

**CMBI Credit Commentary****Fixed Income Daily Market Update 固定收益部市场日报**

- *Active flows on new BABA USD/CNH this morning. USD BABA'34 widened 4bps, BABA'54 tightened bps while CNH BABAs were weak with better selling flows. HY LGFVs were actively two-way traded.*
- *LGFVs: Initial takes on the curbs on further cross-border investments in offshore LGFV bonds. See below comments.*
- *XIAOMI: Strong 3Q24 results; take profit on XIAOMI'27 (CB) and maintain buy on XIAOMI'30/31. See below comments.*

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**❖ Trading desk comments 交易台市场观点**

Yesterday, the new SBIIN 29s tightened 3bps from RO (CT5+82). In Chinese IGs, BABA priced the 5.5, 10.5, 30-yr USD bonds at CT5+65, CT10+90, CT30+105, respectively. BABA also priced the 3.5, 5, 10, 20-yr CNH bonds at par to yield 2.65%, 2.8%, 3.1%, 3.5%, respectively. BABA 31s tightened 2bps. HAOHUA/TENCNT/MEITUA 28-30s closed 2-5bps wider. In financials, Chinese AMCs such as CCAMCLs/ORIEASs closed unchanged to 2bps wider. EU AT1s were soft amid the escalating geopolitical tensions. The recent new SOCGEN 8.125/NWG 7.3 Perps declined 0.3pt. BNP 7.375/INTNED 7.25/LLOYDS 6.75 Perps were 0.2-0.5pt lower. In JP, MYLIFE/NIPLIF 54s were up 0.1pt. In HK, NWSZF announced to issue a CNH5bn NC3 Perp to repay its offshore debts. NWDEVL 27-28s/6.15 Perp were 0.7-1.2pts higher. Chinese properties were mixed. FTLNHD/FUTLAN 25-26s rose another 0.7-1.9pts and closed 1.7-2.3pts higher WTD, on the back of progress in CBICL-guarantee bond insurance. However, DALWAN 25-26s declined 1.2pts. VNKRL 27-29s/LNGFOR 27-32s were down 0.6-1.0pt. Outside properties, EHICAR 26-27s declined another 0.6-0.9pt, closed 1.0-3.6pts lower WTD. In Macau gaming, MPELs/STCITYs were down 0.3-0.4pt. In Indonesia, MDLNIJ '25 dropped 2.2pts post the launch of its proposed LME. See our comments on [19 Nov '24](#). In India, VEDLN 26-29s were unchanged to 0.1pt higher following the partial redemption of USD295.7mn on its o/s USD608.3mn VEDLN 13.875 '28 at par on 20 Nov '24.

In LGFVs, there were media reports and talks on the curb on onshore investors to buy offshore LGFV bonds. See our comments below. We saw mixed two-way flows on the high-yielding CNH LGFVs such as BIBIDI 7.8 '27/SHEDCI 6.3 '27. The lower-yielding CNH LGFVs were under better selling from offshore clients in light of the spike in CNH HIBOR rates. In SOE perps, CHCOMU 3.425/CHPWCN 3.08 Perp were up 0.1-0.2pt, SPICPT 3.45 Perp was down 0.1pt.

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## ❖ Last Trading Day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
FTLNHD 4 5/8 10/15/25	86.2	1.9	MDLNIJ 5 06/30/25	42.6	-2.2
NWDEVL 8 5/8 02/08/28	88.5	1.2	DALWAN 11 01/20/25	87.3	-1.2
MUFG 4.286 07/26/38	92.6	1.0	DALWAN 11 02/13/26	76.3	-1.2
NWDEVL 5 7/8 06/16/27	87.0	1.0	VNKRLE 3.975 11/09/27	60.5	-1.0
FTLNHD 4 1/2 05/02/26	77.9	0.9	VNKRLE 3 1/2 11/12/29	57.3	-0.9

## ❖ Marco News Recap 宏观新闻回顾

**Macro** – S&P (+0.40%), Dow (-0.28%) and Nasdaq (+1.04%) edged higher on Tuesday. US Oct'24 new home construction was 1.31mn units, lower than the expectation of 1.34mn units. PBOC hold 1/5yr LPR unchanged at 3.1%/3.6% as expected. UST yields retreated yesterday, 2/5/10/30 yield reached 4.27%/4.25%/4.39%/4.57%.

