

CMBI Credit Commentary

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

- *Sentiment was firm this morning. AU/SEA bank T2s and China TMTs/SOEs were under better buying. Front-end AT1s were also well bid. HRINTHs were weak. EHICAR'26 rose 1pt while EHICAR'27 down 0.1pt this morning.*
- **NWDEVL:** *More thoughts on the CEO change. NWDEVLs fell 0.3-4.9pts last Friday and moved -1.3 to +0.4pt since then. See comments below.*
- **VEDLN:** *Fully redeem VEDLN 13.875'28 of USD313mn; Launched consent solicitation on VEDLN 13.875'28 of USD894mn. See comments below.*

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❖ Trading desk comments 交易台市场观点

Yesterday, NWDEVLs were unchanged to 1.0pt lower after the decline of 0.3-4.9pts last Friday since the CEO change. See our comments below. In Chinese IGs, HAOHUA 28-30s widened 2bps, while MEITUA 28-30s tightened 1-2bps. In financials, CCAMCL/ORIEAS 26-30s closed 2-5bps wider. HRINTH 25-27s were unchanged to 2bps wider. NANYANs/BNKEAs were 1-3bps wider. DAHSINs, however, tightened 1bp. CINDBK/ICBCAS AT1s were unchanged to 0.1pt higher. EU AT1s were mixed. French issues such as SOCGEN/BNP/ACAFP Perps were 0.3-0.5pt lower. HSBC/DNBNO Perps, on the other hand, were 0.1-0.2pt higher. In JP insurance hybrids, NIPLIF/MYLIFE 51-54s were up 0.2-0.4pt. Chinese properties were firm. LNGFOR 28-32s and VNKRL 25-29s rose 1.4-2.4pts. FUTLAN/FTLNHD 25-26s were 0.5-1.4pts higher. SHUION 25-26s were up 0.5-0.6pt. State-owned names CHIOLIs/CHJMAOs/YXREITs remained sought-after and closed unchanged to 0.4pt higher. In India, ADANEMs/ADSEZs/ADTINs were up another 0.4-1.1pts, still closed 2.4-9.7pts lower than the levels prior to US bribery indictment. Media reported Adani Green is planning a USD500mn private placement next year. VEDLN 28-31s were 0.5-1.0pt higher. VEDLN launched a consent solicitation on VEDLN 13.875 12/09/28 of USD894mn. See comments below. In Indonesia, MDLNIJ 25s declined 0.8pt.

The flows in LGFV were skewed to better buying from RMs. SHGUOHs/HKIQLs were unchanged to 0.2pt higher. CQNANAs were unchanged. CQNANA proposed to purchase up-to USD90mn of its o/s USD300mn CQNANA 4.98 05/06/25. SOE perps were under better buying from offshore accounts. SPICPT/SPICPD Perps were up 0.1pt.

❖ Last Trading Day's Top Movers

| Top Performers | Price | Change | Top Underperformers | Price | Change |
|-----------------------|-------|--------|---------------------|-------|--------|
| LNGFOR 3.85 01/13/32 | 67.7 | 2.4 | NWDEVL 5 1/4 PERP | 70.1 | -1.0 |
| LNGFOR 3.95 09/16/29 | 74.6 | 2.0 | RAKUTN 6 1/4 PERP | 91.6 | -0.9 |
| VNKRLE 3.975 11/09/27 | 58.2 | 1.9 | EXIMCH 4 11/28/47 | 89.7 | -0.9 |
| LNGFOR 4 1/2 01/16/28 | 80.8 | 1.8 | MDLNIJ 5 06/30/25 | 36.1 | -0.8 |
| VNKRLE 3 1/2 11/12/29 | 54.8 | 1.8 | MUFG 5.475 02/22/31 | 103.2 | -0.7 |

❖ Marco News Recap 宏观新闻回顾

Macro – S&P (+0.24%), Dow (-0.29%) and Nasdaq (+0.97%) were mixed on Monday. US Nov'24 Markit manufacturing PMI was 49.7, higher than the expectation of 48.8. UST yields edged higher yesterday, 2/5/10/30 yield reached 4.17%/4.08%/4.19%/4.36%.

