

CMBI Credit Commentary**Fixed Income Daily Market Update 固定收益部市场日报****The Asset Asian G3 Bond Benchmark Review 2023**

We hope you found our commentaries and ideas helpful. We seek to elevate our efforts and value-add further in the coming year. We highly appreciate your support to us in Sell-Side Analysts of the polls of "[The Asset Asian G3 Bond Benchmark Review 2024](#)". Thank you for your support!

- *Asian IG space were stable this morning. We saw active two-way flows on due 26/27 AMCs and profit taking on AT1/ Corp perps. TOPTB/PTTGC tightened this morning and covered yesterday's drop. LGFV space was stable.*
- **AACTEC:** *Check boxes ticked; maintain buy on AACTECs. AACTECs were unchanged to 1.2pts higher post the results. See comments below.*
- **FAEACO:** *Media reported that Far East Consortium plans to launch USD bond deal and consent solicitation for USD360mn FAEACO 7.375 Perp as soon as next week. FAEACO 7.375 Perp rose 0.35pt this morning.*

❖ Trading desk comments 交易台市场观点

Market flows were light on Thursday. In Asian IG space, we saw two-way mixed flows in bank T2s, BNKEA'34 widened 3bps while NANYAN'34 tightened 2bps. Chinese TMTs tightened 1-3bps, XIAOMIs were well bid post [better-than-expected 1H24 result](#). AACTECs were unchanged to 1.2pts higher, see below for 1H24 results comments. Chinese SOE IGs closed unchanged. In China AMCs, GRWALLs were unchanged to 0.2pt higher and HRINTH/CCAMCL/ORIEAS were largely unchanged. Chinese real estate sector was weak. SOE developers CHIOLIs/YUEXIUs down 0.1-0.4pt, non-SOE developers LNGFORs/VNKRLEs further dropped 1-2.9pts. HK Corp perps were firm, CKPH/CKINF/HYSAN Perp rose 0.5-0.8pt. In Southeast Asia, TOPTB/PTTGC curve were heavy and widened 10-20bps post the news that their parent PTT is in talks with several investors in acquiring stakes of these subsidiaries. INDYIJs/MEDCIJs were unchanged to 0.1pt higher. In India space, Adani complex were unchanged to 0.2pt higher.

LGFV sector was stable with light flows. CPDEVs were unchanged to 0.2pt higher. GZGETH'27 rose 0.35pt. GUAMENs were unchanged to 0.1pt lower. In SOE Perp space, CHPWCN Perps/HUADIA Perp moved -0.1 to +0.1pt.

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❖ Last Trading Day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
AACTEC 3 3/4 06/02/31	89.5	1.2	VNKRLE 3.975 11/09/27	56.0	-2.9
CKPH 3.8 PERP	67.3	0.8	PTTGC 5.2 03/30/52	90.2	-2.4
LMRTSP 7 1/2 02/09/26	99.1	0.6	LNGFOR 3.95 09/16/29	67.2	-1.7
CKINF 4.85 PERP	86.3	0.6	CCAMCL 5 02/08/48	88.4	-1.6
HYSAN 4.85 PERP	72.5	0.5	LNGFOR 4 1/2 01/16/28	74.4	-1.6

❖ Marco News Recap 宏观新闻回顾

Macro – S&P (-0.89%), Dow (-0.43%) and Nasdaq (-1.67%) retreated on Thursday. The latest US initial jobless claim was +232k, in line with the expectation. US Aug'24 Markit manufacturing/service PMI was 48.0/55.2, compared with the expectation of 49.5/54.0. UST yields rallied higher yesterday, 2/5/10/30 yield reached 3.99%/3.72%/3.86%/4.13%.

❖ Desk analyst comments 分析员市场观点

➤ AACTEC: Check boxes ticked; maintain buy on AACTECs

Security Name	ISIN	o/s amount (USD mn)	Ask Price	YTM (Ask)	Rating (M/S/F)
AACTEC 3 11/27/24	XS2080819779	276.8	99.5	4.9	Baa3/-/-
AACTEC 2 % 06/02/26	XS2341038656	231.3	95.2	5.5	Baa3/-/-
AACTEC 3 % 06/02/31	XS2342248593	292.1	88.2	5.9	Baa3/-/-

Source: Bloomberg.

AAC Technologies (AAC Tech) released strong 1H24 results with notably higher profit and margin expansion. The company's leverage ratios were also improved after consolidation of PSS. AAC Tech sounded out an optimistic guidance and expects its operating performance to further improve given the upgrade of product mix amid the surge AI smartphone and AR/VR devices. AACTECs has been performing well, moved 3-13pts higher YTD and 1-3pts higher since early Jul'24. The current valuations of AACTECs are less appealing but they continue to offer better risk-return profiles than peers such as SUNOTG 5.95 07/17/26. Furthermore, we see the likelihood of positive rating actions, especially for the negative rating outlook of Moody's to be revised to stable. We also believe that AACTEC is a candidate for early redemptions of its USD bonds through repurchases and tender offers. These should support AACTECs to outperform. Hence, we maintain buy recommendations on AACTECs. AACTECs were unchanged to 1.2pts higher post 1H24 results.