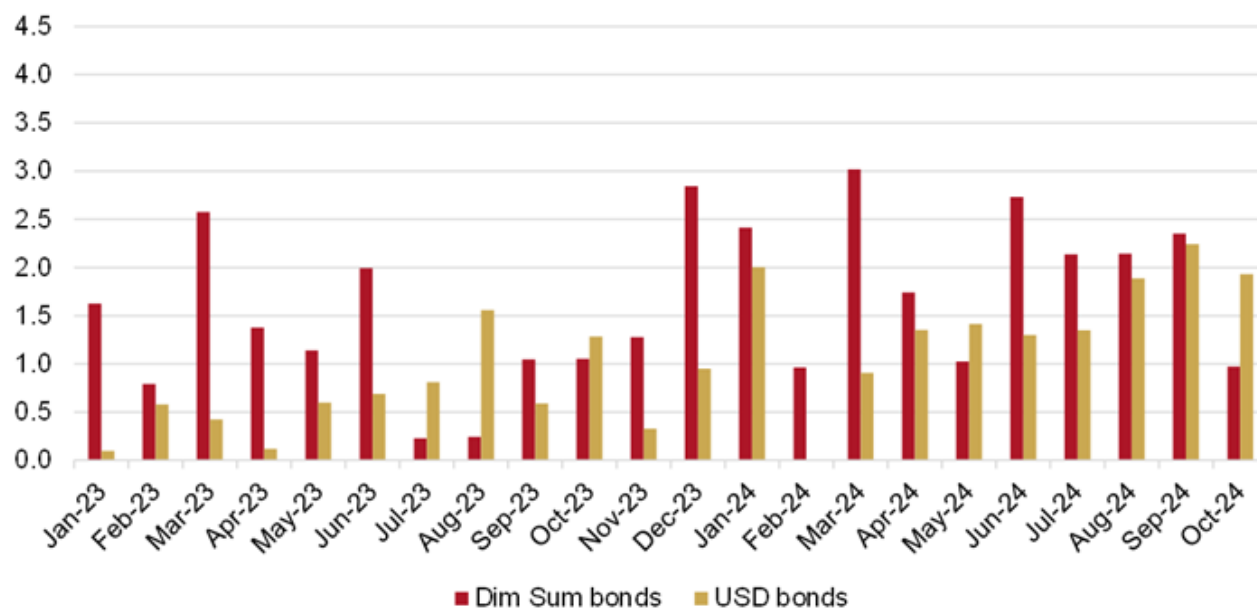
## ❖ Desk Analyst Comments 分析员市场观点

## ➤ LGFVs: Initial takes on the curbs on further cross-border investments in offshore LGFV bonds

Yesterday, there are various reports and talks on the Chinese government's curbs on onshore investors to buy offshore LGFV bonds through cross-border TRS and Southbound Bond Connect (SBBC). While we are yet to see any details and have read different versions of the curbs, we believe that the potential curbs do not represent a major change in policy objectives of the Chinese government. The talks on curbs may lead to some slow-down in demand for LGFV bonds from onshore investors using SBBC, pending more clarity on any policy changes. That said, we believe that the impact on the performance of LGFV bonds should be contained as the supply of LGFV bonds may also be adjusted accordingly, especially towards the year-end. Post the news, we see activities from onshore investors using QDII are largely "business as usual". While there was some widening in selected names but in general, the tone on the LGFV space is still very much on a case-by-case basis.

So far, we heard different versions of the curbs such as the limit on further investments through cross-border TRS and Southbound Bond Connect. To us, the potential curbs target on improving the transparency on the exposure to LGFVs for monitoring systemic risk and reducing the funding costs for LGFVs, instead of implying any cut in regulatory support and scaling down SBBC. Indeed, the curbs, in our view, are in line with the support measures recently announced such as swapping hidden debts of LGFVs for long-term local government bonds to improve transparency and reduce funding costs.

LGFV bonds issuance (USD bn)



Source: Bloomberg, Dealogic.

## ➤ XIAOMI: Strong 3Q24 results; take profit on XIAOMI CB and maintain buy on XIAOMI'30/31

RMB mn	9M23	9M24	yoy change
Revenue	197,726	256,901	29.9%
-Smartphones	113,229	140,448	24.0%
-IoT and lifestyle products	59,761	73,236	22.5%
-Internet services	22,228	24,777	11.5%
-Smart EV	-	16,092	-
-Others	2,509	2,348	-6.4%
Gross profit	41,862	54,105	29.2%
SG&A and research expense	-30,595	-38,395	25.5%
EBITDA	14,876	20,214	35.9%
Profit for the period	12,751	14,583	14.4%
Capital expenditure	9,238	6,951	-24.8%
Gross margin	21.2%	21.1%	-
EBITDA margin	7.5%	7.9%	-
Net profit margin	6.4%	5.7%	-
	<b>Jun'24</b>	<b>Sep'24</b>	<b>Change</b>
Cash and bank balances	44,148	44,576	1.0%
-Restricted bank balances	4,812	4,921	2.3%
Short-term bank deposits and investment	58,495	59,928	2.5%
ST debts	8,944	4,944	-44.7%
LT debts	21,038	22,416	6.6%
Total debts	29,981	27,360	-8.7%
Net debts (Total debt - unrestricted cash - ST inv)	-67,849	-72,223	6.4%
Cash/ST debts	4.4x	8.0x	-

Source: Company fillings.

