

## CMBI Credit Commentary

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

- *Front end China IG real estate names were firm this morning. Front end LGFVs were under better buying while longer-dated LGFVs notes were mixed. DALWAN's termination of CS appointment is a non-event. DALWANs moved -1.25 to 1.5pts this morning. See below.*
- **LMRTSP:** *Still exploring options to refinance debts due in 2024. LMRTSPs were unchanged this morning. See below.*
- **China Economy** – *Deflation spurs call for additional policy loosening. CMBI revises down the forecast on CPI growth for 2023 from 0.6% to 0.4% while maintaining the forecast for 2024 at 2%. CMBI revises down the forecast on PPI growth for 2023 from 2.7% to 3% and maintain the forecast for 2024 at 1.3%. See below for comments from CMBI economic research.*

#### ❖ Trading desk comments 交易台市场观点

Last Friday, Asia ex JP IG spreads closed unchanged to 3bps wider post overnight rates widened 10-12bps across the curve. On the new issue front, BOC Sydney priced a USD300mn 3yr FRN at SOFR+60 and the BCHINA FRN 26s closed 3bps wider from the RO. The new BOCAVI 28s were traded around T+130/131 area in mixed two-way flows. Korean recent new KHFC 26s tightened 5bps and closed at T+55. In AT1s, UBS 9.25 PerpNC10 remained strong at 102 cash-price level, while UBS NC5 bond retraced 0.25pt to around 101. SOCGEN 10 Perp/BNP 8.5 Perp remained firm too despite some selling flows from AMs, whilst MUFG 8.2 Perp/HSBC 8 Perp retraced 0.25pt from their rich valuations. In Chinese SOEs, HAOHUA/SINOCHEM 30-31s were 2bp wider. The high beta TMTs WB/LENOVO 30s were 2-5bps wider. In financials, the front end of Chinese bank T2/leasing papers were actively traded. In AMCs, HRINTHs were 0.1-0.3pt higher (10-15bps tighter) after the company announced the 8th round of buyback. In HK Corp space, NWDEVL '27/NWDEVL 6.15 Perp were 0.4-0.8pt higher. CKINF/CKPH Perps were up 0.3-0.4pt. HK/Chinese properties were mixed. HPDLF 24s and YLLGSP 24s were 0.6-1.2pts higher. SHUIION/LASUDE 26s were down 1-1.1pts. LNGFOR 27-32s were 1.1-2.2pts lower. VNKRL 24s remained stable in cash prices supported by PB buyers. VNKRL 25-29s were 0.5-2.1pts lower last Friday but still closed 9-12pts higher WoW. CHJMAO '29 lowered 1.3pts. DALWAN/GEMDAL 24s were down 1-1.2pts. In Macau gaming names, MGMCHI/WYNNMAC 27-29s were 0.6-0.8pt lower. Indian space was quiet. AZUPOE '24 was up 0.4pt. Indonesian name INDYIJ '24/LMRTSP '26 were 0.4-0.8pt higher.

In the LGFV/Perp spaces, the sentiment remained largely afloat, despite a modest amount of profit taking from AMs on some lower-yielding Perp/LGFVs. CPDEV 26/Perp were up 0.2-0.3pt after rallying 9-10pts over the last week. KMRLGP '24 was up 1pt. The Chongqing names performed well post the

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tender offer announcement of CQNANA. CQLGST 24s were 0.3-0.5pt higher while CQNANAs were up 0.1pt. The 7-8% quality LGFVs SHDCOM 24/GZINFU '26 were 0.7-0.8pt higher. In Shandong names, HKIQCL '25/SHGUOH '26 were up 0.1-0.2pt. In SOE perps, CHPWCN 4.25 Perp/HUADIA 4 Perp were unchanged to 0.2pt higher. Elsewhere, ZHONAN '26 was up 0.6pt.

