

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 widened 1-3bps with better selling flows. JP insurers rose 0.5pt and CN AT1 rose c0.1pt. LGFV and long-end SOE properties were firm with better buying flows.*
- *CPREIT: Refinancing for 2024-25 debts resolved. Prefer NWDEVL perps and LASUDE on valuation. CPREIT'30 tightened 10bps this morning. See below.*
- *INDYIJ: Indika Energy 1Q24 revenue down 37% to USD570mn and adj. EBITDA slumped 59% yoy to USD63mn due to lower coal prices. INDYIJs were unchanged to 0.1pt lower post 1Q24 results.*

❖ Trading desk comments 交易台市场观点

Yesterday, the overnight UST yields tightened 7-12bps. The new POHANG 27/29 tightened 3bps from last closes on FMs/AMs chasing. KOROil 27-29s were unchanged to 2bps wider. UOBSP/OCBCSP 32s widened 1-3bps. AU T2s such as ANZ/CBAU/WSTP 27-32s closed 1-2bps wider. NAB priced a USD900mn 3-yr and a USD750mn 10-yr fixed-coupon bond at T+47 and T+78, respectively, and also a USD850mn 3-yr floating-rated bond at SOFR+62. In JP, RAKUTN 27/29 were up 0.2-0.4pt. NIPLIF '54/ASAMLI Perp rose 0.3-0.5pt in light of overnight rates tightening. In Chinese IGs, the flows were mostly profit taking. HAOHUA/TENCNT 29-30s were 1-2bps wider. In financials, CCAMCL 29s widened 2bps and ORIEAS 29s widened 5bps. The front end of ICBCILs/ BCHINAs/ CICCHKs were unchanged to 3bps wider. In EU AT1s, DB Perps were up 0.2-0.4pt amid its new EUR AT1 pricing. The recent new DNBNO 7.375 Perp/STANLN 7.875 Perp were up 0.1-0.3pt. In HK, AIA 34s widened 2bps. CKHH 29/34 were 1-2bps wider. Chinese properties moved higher. FUTLAN/FTLNHD 24-26s increased 1.1-2.1pts, following media reported that Seazen would repay the o/s USD1.7bn offshore debts with secured financing on its shopping malls. VNKRL 27-29s/LNGFOR 27-32s were up 0.4-1.3pts. SHUION 24-26s were up another 0.6-1.1pts. On the other hand, COGO '26 was down 0.8pt. ROADKs were 0.3-0.8pt lower. Outside properties, HILOHO '24/WESCHI '26 declined 1.3-1.9pts. Nine Dragons priced a USD400mn PerpNC3 bond at par to yield 14%. SANLTD '31/STCITY '29 were 0.4-0.7pt higher. In India, ADSEZs/ADANEMs/ADTINs/ADANIGs were 0.3-1.5pts higher. VEDLNs were up 0.9-1.1pts. In Indonesia, LMRTSP 24/26 were 0.3-0.7pt lower.

Glenn Ko, CFA 高志和
(852) 3657 6235
glennko@cmbi.com.hk

Cyrena Ng, CPA 吳靄瑩
(852) 3900 0801
cyrenang@cmbi.com.hk

Jerry Wang 王世超
(852) 3761 8919
jerrywang@cmbi.com.hk

In LGFVs, CQNANA 4.99 '27 closed 0.1pt higher. We saw better buying in the CNH bond CQNANA 4.99 04/30/27 ahead of the maturity of the USD bond CQNANA 4.66 06/04/24. The Shandong LGFVs were better bid. JNHITE '24/SHGUOH '26 were up 0.1pt. Meanwhile the low-yielding front end LGFV papers were better sold. In the high-beta names, the flows were under small better buying from RMs/AMs. GRPCIN/ZHONAN 25-26s were 0.1-0.2pt higher. In SOE perps, CHPWCN 4.25 Perp was up 0.1pt while CHSCOI 3.4 Perp was down 0.1pt.

❖ Last Trading Day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
FTLNHD 4 5/8 10/15/25	74.3	2.1	HILHOHO 9 3/4 11/18/24	59.1	-1.9
FUTLAN 4.45 07/13/25	76.3	1.5	WESCHI 4.95 07/08/26	82.7	-1.3
ADSEZ 5 08/02/41	78.4	1.5	COGO 2.45 02/09/26	90.5	-0.8
FTLNHD 4 1/2 05/02/26	65.1	1.4	ROADKG 6 09/04/25	29.7	-0.8
VNKRL 3.975 11/09/27	70.4	1.3	LMRTSP 7 1/2 02/09/26	89.9	-0.7

❖ Marco News Recap 宏观新闻回顾

Macro – S&P (+0.11%), Dow (-0.30%) and Nasdaq (+0.56%) were mixed on Monday. US May'24 Markit manufacturing PMI was 51.3, higher than the expectation of 50.9. UST yield retreated yesterday, 2/5/10/30 yield was 4.82%/4.42%/4.41%/4.55%.

