

CMBI Credit Commentary

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

- *New issue DFHOLD'26 tightened c15bps this morning. HYUELE'26 widened 5-10bps. Float bonds issued by China big four banks and leasing companies were under better selling. IG property names and real estate related LGFVs such as CPDEV, ZHHFGR were two-way active.*
- *LPKRIJ: Strong 9M23 results; cautious tone on outlook and refinancing. LPKRIJs were unchanged this morning. See below.*
- *CPDEV: Fitch downgraded Beijing Capital Group to BBB- with stable outlook. CPDEVs moved -0.2 to +0.3pt this morning.*

❖ Trading desk comments 交易台市场观点

Asia ex JP IG space was firm yesterday. In Chinese SOE/TMT benchmarks, HAOHUA/TENCNT 30s edged 2-3bps tighter. The high-beta TMTs MEITUA/XIAOMI 30s tightened 1-5bps. In financials, HRINTH closed 0.5-1.2pts higher (15-30bps tighter). GRWALL/ORIEAS tightened 3-7bps. In Chinese bank T2/leasing papers, CCB/CDBFLC 30s widened 3bps. Chinese AT1s were better bid under deployment buying flows from Chinese RMs. ICBCAS/CINDBK Perps were up 0.1pt. STANLN 7.75 Perp gained 0.7pt. HSBC 8 Perp was under better buying after the announcement of strong 3Q23 results. HK Corp space performed mixed. PEAKRN 5.35 Perp/CKPH 3.5 Perp were up 0.6-0.7pt, whilst CKINF perps dropped 1-1.9pts. HK/Chinese properties were also mixed. SHUION 23-26s were up 0.3-0.8pt. GEMDAL '24 was 1pt higher. On the other hand, VNKRL 24-27s closed 1.3-2.1pts lower amid active two-way flows. CHJMAO/DALWAN 24-26s were down 1-2.6pts. In industrials, ANOTIL '25 was 2.5pts higher. EHICAR/WESCHI 26s were up 0.4-0.7pt. In Macau gaming names, MPEL/SANLTD/WYNMAC 24-29s were 0.2-0.5pt lower. In Indian space, VEDLN 24/25 were up 0.7pt. Indonesian names KIJAIJ '27 was down 0.9pt. Elsewhere, GLPCHI '24 moved 2.7pts higher while other GLPCHIs/GLPSPs were unchanged.

The LGFV/Perp spaces had a stable session with decent two-way flows. The flows were largely driven by month-end rebalancing needs. The cash parking demand focuses on the front-end papers. CQNANA '26 was 1pt higher. The 7-8% Shandong names SHDOIS/QDJZWD 24s were up 0.3-0.5pt. GZGETH '23/GZINFU '26 were up 0.1-0.3pt. KMRLGP '24 lowered 1.3pts post Moody's withdrawal on its Ba1 ratings. CPDEV '25 closed 0.5pt higher after dropping 2pts last week. Yesterday, Fitch downgraded Beijing Capital City Development to 'BBB-' while outlook remained stable. FRESHK '25 was 1.7pts lower. Insurer names SUNSHG/ZHONAN 26s were up 0.3pt. SOE perps were under better buying. CHSCOI 3.4 Perp/CHCOMU 3.425

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Perp/CHPWCN 3.45 Perp were up 0.1-0.2pt. CHINEV completed the redemption and cancellation of its USD300mn 3.8% senior perp.

❖ Last Trading Day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
GLPCHI 4.974 02/26/24	88.6	2.7	VNKRLE 4.2 06/07/24	75.7	-2.9
HRINTH 3 7/8 11/13/29	81.2	1.2	CHJMAO 3.2 04/09/26	74.7	-2.6
HRINTH 5 1/2 04/27/47	76.9	1.1	CKINF 4.2 PERP	63.4	-1.9
HRINTH 4 1/2 05/29/29	82.0	1.1	KMRLGP 3.9 12/12/24	88.7	-1.3
GEMDAL 4.95 08/12/24	23.5	1.0	CKINF 4.85 PERP	70.2	-1.2

❖ Marco News Recap 宏观新闻回顾

Macro – S&P (+1.20%), Dow (+1.58%) and Nasdaq (+1.16%) rebounded on Monday. China official manufacturing/non-manufacturing PMI in Oct was 49.5/50.6, down from 50.2/51.7 in Sep and lower than the expectation of 50.2/51.8. The UST yields rallied higher yesterday, 2/5/10/30 yield reached 5.03%/4.80%/4.88%/5.04%, respectively.