#### ❖ Last Trading Day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
YLLGSP 6.8 02/27/24	93.7	1.2	LNGFOR 3.95 09/16/29	43.3	-2.2
KMRLGP 3.9 12/12/24	90.1	1.0	VNKRLE 3.975 11/09/27	58.9	-2.1
INDYIJ 5 7/8 11/09/24	99.4	0.8	LNGFOR 4 1/2 01/16/28	47.8	-1.4
GZINFU 2.85 07/28/26	87.3	0.8	VNKRLE 3 1/2 11/12/29	53.9	-1.4
NWDEVL 5 7/8 06/16/27	84.5	0.8	CHJMAO 4 1/4 07/23/29	62.3	-1.3

#### ❖ Marco News Recap 宏观新闻回顾

**Macro** – S&P (+1.56%), Dow (+1.15%) and Nasdaq (+2.05%) rebounded on last Friday. The US Nov consumer confidence index from University of Michigan was 60.4, down from 63.8 in Oct and was lower than the expectation of 63.7. The UST yields were stable on last Friday, 2/5/10/30 yield reached 5.04%/4.65%/4.61%/4.73%, respectively.

#### ❖ Desk analyst comments 分析员市场观点

##### ➤ DALWAN: Termination of CS appointment is a non-event

Zhuhai Wanda announced to terminate the appointment of CS as one of the IPO coordinators with effect from 9 Nov'23. We believe that the termination of CS appointment is more down to the business restructuring of CS than to the lack of progress of the IPO of Zhuhai Wanda. Recalled that CLSA, JPM and CS were appointed as IPO coordinators on 28 Jun'23. After the termination of CS appointment, CLSA and JPM remain to be the coordinators.

[As discussed before](#), the IPO of Zhuhai Wanda will highly unlikely be completed by FYE23. We estimate the redemption amount of pre-IPO investments to be cRMB46bn should the IPO not completed by FYE23. Dalian Wanda Commercial Management (DWCM) has been reported in negotiations with pre-IPO investors to waive or extend the redemption. We expect that DWCM will be able to avoid the redemption of majority of the pre-IPO investments by FYE23 as the waiver or amendment of the put option is in the interests of the pre-IPO investors, DWCM and Zhuhai Wanda. In our view, the keys to persuade pre-IPO investors to waive or amend the put option are: 1) DWCM and Zhuhai Wanda are ring-fenced operations from Dalian Wanda Group; and 2) DWCM and Zhuhai Wanda are generating large and recurring income from property leasing and management, they remain solvent and continue to honour payment obligations. The waiver or amendment of pre-IPO put will also be the key to win CSRC approval for the IPO.

##### ➤ LMRTSP: Still exploring options to refinance debts due in 2024

Lippo Mall Indonesia Retail Trust (LMIRT) reported 3.8% drop in gross revenue in 3Q23 to SGD49.8mn, due to depreciation of IDR against SGD. The gross revenue in IDR increased 1.3% to IDR560.2bn from higher service charge and utilities recovery with tenants return to full operations. The net property income (after deducting property related operating expenses) dropped 6.6% to SGD30.6mn, or 1.7% drop to IDR344.9bn.

Net income for 3Q23 dropped by 46.8% to SGD8.1mn in the absence of other income and higher finance costs during the quarter.

At 30 Sep'23, LMIRT had SGD98.6mn cash and cash equivalent, dropped from SGD111mn at Dec'22. Total debt level was largely stable at SGD810.5mn at the quarter ended, compared with SGD819.4mn at Dec'22. All debt facilities at 30 Sep are on unsecured basis. On 3 Nov, LMIRT extended three SGD denominated loans totaled SGD245mn for three years. The original repayment schedules were SGD135mn due on 9 Nov, SGD82.5mn due on 6 Jan'24 and SGD27.5mn due on 6 Jan'26. LMIRT has early repaid SGD47mn and extended the maturities of the remaining such that the extended loans will have amortizations of SGD22mn on 2 Nov'24 and 2 Nov'25, respectively, as well as SGD154mn on 2 Nov'26. The extended loans carry higher interest margin from current SOR/SORA+2.5%-3.92% and secured by certain properties as collateral.