❖ Desk analyst comments 分析员市场观点

➤ CPREIT: Refinancing for 2024-25 debts resolved. Prefer NWDEVL perps and LASUDE on valuation

Champion REIT signed a 3-year unsecured bank loan facility HKD5.05bn for debt refinancing. The funding cost is HIBOR+88bps. As per Champion REIT, with the loan facilities of HKD1.55bn obtained earlier and other committed undrawn facilities, it has already secured sufficient funding to refinance all the outstanding debts due in 2024-25 together.

As per CBRE, the vacancy rate of Grade A office in Hong Kong rose to 16.7% in 1Q24 (Dec'23: 16.5%), and it was 11.7% (Dec'23: 10.1%) for greater Central area. The vacancy rate of Three Garden Road increased to 17.2% at Dec'23 from 11.0% at Dec'21. 57% of the tenants of Three Garden Road are from banking and asset management sectors which has been more vulnerable to the volatility of capital markets. Additionally, we see intensifying competition for tenants in those sectors as new office space from Cheung Kong Center II and The Henderson in Central is coming on stream. On the other hand, the performance of Langham Place Office Tower is relatively better, reflecting the difference in tenant mix. 64% of the tenants of Langham Place Office Tower are from beauty, healthcare and medical sectors. The vacancy rate was 6.7% at Dec'23, increase from 3.7% at Dec'21.

Moody's downgraded Champion REIT to Baa2 from Baa1 in Mar'24 and maintained a negative rating outlook, because of the likely sustained challenges in overall office and financial market conditions. Rating downgrade triggers include adjusted net debt/ EBITDA above 9.5x (FY23 figure: 8.2x) and/or EBITDA/interest below 2.5x (FY23 figure: 2.8x) on a sustained basis. There are still rating buffers according to the calculation performed by the agency.

Champion REIT has only one USD bond outstanding. CPREIT 2.95 06/15/30 is trading at 81.5 with YTM of 6.7% and Z-spread of 254bps. From a trading perspective, CPREIT 2.95 06/15/30 offer good carry but we do not see a strong catalyst for out-performance. We also prefer HK corps with less exposure on office sector which is

facing challenges of WFH and new supply. For HK corps, we prefer bonds/perps offer deeper value such as NWDEVL Perps and LASUDE.

	Currency	Px (ask)	YTM (% ask)	Z-spread (bps, ask)	Amt o/s	Issue rating
CPREIT 2.95 06/15/30	USD	81.51	6.73	254.47	USD300mn	Baa2
CPREIT 2.75 10/07/24	HKD	-	-	-	HKD25.78mn	Baa2
CPREIT 2.85 06/20/25	HKD	97.26	5.63	88.46	HKD73.72mn	Baa2
CPREIT 2.85 06/23/25	HKD	96.72	6.18	143.85	HKD25.64mn	Baa2
CPREIT 4 07/31/25	HKD	97.91	5.99	122.25	HKD57.33mn	Baa2
CPREIT 3.73 04/06/28	HKD	94.01	5.59	140.39	HKD35.04mn	Baa2

Source: Bloomberg

➤ Offshore Asia New Issues (Priced)

Issuer/Guarantor	Size (USD mn)	Tenor	Coupon	Priced	Issue Rating (M/S/F)
National Australia Bank	900/750	3/10yr	5.087%/5.181%	T+47/78	Aa2/AA-/-
National Australia Bank	850	3yr	5.997%	SOFR+62	Aa2/AA-/-
Nine Dragon Paper Holding Ltd	400	PNC3	14%	14%	-/-/-

➤ 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 40 credit bonds issued yesterday with an amount of RMB22bn. As for month-to-date, 1,161 credit bonds were issued with a total amount of RMB1,278bn raised, representing a 5.8% yoy increase
- **[DALWAN]** Media reported that Dalian Wanda Commercial Management sold Hefei Wanda Plaza
- **[FUTLAN/FTLNHD]** Seazen Holdings scheduled interest payment for 23Xincheng01 and 23Xincheng02 on 17 Jun'24
- **[HPDLF]** Media reported that Hopson repaid USD100mn private notes due early last month
- **[INDYIJ]** Indika Energy 1Q24 revenue down 37% to USD570mn and adj. EBITDA slumped 59% yoy to USD63mn due to lower coal prices
- **[MEDCIJ]** Medco Energi announced to repurchase USD150mn due 2026 notes via tender offer
- **[POLYRE]** Media reported that Poly Development plans to raise up to RMB12bn (cUSD1.7bn) via convertible bonds
- **[VNKRLE]** China Vanke secured RMB1.1bn loan from Bank of Communications
- **[YZCOAL]** Yankuang Energy to raise HKD4.96bn (cUSD633.7mn) via private share placement

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.