

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 were unchanged to slightly wider with light flows. BOCAVIs and CATLIFs were under better selling post new issuance announcements. GRNCHs were unchanged to 0.3pt higher post 1H24 results.*
- **FAEACO:** *Consent solicitation to allow partial redemption with more frequent redemption intervals. FAEACO 7.375 Perp was 0.25pt higher this morning. See comments below.*
- **FRESHK:** *FV of new 3/5-yr USD bonds to be high-5% and low-to-mid 6%. See comments below.*

❖ Trading desk comments 交易台市场观点

Yesterday, UST yield tightened 5-9bps post Jackson Hole. Chinese IGs, HAOHUA/TENCNT/BABA 30-31s were 1-2bp tighter. In the high beta TMTs, MEITUA/LENOVO/ WB/XIAOMI 30s tightened 2-5bps. See our comments on WB's 1H24 results on [26 Aug '2024](#). In financials, Chinese AMCs were under better buying. HRINTHS/GRWALLs were unchanged to 0.1pt higher (5-10bps tighter). CCAMCLs/ORIEASs were 1-4bps tighter. BCLMHK/BOCOM/ICBCAS 26-27s widened 2-3bps. In AT1s, KBANK/KTBTB Perps were up 0.3pt. UBS 7.75 Perp/BACR 8 Perp/SOCGEN 8.5 Perp were 0.1-0.2pt higher. In JP, RAKUTN 5.125 Perp/RAKUTN 6.25 Perp were 0.2-0.3pt higher. In HK, FAEACO launched a consent solicitation on FAEACO 7.375 Perp. See below for comments. LIFUNG 5.25 Perp/NWDEVL 4.8 Perp were up 0.3-0.5pt. Chinese properties were firm. VNKRL 25/27/29 were 1.7-2.4pts higher. LNGFOR 27/28/29/32 were 0.9-1.2pts higher. See our comments on [26 Aug '2024](#). FUTLAN '25/DALWAN '24 were up 0.7pt. SHUION/GRNCH 25-26s were up 0.3-0.4pt. CHIOLI 42/43, on the other hand, were down 0.3-0.4pt. In Macau gaming, MPEL/SANLTD 28-30s were 0.3-0.6pt higher. In India, ADSEZ 27-31s/ADANEM 30-31s/ADGREG '42 were 0.5-0.8pt higher. The long-end of RILINs were down 0.4-0.9pt. In Indonesia, MDLNIJ 25/27 were up 0.4pt.

In LGFVs, JNFIHG priced a USD283mn 3-yr bond at par to yield 6.3%. JZMUNU priced a USD155mn 3-yr bond at par to yield 6.4%. BJCONS/SXUCI 26s were up 0.3pt. CPDEV 25/26 were down 0.1-0.2pt. In SOE perps, CHPWCN 4.25 Perp/CHSCOI 3.4 Perp/HUANEN 5.3 Perp were

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up 0.1-0.3pt. In the high beta names, TIANFS '26 was 0.5pt higher. ZHONAN '26 was up 0.4pt. GRPCIN/SUNSHG 26s were down 0.1-0.2pt.

❖ Last Trading Day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
VNKRLE 3 1/2 11/12/29	53.4	2.4	RILIN 3 5/8 01/12/52	74.1	-0.9
VNKRLE 3.975 11/09/27	57.8	1.8	TAISEM 4 3/8 07/22/27	99.9	-0.6
VNKRLE 3.15 05/12/25	84.3	1.7	TAISEM 3 1/4 10/25/51	78.8	-0.6
LNGFOR 3.85 01/13/32	63.8	1.2	RILIN 4 7/8 02/10/45	93.9	-0.5
LNGFOR 3 3/8 04/13/27	78.8	1.1	CHIOLI 5.35 11/15/42	91.9	-0.4

❖ Marco News Recap 宏观新闻回顾

Macro – S&P (-0.32%), Dow (+0.16%) and Nasdaq (-0.85%) were mixed on Monday. UST yields were stable yesterday, 2/5/10/30 yield reached 3.91%/3.66%/3.82%/4.11%.

❖ Desk analyst comments 分析员市场观点

➤ FAEACO: Consent solicitation to allow partial redemption with more frequent redemption intervals

Far East Consortium (FAEACO) launched the consent solicitation on FAEACO 7.375 Perp (o/s USD360mn) to allow FAEACO to have the option to partially redeem the perp, at a minimum redemption amount of USD20mn on each of the optional redemption date with monthly redemption intervals after the first call date. The early consent fee and base consent fee are USD0.25 and USD0.1 and the early voting and voting deadlines are 6 Sep'24 and 12 Sep'24, respectively.

Under the existing T&C, the perp could be callable in full every 6 months after the first call date in Oct'24. The coupon of the FAEACO 7.375 Perp will be reset and step up to 5yUST+initial spread of 592.4bps+300bps, i.e. c12.6%, from 7.375% if it is not called on the first call date. As of Mar'24, FAEACO's net gearing ratio was 68.1%. Its net gearing ratio would have increased to 84% if the FAEACO 7.375 Perp is redeemed in full with cash or additional debts. The net gearing ratio would breach the loan covenants of net gearing ratio which could not be greater than 80%, per media report. Assuming no commensurate net debt reduction, FAEACO could redeem up to c75% of the outstanding amount of FAEACO 7.375 Perp (cUSD270mn) without breaching its loan covenants.