❖ Desk analyst comments 分析员市场观点

➤ LPKRIJ: Strong 9M23 results; cautious tone on outlook and refinancing

Table 1: Lippo Karawaci 9M23 financials

IDR bn	9M22	9M23	% change
Revenue	10,544	12,435	17.9%
-Healthcare	6,932	8,246	19.0%
-Real Estate	2,790	3,279	17.5%
-Lifestyle	822	910	10.7%
Gross profit	4,406	5,449	23.7%
EBITDA	2,187	3,089	41.2%
-Healthcare	1,561	2,185	40.0%
-Real Estate	421	705	67.5%
-Lifestyle	206	199	-3.4%
Profit before tax	-1,278	1,793	240.3%
Attributable net profit	-1,927	788	140.9%
Gross margin	41.8%	43.8%	
Net profit margin	-15.9%	10.0%	
Cash and cash equivalent	2,793	2,309	-17.4%
ST debts	2,604	3,423	31.4%
LT debts	18,290	17,044	-6.8%
Total debts	20,894	20,467	-2.0%
Net debts	18,101	18,158	0.3%
Cash/ST debts	1.1x	0.7x	

Source: Company fillings, CMBI Research.

Lippo Karawaci reported stronger 9M23 results, mainly driven by healthcare segment which maintained the growth momentum post COVID. For real estate segment, its 9M23 marketing sales declined 4.0% yoy to IDR3.36tn, equivalent to 68.5% of FY23 target of IDR4.9tn. The company is confident to achieve the full year marketing sales target given the launch of Park Serpong despite the management sounded out a cautious outlook on operating environment. The operating cash flow turned positive in 9M23 to IDR662bn (cUSD41.7mn), compared with cash outflow of IDR765bn in 9M22, thanks to the improved financial performance and cash collections. Majority of the capex of IDR488bn in 9M23 was spent on the acquisitions of medical systems by Siloam in anticipation of the growth opportunities .

As at 30 Sep'23, Lippo Karawaci had cash of IDR2.3tn (cUSD145.5mn) and total debts of IDR20.5tn (cUSD1.29bn) that slightly dropped from IDR20.9tn at 30 Sep'22, in which 42% of the total debts were IDR bank loans, 32% were USD bonds and 26% were lease liabilities. We take comfort that Lippo Karawaci hedged 100% of the principals of USD bonds due 2025 and 2026 at IDR15,000-17,500, and 100% 2026 interest at IDR 13,300-15,500. Also, it has no financial liabilities with floating interest rate as at 30 Sep'23. As per the company, there was no margin call on its hedges in relation to the IDR depreciation. The currency and interest rate risk are manageable, in our view.

Lippo Karawaci early retired c44% of due-25 and c53% of due-26 bonds through tender offers and open market repurchase for its LPKRIJ'25-26 totaled USD405mn, with a syndicated loan of IDR5.25tn. See Table 2 below. As per the company, it is yet to have any concrete refinancing plan given the very challenging funding environment. The next USD bonds maturity will be in Jan'25 of USD237.1mn.

Table 2: Open market repurchase and tender offers

Date	Bond	Price	Amt accepted (USDmn)
Mar'23	LPKRIJ 8.125 01/22/25	87	32.3
	LPKRIJ 6.75 10/31/26	77	87.7
Feb'23	LPKRIJ 8.125 01/22/25	87/84	116.26
	LPKRIJ 6.75 10/31/26	77/74	108.47
Aug'22	LPKRIJ 8.125 01/22/25	c85.4	2
Jul'22	LPKRIJ 8.125 01/22/25	c78.9	13

Source: Bloomberg, CMBI Research.