❖ Desk Analyst Comments 分析员市场观点

➤ **NWDEVL: More thoughts on the CEO change**

Further to our [brief comments](#) on last Friday, we have numerous discussions with clients over the past few days on our thoughts on the reason(s) of the change and impact on NWD. There is a wide spectrum of speculations on the reasons and the timing behind the change. That said, our thoughts remain the same, i.e. this reflected the Cheng family has tightened the grip on NWD as well as cutting debts and interest expenses will remain the key strategic directions of NWD over the coming 2-3 years. NWDEVLs fell 0.3-4.9pts last Friday and moved -1.3 to +0.4pt since then. We maintain buy on the step-up perps of NWD and consider NWDEVL 5.25 our top pick given its most attractive risk-return profile in view of its highest reset spread, lower cash price and shorter tenor within the NWDEVL curve.

For NWD, we believe that any CEOs not from the Cheng family are more or less transitional for the time being, although we are a bit surprised for the short tenor of the ex-CEO. Nonetheless, the change reflected the heavy involvement the Cheng family has in NWD's strategic directions. In the press release last Friday, Dr. Cheng Kar Shun, Henry, the chairman of NWD, mentioned that "Having reviewed the development direction of the Group, I understand that timely phased changes need to be made, and the role of the CEO also requires to be adjusted. I am very pleased to have found a more suitable candidate...."

We believe that CTF and the Cheng family's tightening grip on NWD means they will continue to provide support to NWD. On the same day as the CEO changed, NWD announced the completion of sale of its stakes in Kai Tak Sports Park to CTF for HKD416.7mn. Over the past 18 months, CTF has demonstrated once again the key strategic directions of NWD are to cut debts and interest expenses. CTF had provided support through acquiring NWD's stakes in NWS and stakes in Shenzhen commercial complex for a total consideration of cHKD37bn.

We also believe that NWD's plan to cut debts and interest expenses, as well as the NCD plan of HKD13bn in FY25 to continue. As of Sep'24, NWD had completed NCD of HKD3.8bn, c29% of FY25 target. Indeed, whoever is the CEO of NWD will have a strong incentive to call the perps with high coupon step-up to cut "interest expenses". NWD signed cooperative/strategic agreements on the developments of land reserve in Northern Metropolis with 3 Chinese state-own developers. It has also been working on accessing onshore funding channels including operating loans against its Chinese IPs (BV of over HKD40bn). There are also media reports on the potential sale of K11 Art Mall to a group company of Chinese Resources Group. A new

CEO with a stronger connection in mainland China may help speed up NCD as well as monetization of its IPs and land reserve in HK and China.

➤ **VEDLN: Fully redeem VEDLN 13.875'28 of USD313mn; Launched consent solicitation on VEDLN 13.875'28 of USD894mn**

Vedanta Resources (VRL) will fully redeem VEDLN 13.875 12/09/28 (US92243XAE13) of USD313mn at par on 4 Dec'24, funded by the proceeds of the issuance of VEDLN 10.25 06/03/28 of USD300mn and VEDLN 11.25 12/036/31 of USD500mn in Nov'24. After the full redemption of VEDLN 13.875 12/09/28 (US92243XAE13), the weighted average coupon rate of VRL will be lowered to c11.4% from c12.9% as of Aug'24, as per our calculation. To recap, VRL issued totaled USD2bn bonds in past three months and redeemed VEDLN 13.875 01/21/27 and VEDLN 13.875 12/09/28 (US92243XAE13) in full totaled USD1.5bn.

VRL will also partially redeem VEDLN 13.875 12/09/28 (US92241TAM45) of USD894mn at par on or about 20 Dec'24 subject to refinancing condition. As per our estimate, the remaining proceeds from the new issuances in Nov'24 is cUSD465mn after the full redemption VEDLN 13.875 12/09/28 (US92243XAE13). We expect VRL to incur new borrowings at lower cost to fund the full redemption of VEDLN 13.875 12/09/28 (US92241TAM45) in coming few months, so as to lower its weighted average funding cost further.

Last night, VRL launched a consent solicitation on VEDLN 13.875 12/09/28 (US92241TAM45) of USD894mn to align its T&C with those of the latest USD bonds issuance, i.e. VEDLN 10.25 06/03/28, VEDLN 10.875 09/17/29, and VEDLN 11.25 12/03/31. This is to allow VRL to increase the debt incurrence headroom so as to accommodate the refinancing of certain existing debts. The covenant changes include (i) increase the subsidiary guarantors debt cap, (ii) add FCCR would not be less than 3.5x to 1x, (iii) removal of "qualified refinancing borrowing" clause and (iv) removal of special mandatory redemption clauses. Early consent fee of 0.35pts will be given to bondholders deliver their consents on or before 16 Dec'24.

