTSDf]** Moody's affirmed Health and Happiness's Ba3 rating and changed outlook negative from stable
- [LNGFOR]** Longfor repaid RMB1bn Dec'24 puttable LNGHDV 3.7'36 onshore bonds
- [POLYRE]** Poly Development raised RMB5bn via onshore MTN with coupon of 2.3%
- [SOFTBK]** Media reported that SoftBank is finalizing a deal to buy stake in Japan's digital payment firm PayPay for USD250mn

Fixed Income Department

Tel: 852 3657 6235/ 852 3900 0801

fis@cmbi.com.hk

CMB International Global Markets Limited ("CMBIGM") is a wholly owned subsidiary of CMB International Capital Corporation Limited (a wholly owned subsidiary of China Merchants Bank)

Author Certification

The author who is primary responsible for the content of this research report, in whole or in part, certifies that with respect to the securities or issuer that the author covered in this report: (1) all of the views expressed accurately reflect his or her personal views about the subject securities or issuer; and (2) no part of his or her compensation was, is, or will be, directly or indirectly, related to the specific views expressed by that author in this report.

Besides, the author confirms that neither the author nor his/her associates (as defined in the code of conduct issued by The Hong Kong Securities and Futures Commission) (1) have dealt in or traded in the stock(s) covered in this research report within 30 calendar days prior to the date of issue of this report; (2) will deal in or trade in the stock(s) covered in this research report 3 business days after the date of issue of this report; (3) serve as an officer of any of the Hong Kong listed companies covered in this report; and (4) have any financial interests in the Hong Kong listed companies covered in this report.

Important Disclosures

There are risks involved in transacting in any securities. The information contained in this report may not be suitable for the purposes of all investors. CMBIGM does not provide individually tailored investment advice. This report has been prepared without regard to the individual investment objectives, financial position or special requirements. Past performance has no indication of future performance, and actual events may differ materially from that which is contained in the report. The value of, and returns from, any investments are uncertain and are not guaranteed and may fluctuate as a result of their dependence on the performance of underlying assets or other variable market factors. CMBIGM recommends that investors should independently evaluate particular investments and strategies, and encourages investors to consult with a professional financial advisor in order to make their own investment decisions.

This report or any information contained herein, have been prepared by the CMBIGM, solely for the purpose of supplying information to the clients of CMBIGM and/or its affiliate(s) to whom it is distributed. This report is not and should not be construed as an offer or solicitation to buy or sell any security or any interest in securities or enter into any transaction. Neither CMBIGM nor any of its affiliates, shareholders, agents, consultants, directors, officers or employees shall be liable for any loss, damage or expense whatsoever, whether direct or consequential, incurred in relying on the information contained in this report. Anyone making use of the information contained in this report does so entirely at their own risk.

The information and contents contained in this report are based on the analyses and interpretations of information believed to be publicly available and reliable. CMBIGM has exerted every effort in its capacity to ensure, but not to guarantee, their accuracy, completeness, timeliness or correctness. CMBIGM provides the information, advices and forecasts on an "AS IS" basis. The information and contents are subject to change without notice. CMBIGM may issue other publications having information and/ or conclusions different from this report. These publications reflect different assumption, point-of-view and analytical methods when compiling. CMBIGM may make investment decisions or take proprietary positions that are inconsistent with the recommendations or views in this report.

CMBIGM may have a position, make markets or act as principal or engage in transactions in securities of companies referred to in this report for itself and/or on behalf of its clients from time to time. Investors should assume that CMBIGM does or seeks to have investment banking or other business relationships with the companies in this report. As a result, recipients should be aware that CMBIGM may have a conflict of interest that could affect the objectivity of this report and CMBIGM will not assume any responsibility in respect thereof. This report is for the use of intended recipients only and this publication, may not be reproduced, reprinted, sold, redistributed or published in whole or in part for any purpose without prior written consent of CMBIGM.

Additional information on recommended securities is available upon request.

Disclaimer:

For recipients of this document in the United Kingdom

This report has been provided only to persons (I) falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended from time to time) ("The Order") or (II) are persons falling within Article 49(2) (a) to (d) ("High Net Worth Companies, Unincorporated Associations, etc.") of the Order, and may not be provided to any other person without the prior written consent of CMBIGM.

For recipients of this document in the United States

CMBIGM is not a registered broker-dealer in the United States. As a result, CMBIGM is not subject to U.S. rules regarding the preparation of research reports and the independence of research analysts. The research analyst who is primary responsible for the content of this research report is not registered or qualified as a research analyst with the Financial Industry Regulatory Authority ("FINRA"). The analyst is not subject to applicable restrictions under FINRA Rules intended to ensure that the analyst is not affected by potential conflicts of interest that could bear upon the reliability of the research report. This report is intended for distribution in the United States solely to "major US institutional investors", as defined in Rule 15a-6 under the US, Securities Exchange Act of 1934, as amended, and may not be furnished to any other person in the United States. Each major US institutional investor that receives a copy of this report by its acceptance hereof represents and agrees that it shall not distribute or provide this report to any other person. Any U.S. recipient of this report wishing to effect any transaction to buy or sell securities based on the information provided in this report should do so only through a U.S.-registered broker-dealer.

For recipients of this document in Singapore

This report is distributed in Singapore by CMBI (Singapore) Pte. Limited (CMBISG) (Company Regn. No. 201731928D), an Exempt Financial Adviser as defined in the Financial Advisers Act (Cap. 110) of Singapore and regulated by the Monetary Authority of Singapore. CMBISG may distribute reports produced by its respective foreign entities, affiliates or other foreign research houses pursuant to an arrangement under Regulation 32C of the Financial Advisers Regulations. Where the report is distributed in Singapore to a person who is not an Accredited Investor, Expert Investor or an Institutional Investor, as defined in the Securities and Futures Act (Cap. 289) of Singapore, CMBISG accepts legal responsibility for the contents of the report to such persons only to the extent required by law. Singapore recipients should contact CMBISG at +65 6350 4400 for matters arising from, or in connection with the report.