On the other hand, Lippo Karawaci's 47.29% owned Lippo Mall (LMIRT) has two USD bonds due in Jun'24 and Feb'26, totaled USD422.4mn. According to Lippo Karawaci, it has not yet secure any new loans to refinance LMIRT's USD bonds. Similar to Lippo Karawaci, LMIRT is likely to search for bank financing in local currency to refinance the outstanding USD bonds under the higher-for-longer interest rate environment. On 16 Oct, LMIRT has extended its three SGD denominated loans by three years, secured by certain properties. It also decided not to pay the distribution on its perps since Mar'23. LMIRT will hold an investor call on its 3Q23 results on 9 Nov.

We are neutral on LPKRIJs. We do not see strong catalyst for the bonds to outperform given the cautious outlook and lack of concrete refinancing plan, as well as the potential negative headlines related in LMIRT. We are also concerned of the trading liquidity of the bonds in a volatile market environment given the small o/s amount. That said, the valuation of LPKRIJs are undemanding and we would not be surprised if the company will early redeem part of the o/s bonds in an opportunistic manner.

Table 3: Bond profile of Lippo Karawaci

Bond	Ask px	YTM (ask, %)	Amt o/s (USDmn)	Bond rating (M/S/F)
LPKRIJ 8.125 01/22/25	83.0	25.0	237.1	Caa1/-/B-
LPKRIJ 6.75 10/31/26	69.1	21.2	194.7	Caa1/-/B-
Total			431.8	

Source: Bloomberg.

➤ Offshore Asia New Issues (Priced)

Issuer/Guarantor	Size (USD mn)	Tenor	Coupon	Priced	Issue Rating (M/S/F)
Hyundai Capital America	300	2yr	6.665%	SOFR+132	Baa1/BBB+/-
Hyundai Capital America	500/700	3/5yr	6.25%/6.5%	T+125/178	Baa1/BBB+/-
Korea Investment & Securities	400	3yr	6.875%	T+235	Baa2/BBB/-

➤ Offshore Asia New Issues (Pipeline)

Issuer/Guarantor	Currency	Size (USD mn)	Tenor	Pricing	Issue Rating (M/S/F)
Xiamen ITG Holding Group	USD	-	364d	7%	-/-/-

➤ News and market color

- Regarding onshore primary issuances, there were 62 credit bonds issued yesterday with an amount of RMB51bn. As for Month-to-date, 1,318 credit bonds were issued with a total amount of RMB1,437bn raised, representing a 3% yoy decrease
- [ADANIG]** Adani Green 2Q24 revenue rose 40% yoy to USD266mn and power supply EBITDA up 62% yoy to USD219.9mn
- [BCDHGR]** Fitch downgraded Beijing Capital Development Holding one notch to BBB- with stable outlook
- [CHADEC]** Changde Urban Construction and Investment proposes to offer RMB700mn three-year MTNs to repay debts
- [CHGRAU]** China Grand Automotive Services unit completed full redemption of USD261mn CHGRAU 9.109 PERP via a call option
- [COGARD]** Media reported that Country Garden has launched bondholder identification process for 17 offshore bonds including two HKD denominated CBs and 15 public USD bonds
- [CPDEV]** Fitch downgraded Beijing Capital Group to BBB- with stable outlook
- [EHOUSE]** E-House delays dispatch of circular on planned rights issue to 30 Nov
- [GEMDAL]** Gemdale proposed to make RMB1.6bn provision for asset impairment in 9M23
- [GRNLGR]** Greenland Holding Group announces USD8bn guaranteed MTN programme

- **[JINJII]** Jinjiang International proposes to offer up to RMB1bn MTNs to repay debts
- **[LOGPH]** Media reported that Logan Group latest restructuring plan calls for 85% haircut on up to 20% of USD 6.62bn offshore debt; winding-up petition hearing further adjourned to 4 Dec'23
- **[SHARAO]** Shangrao Investment Holding proposes to offer up to RMB4.5bn corporate bonds
- **[SHDOIS]** Shandong Iron and Steel proposes to offer RMB1bn extendable MTNs to repay debts
- **[UPLLIN]** UPL 2Q24 revenue down 19% yoy to USD1.22bn and EBITDA down 43% yoy to USD188.5mn

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