In 1H24, AAC Tech's revenue (incl. PSS) increased 22.0% yoy to RMB11.2bn because of the consolidation of PSS. The revenue excl. PSS increased 5.5% yoy to RMB9.7bn, mainly driven by growth of optics products. AAC Tech's gross margin (excl. PSS) improved to 20.5% in 1H24 from 14.1% in 1H23 given the recovery of consumer electronics and improvement of product mix. The gross margins of all segments expanded yoy with gross margin of optics products turned to positive. In 1H24, AAC Tech's EBITDA increased 47.6% yoy to RMB2.4bn and EBITDA margin improved to 19.0% from 15.7%. The company guided that its revenue (incl. PSS) would increase c30% yoy to cRMB26bn in FY24 and gross margin (incl. PSS) improve to 22%-25% from 21.5% in 1H24 given the upgrade of product mix amid the surge AI smartphone and AR/VR devices.

AAC Tech's credit profiles remained solid for IG ratings. As of Jun'24, it had cash and bank deposits of RMB7.8bn, increased c14.1% from RMB6.8bn in Dec'23. In Feb'24, the company completed the acquisition of 80% PSS stake for cRMB2.2bn while its total debts were stable at cRMB9.6bn in Jun'24. The acquisition of remaining 20% PSS stake of cRMB1.2bn will be completed after mid-2025, we expect the impact to AAC Tech's leverage ratios

to be limited given its strong operating cash flow. As of Jun'24, AAC Tech's net gearing decreased to 7.7% from 12.2% in Dec'23 and debt/EBITDA ratio down to 2.2x (vs. Moody's downgrade rating trigger of 3.5x) from 2.8x in Dec'23. AAC Tech's continuous deleverage and improving profitability could trigger positive rating action by Moody's.

RMB mn	1H23	1H24	YoY change(%)
Revenue	9,219	11,247	22.0%
-Acoustics products	3,323	3,460	4.1%
-Electromagnetic drives and precision mechanics	3,620	3,658	1.1%
-Optics products	1,771	2,213	24.9%
-PSS-Automotive & consumer acoustics products	11	1,522	14,236.0%
-Sensor and semiconductor products	494	389	-21.2%
Gross profit	1,297	2,418	86.4%
SG&A and research expense	-1,326	-1,812	36.7%
EBITDA	1,450	2,140	47.6%
Profit before tax	175	628	259.2%
Net profit	47	516	987.0%
Gross margin	14.1%	21.5%	-
-Acoustics products	25.5%	29.9%	-
-Electromagnetic drives and precision mechanics	19.3%	22.9%	-
-Optics products	-17.0%	4.7%	-
-PSS-Automotive & consumer acoustics products	-	25.0%	-
-Sensor and semiconductor products	11.3%	16.4%	-
EBITDA margin	15.7%	19.0%	-
Net profit margin	0.5%	4.6%	-
	Dec'23	Jul'24	
Cash and bank deposits	6,825	7,785	14.1%
ST debts	3,811	1,991	-47.8%
LT debts	5,769	7,558	31.0%
Total debt	9,580	9,549	-0.3%
Net debt (debt - unrestricted cash)	2,755	1,764	-36.0%
Cash/ST debts	1.8x	3.9x	-
Net gearing	12.20%	7.70%	-
EBITDA/gross interest	8.8x	9.2x	-
Debt/EBITDA	2.8x	2.2x	-

Source: Company filings.

➤ 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)
No Offshore Asia New Issues Pipeline Today					

➤ News and market color

- Regarding onshore primary issuances, there were 133 credit bonds issued yesterday with an amount of RMB123bn. As for month-to-date, 1,526 credit bonds were issued with a total amount of RMB1,499bn raised, representing a 21.5% yoy increase
- **[ADEIN]** Media reported that Adani Group plans to sell up to cUSD3.6bn stakes of its listing units, including Ambuja Cements, Adani Power and Adani Green Energy
- **[CSCHCN]** China South City expected to record loss of up to HKD4.5bn for 1H24
- **[FAEACO]** Media reported that Far East Consortium plans to launch USD bond deal and consent solicitation for 7.375% perps as soon as next week
- **[NWDEVL]** New World Development's shareholders approve sale of 30% of office building in Shenzhen Qianhai to Chow Tai Fook Enterprises at EGM
- **[SINOCE]** Media reported that Sino-Ocean Group's over 70% creditors of Class A Debt sign RSA
- **[SOFTBK]** Media reported that SoftBank is negotiating JPY100bn (cUSD684mn) investment in Sharp
- **[SUNHKC]** Media reported that Sun Hung Kai & Co. ready to repay USD278mn SUNHKC 5.75 11/15/24 with internal cash

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