At the same time, it is facing USD bonds of USD231.8mn due Jun'24 and USD190.6mn due Feb'26. LMIRT does not have a concrete refinancing plan. Meanwhile, the distributions on its SGD perps perpetual securities will continue to be skipped. There are dividend stopper provisions under the terms of perpetual securities. Besides, Lippo Karawaci owned 47.29% of LMIRT and classified as an associate. And there is no cross default trigger to Lippo Karawaci.

According to LMIRT, the potential onshore lenders, introduced by Lippo Karawaci, are still monitoring their financial performance and operational data which will be critical to gain the support from the lenders. In 3Q23, the shopper traffic of LMIRT only recovered to 68.7% compared to pre-covid level in 2019. The occupancy rate, was 76.8% for 3Q23 compared with 91.5% in FY19. Among its retail malls, Lippo Mall Puri/ Sun Plaza/ Lippo Mall Kemang are with the highest carrying value and number of tenants, and their occupancy rate are 90.2%/93.8%/82.9% respectively. Management expects to see the occupancy rate to go back to above 80% over the next 6 months.

	<b>o/s amt</b>	<b>Ask px</b>	<b>YTM/YTC (ask, %)</b>
LMRTSP 7.25 06/19/24	USD231.8mn	70.76	76.84
LMRTSP 7.5 02/09/26	USD190.6mn	61.21	33.44
LMRTSP 6.475 Perp	SGD140mn	18.38	1,339.20
LMRTSP 8.096 Perp	SGD120mn	17.51	4,637.19
Total	cUSD611.9mn		

Source: Bloomberg.

### ➤ China Economy – Deflation spurs call for additional policy loosening

China's CPI growth fell short of market expectation and returned to negative again at -0.2% in Oct. The continuous slump of food prices is still the major drag of softened CPI as pork price dropped 30.1% in Oct. Domestic demand remained floppy as core CPI inched down to 0.6%. The YoY decline of China's PPI widened for the first time in four months to 2.6% due to the easing of energy prices and higher base effect last year. The deflation increased real-term interest rates and debt burden of the real economy sector and negatively affected durables consumption and business capex. The deflation indicates weak aggregate demand and spurs the call for additional policy loosening. Looking forward, we expect the CPI and PPI may remain weak in the next two months before gradually improving in 2024. We revise down our forecast on CPI growth for 2023 from 0.6% to 0.4% while maintaining the forecast for 2024 at 2%. We revise down the forecast on PPI growth for 2023 from 2.7% to 3% and maintain the forecast for 2024 at 1.3%.

**CPI growth railed back to negative due to the drag of food deflation.** CPI came in short of expectation, edging down to -0.2% YoY in Oct after staying flat in Sep. In sequential terms, CPI dropped 0.1% after increasing 0.2% in Sep. The retracted CPI YoY growth is mainly driven by the food price and weak domestic demand for goods and services. Food CPI noticeably dropped 4% YoY after declining 3.2% in Sep, as the pork price dropped 30.1% YoY in Oct. Pork sequential growth dipped to -2% from 0.2% in Sep. As the number of

live pigs in stock and breeding sows is still elevated, we expect the drag from pork price due to excessive supply on CPI will not end just yet. The energy price continued to surge as vehicle fuel expanded its YoY growth from -1.1% to 1.8% while public utility price edged up to 0.6% after rising 0.5%. The MoM growth of vehicle fuel moderated from 2.3% to 1.8%. Core CPI growth inched down to 0.6% YoY from 0.8% as its MoM growth dropped to 0% from 0.1%. Demand for durables, which had the greatest impact on production output, was still weak as CPI in transport vehicles and telecom equipment stayed soft while home equipment saw a solid rebound in MoM growth. Services CPI growth edged down to 1.2% YoY in Oct while its MoM growth remained at -0.1%. MoM growth of tourism dropped 0.3% while delivery service dropped 0.1%. Employment condition remained challenging with slow improvement as housing rent slightly increased in October after contracting for several months.