In our view, VRL has a smooth access to offshore funding channels, evidenced by the bonds issuance in past three months. We expect that VRL will continue to refinance in the offshore USD bonds market. We take additional comfort on the improving profitability of Vedanta Ltd which is the major source of repayment for VRL. Recently, Moody's upgraded VRL to B2 with stable outlook following the liability management exercises. During 2024, the price of VEDLN'27-28 up 10-15pts and VEDLN'26 was rallied by 38pts. We maintain neutral on VEDLNs on valuation.

Table 1: VRL's o/s USD bonds

| | ISIN | Amt o/s (USDmn) | Px | YTM (%) | Guarantor | Issue rating (M/S/F) |
|---------------------------|--------------|-----------------|-------|---------|--------------------------------|----------------------|
| Call notice issued | | | | | | |
| VEDLN 13.875 12/09/28 | US92243XAE13 | 313 | 100.4 | - | VRL, Twin Star, Welter Trading | -/CCC+/- |
| VEDLN 13.875 12/09/28 | US92241TAM45 | 894 | 100.7 | - | Twin Star, Welter Trading | B3/CCC+/- |
| Other o/s bonds | | | | | | |
| VEDLN 9.25 04/23/26 | US92243XAA90 | 600 | 100.0 | 9.24 | VRL | B3/CCC+/- |
| VEDLN 10.25 06/03/28 | US92243XAJ00 | 300 | 101.0 | 9.79 | VRL, Twin Star, Welter Trading | -/-/B- |
| VEDLN 10.875 09/17/29 | US92243XAH44 | 1,200 | 102.2 | 10.15 | VRL, Twin Star, Welter Trading | -/CCC+/- |
| VEDLN 11.25 12/03/31 | US92243XAK72 | 500 | 102.3 | 10.65 | VRL, Twin Star, Welter Trading | -/-/B- |
| Total | | 3,807 | | | | |

Source: Bloomberg, Company filling.

Table 2: Summary of consent solicitation

| Security name | VEDLN 13.875 12/09/28 |
|-----------------|-----------------------|
| ISIN | US92241TAM45 |
| Amt o/s (USDmn) | 894 |
| Record date | 13 Dec'24 |

| | |
|-----------------------------|--|
| Early deadline | 16 Dec'24 |
| Voting deadline | 20 Dec'24 |
| Early consent fee | 0.35pts |
| Late consent fee | 0.1pts |
| Call option settlement date | On or about 20 Dec'24 |
| Bondholders meeting | 24 Dec'24 |
| Approval threshold | By way of extraordinary resolution at the bondholders' meeting. The extraordinary resolution will be passed if not less than two-thirds of the votes cast in favor of the resolution at the meeting with two or more persons present representing a clear majority in principal amount of the bonds. |

Source: Company filling.

➤ Offshore Asia New Issues (Priced)

| Issuer/Guarantor | Size (USD mn) | Tenor | Coupon | Priced | Issue Rating (M/S/F) |
|-------------------------------------|---------------|-------|--------|--------|----------------------|
| Caofeidian State Holding Investment | 100 | 3yr | 7.2% | 7.2% | -/-/- |
| Cixi State-owned Assets Investment | 300 | 3yr | 4.85% | 4.85% | -/-/BBB |

➤ Offshore Asia New Issues (Pipeline)

| Issuer/Guarantor | Currency | Size (USD mn) | Tenor | Pricing | Issue Rating (M/S/F) |
|-----------------------------------|----------|---------------|-------|---------|----------------------|
| Zhengzhou Urban Development Group | USD | - | 3yr | - | -/-/- |

➤ News and market color

- Regarding onshore primary issuances, there were 52 credit bonds issued yesterday with an amount of RMB37bn. As for Month-to-date, 52 credit bonds were issued with a total amount of RMB37bn raised, representing a 50.6% yoy decrease
- **[CQNANA]** Chongqing Nan'an District Urban Construction & Development (Group) launched tender offer to purchase up to USD90mn of USD300mn CQNANA'25
- **[LOGPH]** Logan Group's CSA longstop date further extended to 9 Dec'24
- **[MDLNIJ]** Modernland extended exchange offer, consent solicitation deadlines for MDLNIJ'25 to 16 Dec'24
- **[MEITUA]** Media reported that Meituan plans to expand food delivery platform in Middle East

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