

CMBI Credit Commentary

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

- *Market flows were light this morning. Asian IG space widened 2-3bps on profit taking. LGFVs were under better selling. VNKRLEs were down another 0.1-0.8pt while DALWAN moved another 0.3-0.6pt higher this morning.*
- **FUTLAN/FTLNHD:** *Plan to issue RMB1.56bn CBICL-guaranteed onshore bonds. Maintain buy on FUTLANs/FTLNHD. See below comments.*
- **SMCGL:** *USD320mn accepted in exchange and tender offers. Initiate buy on SMCGL 8.125 Perp. See below comments.*

❖ Trading desk comments 交易台市场观点

Yesterday, the new SMCGL 8.125 Perp rose 0.3pt from RO at par. The old SMCGL Perps were unchanged to 0.1pt lower. See comments below. In Indian space, VEDLN priced USD300mn 3.5NC1.5 and USD500mn 7NC3 bonds at par to yield 10.25% and 11.25% respectively. The new VEDLN 28/31 closed 0.2-0.5pt higher from RO levels. ADSEZs/ADANEMs/ADINCOs/ARENJs rebounded 0.3-2.0pts after the decline of 2.3-6.4pts on Mon. Moody's changed the outlooks on seven Adani Group companies to negative from stable. In Chinese IGs, media reported Tencent's plan to issue USD and CNH bonds. BABAs/TENCNTs were 1-4bps wider. MEITUAs/ACTECs widened 3-5bps. In financials, BCHINA/ICBCAS T2s were unchanged to 2bps tighter. Chinese AMCs were mixed. CCAMCL Perp/31s closed unchanged to 0.1pt higher. ORIEAS 29s/HRINTH 25-27s were 1-3bps wider. BBLTB/KBANK/UOBSP T2s widened 2-4bps. ANZ/MQGAU/WSTP T2s were unchanged to 3bps wider. EU AT1s were mixed with better selling from RMs/AMs vs better buying from Asian Prop desks/PBs. NWG 7.3/LLOYDS 6.75 Perp were up 0.1pt. INTNED 7.25/HSBC 6.875 Perps were down 0.1-0.3pt. In insurance hybrids, MYLIFE '54/FUKOKU Perp were up 0.2-0.3pt. Chinese properties performed mixed. DALWAN 25-26s rose another 1.8-3.0pts after the increase of 2.5-3.7pts on Mon. FTLNHD/FUTLAN 25-26s were up 0.3-0.7pt. See comments below. On the other hand, VNKRLE 25-29s dropped another 0.8-2.8pts. LNGFOR 27-32s declined another 0.9-1.5pts. In industrials, EHICAR '27 rose 0.7pt while EHICAR '26 lowered 0.7pt. In Indonesia, MDLNIJ 25-27s decreased 1.6-7.1pts.

In LGFV, QZTRIN priced a USD200mn 3-yr bond at par to yield 4.9%. HNJSVD priced a USD114mn 3-yr bond at par to yield 6.25%. The low-yielding LGFVs were under better selling from offshore AMs amid CNH funding squeeze, and were roughly absorbed by cross-border RM buyers. BJCONS '26/CCUDIH '26/GZGETH '27 were 0.1-0.2pt lower. There were mixed-two way flows in the higher-yielding LGFVs such as CNH LZINHO '27/PDCTEV '26. In SOE perps, CHCOMU 3.65/CHSCOI 4 Perps were 0.1-0.2pt higher, CHPWCN 3.08 Perp was down 0.1pt.

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❖ Last Trading Day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
DALWAN 11 01/20/25	92.2	3.0	MDLNIJ 5 06/30/25	37.7	-7.1
ADSEZ 5 08/02/41	72.4	2.0	VNKRLE 3.975 11/09/27	55.4	-2.8
DALWAN 11 02/13/26	81.2	1.8	VNKRLE 3 1/2 11/12/29	52.4	-2.3
ADSEZ 3.828 02/02/32	75.2	1.6	MDLNIJ 5 04/30/27	29.1	-1.6
ADSEZ 3.1 02/02/31	74.8	1.3	LNGFOR 4 1/2 01/16/28	77.1	-1.5

❖ Marco News Recap 宏观新闻回顾

Macro – S&P (+0.57%), Dow (+0.28%) and Nasdaq (+0.63%) rallied higher on Monday. US Nov'24 Conference Board consumer index was 111.7, lower than the expectation of 111.8. UST yields edged higher yesterday, 2/5/10/30 yield reached 4.21%/4.17%/4.30%/4.48%.

❖ Desk Analyst Comments 分析员市场观点

➤ FUTLAN/FTLNHD: Plan to issue RMB1.56bn CBICL-guaranteed onshore bonds

On 27 Nov'24, Seazen launched its 6th CBICL-guaranteed onshore bonds with 5-year tenor and issuance amount of RMB1.56bn (cUSD220mn). The issuance's initial coupon guidance is 3%-4.5%, we expect the bonds to be priced at low-3% to mid-3% given the yield curve of Seazen's onshore bonds. The funding costs of the new issues will be lower than Seazen's average funding cost of 6.05% in 1H24. Seazen will use the half proceeds of RMB780mn to repay debts and the remaining RMB780mn for working capital.