**PPI widened its YoY declines as the energy and commodity prices softened.** PPI declined 2.6% YoY in Oct after dropping 2.5% YoY in Aug, which has been in contraction for 13 months. PPI in coal mining and ferrous metals respectively dropped 15.4% and 5.2% in Oct after decreasing 15.6% and 5% in Sep. Meanwhile, PPI in oil & gas mining and non-ferrous metal picked up 1.7% and 2.6% after dropping 3.3% and rising 2.7% in Sep. From the MoM perspective, PPI inched down to 0% in Oct after rising 0.4% in Sep. The MoM growth of crude oil & gas and petroleum eased to 2.8% and 2.5% from 4.1% and 3.1%. Prices of export-intensive industries like ferrous metals, computers & electronics, non-ferrous metals, automobiles and general machinery all saw a decline in MoM growth at -0.6%, -0.3%, -0.2%, -0.1% and -0.1% as effected by the deteriorated export in Oct. The moving trend of PPI growth is highly related to the inventory cycle as the widened PPI decline as well as the fall of PMI indicate the de-stocking trend in most manufacturing industries has not been alleviated yet.

**We expect a mild reflation in CPI and PPI with continuous credit loosening, gradual demand improvement and base effect ahead.** We expect the central bank to maintain easing liquidity and credit policy with additional cuts in RRR, LPRs and deposit rates in the next three quarters to facilitate credit expansion. The PBOC also vows liquidity support for debt-ridden local governments. Fiscal policy will be more proactive as the central government has allowed provincial governments to issue special bonds to repay the matured hidden debts. However, the improvement of domestic demand may remain slow due to property market slump and weak business confidence. We revise down our forecast on CPI growth for 2023 from 0.6% to 0.4% and maintain the forecast for 2024 at 2%. We revise down the forecast on PPI growth for 2023 from -2.7% to -3% while maintaining that for 2024 at 1.3%

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#### ➤ 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 72 credit bonds issued last Friday with an amount of RMB68bn. As for Month-to-date, 526 credit bonds were issued with a total amount of RMB515bn raised, representing a 20.1% yoy decrease
- **[CICCHK]** CICC and China Galaxy Securities announced they not received any written or verbal information from any government department, regulatory authority or shareholders regarding a reorganization and merger between the two companies
- **[COGARD]** Media reported that Country Garden planned to work out a tentative offshore debt restructuring plan by the end of 2023; Fitch will withdraw Country Garden's BB+ rating on 12 Dec'23
- **[ESRCAY]** ESR Group signed HKD8.8bn five-year green loan for development of logistics centre in Hong Kong
- **[EXCECP]** Excellence Commercial Properties proposes to offer RMB500mn three-year MTNs to fund project development, repay debts, boost working capital
- **[GEMDAL]** Media reported that Gemdale remitted RMB2.14bn fund for payment of two onshore notes
- **[GRNCH]** Greentown set offering amount at RMB800mn for its proposed offering of three-year MTNs to fund project development
- **[MEDCIJ]** Medco Energi announced results of tender offers for notes due 2025, 2026, 2027, 2028. The settlement was expected on 15 Nov 2023
- **[SDEXPR]** Shandong Hi-Speed issued RMB1.5bn 3.17% 2+N-year MTNs to repay debts, boost working capital
- **[SINOCE]** Sino-Ocean received demand letters, acceleration notices and legal letters with respect to certain offshore debts. The group business operations remained normal
- **[UPLLIN]** Moody's changed UPL's outlook to negative from stable and affirmed the company's Baa3 issuer and senior secured ratings
- **[VNKRLE]** China Vanke scheduled redemption of 20Wanke07 bonds and interest payment for RMB1.6bn bonds on 13 Nov 2023
- **[YANGZH]** Yangzhou Economic and Technology Development Zone Development issued RMB500mn 2.70% one-year bills to repay debts
- **[YUNINV]** Yunnan Provincial Investment proposed to offer up to RMB1.5bn corporate bonds to repay debts

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