

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. KORAIL 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. VNKRLE 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. ROADKGs 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.

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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. JNHTE '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	HILOHO 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
VNKRLE 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

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