FAEACO has been divesting non-core assets to lower its leverage and shore up its liquidity. FAEACO disposed of a car park in UK at GBP17.2mn (cHKD177mn) and the transaction is expected to be completed in Aug'24. On the other hand, FAEACO expects to record contract sales totaled HKD1.3bn from two projects in Hong Kong in FY25: Manor Parc in Hung Shui Kiu (remaining 3 units not yet open for sale) and Mount Arcadia in Tai Wai (8 units on sale, and 6 units not yet open for sale). Besides, FAEACO has projects to be completed in FY25 with attributable value totaled HKD9.2bn, out of which HKD6bn was presold..

We are neutral on FAEACO 7.375 Perp in view of the unattractive valuation. Within the HK corp space, we still prefer the perps of NWDEVL with high coupon step-up. NWDEVL 5.25 PERP (YTC: 14.5%, callable in Jun'26) is our top pick within the NWDEVL complex for its better risk-return profile.

Bond	O/s amt (USD mn)	Px	YTM (%)	YTC (%)
FAEACO 7.375 Perp	360	99.66	9.60	14.12

Source: Bloomberg.

➤ **FRESHK: FV of new 3/5-yr USD bonds to be high-5% and low-to-mid 6%**

Far East Horizon (FEH) plans to launch the second USD bond issuance in 2024. The tenor of new issuance could be 3/5-yr or 5-yr only. We consider the FVs of new 3yr and 5-yr FRESHKs to be high-5% and low-to-mid 6%, respectively, taking cues from YTM of FRESH'27 at 5.8%, as well as the yield curve of Chinese leasing company space. The proceeds of new FRESHK'27/29 would be used for general corporate purpose and may be lent to Far East's onshore units.

Far East Horizon (FEH) reported stable asset quality yet lower profitability in 1H24. We like the fundamental story of FRESHK in view of its diversified leasing asset base and its smooth access to low-cost onshore funding. FRESHKs were unchanged post 1H24 results. We consider FRESHKs offering better risk-return profiles than those of its leasing peers such as BOCAVIs and PINIFLs. We maintain buy recommendations on FRESHK'25-27. Please read our comments in the daily on 14 Mar'24 and 2024 Asia Credit Outlook for more detailed discussions.

Security Name	ISIN	o/s amount (USD mn)	Ask Price	YTM (Ask)	Mod Dur	YTP (Ask)	Rating (M/S/F)
FRESHK 6% 04/16/27	XS2800583606	500	102.0	5.8%	2.3	-	-/BBB-/-
FRESHK 4 ¼ 10/26/26	XS2393797530	300	96.9	5.8%	2.0	-	-/BBB-/-
FRESHK 3% 02/18/25	XS2109200050	300	98.7	6.1%	0.5	-	-/BBB-/-
FRESHK 2 ½ 07/08/25 CB	XS2193653818	290	102.7	-0.6%	0.9	-0.9%	-/-/-

Source: Bloomberg.

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

Issuer/Guarantor	Size (USD mn)	Tenor	Coupon	Priced	Issue Rating (M/S/F)
Jinan Financial Holdings	283	3yr	6.3%	6.3%	-/-/-
Jingzhou Municipal Urban	155	3yr	6.4%	6.4%	-/-/BBB-

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

Issuer/Guarantor	Currency	Size (USD mn)	Tenor	Pricing	Issue Rating (M/S/F)
BOC Aviation	USD	-	7yr	T+140	-/A-/A-
Cathaylife Singapore Pte Ltd	USD	-	15NC10	-	-/BBB+/BBB+
Far East Horizon Ltd	USD	-	3/5yr	-	-/BBB-/-
Ganzhou Urban Investment Holdings	USD	-	3yr	6.6%	-/-/BBB-
San Miguel Global Power Holdings	USD	-	PNC5	-	-/-/-

➤ **News and market color**

- Regarding onshore primary issuances, there were 122 credit bonds issued yesterday with an amount of RMB127bn. As for month-to-date, 1,756 credit bonds were issued with a total amount of RMB1,684bn raised, representing a 3.9% yoy increase
- [CHIOIL]** China Oil and Gas Group 1H24 revenue down 1.6% yoy to HKD9.3bn and pre-tax profit down 15.9% yoy to HKD763mn

- **[CHJMAO]** China Jinmao unit issued RMB2bn three-year MTNs at a coupon of 2.8% to repay debts
- **[GALCLD]** Bohai Leasing unit secured USD125mn revolving credit line
- **[GRNCH]** Greentown China plans to redeem USD100mn GRNCH 2.3 01/27/25 before maturity and refinance part of the other two due-2025 USD bonds by bank loans
- **[HPDLF]** Hopson Development expected 1H24 profit to drop over 70% from RMB2.3bn in 1H23
- **[YXREIT]** Moody's downgraded Yuexiu REIT to Ba3 with negative rating outlook

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