Xiaomi released strong 3Q24 results. In 9M24, Xiaomi's revenue increased 29.9% yoy to RMB256.9bn, mainly driven by growth of smartphone and smart EV segments. In 9M24, Xiaomi's smartphone shipment increased 19.8% yoy to 125.9mn units and smartphone ASP increased 10.6% yoy to RMB1,102 in 3Q24 from RMB997 in

3Q23. The higher shipment and ASP of smartphone lead to a 24% yoy increase in revenue of smartphone segment. On the other hand, Xiaomi further lifted the FY24 delivery goal of smart EV to 130k units, increasing from 120k units and 100k units announced in Jun'24 and Mar'24, respectively. In 9M24, Xiaomi's gross margin was flat yoy at 21.1%. By segment, the gross margin of smartphone decreased to 12.9% from 13.9% in 9M23 due to higher cost of key components. The gross margin of IoT and lifestyle products and internet services improved to 20.1% and 76.7% from 17.1% and 73.6% in 9M23, respectively. In 3Q24, the gross margin of smart EV improved to 17.1% from 15.4% in 2Q24. The gross margin of smart EV was 16.4% in 9M24, higher than the guidance of 5-10% when the new product was launched in Mar'24. In 9M24, Xiaomi's EBITDA rose 35.9% yoy to RMB20.2bn, we maintain the expectation that Xiaomi's FY24 EBITDA increases 55.7% to cRMB29.4bn from RMB18.9bn in FY23.

Xiaomi's credit profiles remained solid. As of Sep'24, Xiaomi had net cash (total debts - unrestricted cash – ST deposits and investments) of RMB72.2bn, increased 6.4% from the net cash of RMB67.8bn as of Jun'24. Its cash to ST debts ratio also increased to 8.0x from 4.4x. We expect Xiaomi to maintain its net cash position over the medium term despite increasing R&D expenses and CAPEX in EV segment, given its abundant cash on hand and strong operating cash inflows. XIAOMI'27 (CB) has rallied c11pts higher since Aug'24 due to rebound of XIAOMI stock while XIAOMI'30/31 were slightly widened. We maintain buy on XIAOMI'30/31 and take profit on XIAOMI'27 (CB).

Security Name	ISIN	Amt Out (USD mn)	Maturity/Next put date	Ask Price	YTM	YTP	Rating (M/S/F)
XIAOMI 0 12/17/27	XS2269112863	855	12/17/2025	104.4	-	-1.4	Baa2/-/-
<b>XIAOMI 3 ¾ 04/29/30</b>	<b>US98422HAA41</b>	<b>600</b>	<b>04/29/2030</b>	<b>91.3</b>	<b>5.2</b>	-	<b>Baa2/BBB-/BBB</b>
<b>XIAOMI 2 ¾ 07/14/31</b>	<b>US98422HAC07</b>	<b>800</b>	<b>07/14/2031</b>	<b>86.7</b>	<b>5.3</b>	-	<b>Baa2/BBB-/BBB</b>
XIAOMI 4.1 07/14/51	US98422HAE62	400	07/14/2051	78.3	5.7	-	Baa2/BBB-/BBB

Source: Bloomberg.

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

Issuer/Guarantor	Size (USD mn)	Tenor	Coupon	Priced	Issue Rating (M/S/F)
Alibaba Group Holding Limited	1000/1150/500	5.5/10.5/30yr	4.875%/5.25%/5.625%	T+65/90/105	A1/A+/A+
National Australia Bank Ltd	1000/750	3yr	4.5%/5.19%	T+38/SOFR +60	Aa2/AA-/A-

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

Issuer/Guarantor	Currency	Size (USD mn)	Tenor	Pricing	Issue Rating (M/S/F)
Adani Hybrid Energy	USD	600	20yr	7.75%	Baa3/-/BBB-

#### ➤ News and market color

- Regarding onshore primary issuances, there were credit bonds issued yesterday with an amount of RMB0bn. As for month-to-date, 1,021 credit bonds were issued with a total amount of RMB948bn raised, representing a 1.2% yoy increase
- [ADEIN]** Media reported that Adani Group is planning a capex of cUSD12bn over five years for airport business
- [BTSDf]** H&H 9M24 revenue down 6.1% yoy to cRMB9.7bn

- **[FOSUNI]** Fosun International unit completed cash tender offer for outstanding RMB70mn notes
- **[NWSZF]** NWS Holdings announced to offer RMB5bn perpetual corporate bonds to repay offshore debts
- **[SWHYSE]** Shenwan Hongyuan proposes up to USD800mn offshore bond offering
- **[VEDLN]** Vedanta Resources announces roadshow for USD notes
- **[VNRKLE]** China Vanke received RMB2.2bn loan from Ping An Bank, RMB1.8bn credit line from Shenzhen Rural Commercial Bank
- **[WB]** Weibo 9M24 revenue down 0.1% yoy to USD1.3bn and adj.EBITDA rose 0.8% yoy to USD472.4mn

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