As of Sep'24, Seazen had cash of RMB13.3bn and total debt of RMB59.1bn, compared to cash of RMB15.8bn and total debt of RMB58.7bn in Jun'24. We take comfort that Seazen still has access to low-cost onshore bond market and shareholders supports. Recalled that Seazen announced to hold an EGM on 9 Dec'24 to consider borrowing RMB1bn loan provided by S-Enjoy Group, a company controlled by Seazen's controlling shareholder Wang Zhenhua. The loan will be priced at 6.05% and used for projects construction. We consider Seazen's near-term debt maturities to be manageable.

Meanwhile, Seazen Group and Seazen Holdings replaced PWC with Grant Thornton and Zhonghui Anda, respectively as auditors. We consider the changes of auditor credit neutral as PWC are subjective to investigation due to Evergrande's audit issues. FUTLANs/FTLNHDs rebounded 7.5-18pts since the Chinese government announced [supportive measures](#) in late-Sep'24. At the current valuations, we still consider FUTLANs/FTLNHDs offer balanced risk-return profiles, and hence maintain buy on them.

Table 1: Seazen's outstanding USD bonds

Security Name	ISIN	o/s amount (USD mn)	YTM (Ask)	Ask Price	Rating (M/S/F)
FTLNHD 4.8 12/15/24	XS2270462794	450	18.1	99.3	-/B/-
FUTLAN 4.45 07/13/25	XS2281036249	300	20.7	90.8	-/-/-
FTLNHD 4 ½ 10/15/25	XS2353272284	300	22.3	86.5	Caa2/-/-
FTLNHD 4 ½ 05/02/26	XS2290806285	404	23.1	78.3	Caa2/-/-
Total		1,454			

Source: Bloomberg.

➤ **SMCGL: USD320mn accepted in exchange and tender offers. Initiate buy on SMCGL 8.125 Perp**

San Miguel Global Power (SMCGL) accepted totaled USD274mn in the exchange offers and USD46mn in the tender offers, which to be funded by issuance of SMCGL 8.125 Perp of USD500mn. See Table 1. The new SMCGL 8.125 Perp has the same coupon reset and step-up (i.e. reset to 5yrUST+initial spread+250bps step-up) as all the five o/s perps of SMCGL.

As per our estimate, SMCGL will have cUSD60mn remaining after the settlement of exchange and tender offers (incl. cash incentive of the offers) and assume SMCGL exercise the “clean-up” call to redeem SMCGL 5.95 Perp in full at 101. The next USD perp first callable will be SMCGL 7 Perp in Oct’25 of USD193mn, post full redemption of SMCGL 5.95 Perp. In our view, the near-term refinancing pressure of SMCGL is lessen after the exchange and tender offers. Indeed, SMCGL may utilize the remaining proceeds to further repurchase SMCGL 7 Perp.

We initiate buy on SMCGL 8.125 Perp which offers the highest YTC along the curve, and traded 67bps higher than SMCGL 8.75 Perp for 9-month longer in “tenor”. We maintain buy on SMCGL 5.7 Perp and SMCGL 5.45 Perp for better risk-return profiles in view of their lower cash price, higher YTC and shorter effective tenor. We believe that SMCGL will redeem its perps on the first call dates due to the coupon reset and high step-up, as well as good access to funding channels. We also like Petron’s [PCORPM 5.95 Perp](#). Petron is an affiliate of SMCGL. We consider these Philippines perps low-beta and good carry plays.

Table 1: SMCGL’s outstanding USD perps

	Accepted in exchange offer (USDmn)	Accepted in tender offer (USDmn)	Amt o/s (USDmn)	First call date	Coupon reset (incl. 250bps step-up)	Px	YTC (%)
SMCGL 5.95 Perp	43.2	19.5	113.3	5 May'25	5yUST+6.796%	100.3	5.29
SMCGL 7 Perp	130.7	26.6	193.4	21 Oct'25	5yUST+9.199%	100.3	6.68
SMCGL 5.7 Perp	100.0	-	493.3	21 Jan'26	5yUST+6.554%	98.6	6.96
SMCGL 5.45 Perp	-	-	683.5	9 Dec'26	5yUST+7.155%	96.4	7.39
SMCGL 8.75 Perp	-	-	900.0	12 Jun'29	5yUST+7.732%	104.1	7.71
SMCGL 8.125 Perp	-	-	500.0	2 Mar'30	5yUST+6.404%	100.4	8.38
Total	273.9	46.1	2,883.5				

Source: Bloomberg, Company filling.

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

Issuer/Guarantor	Size (USD mn)	Tenor	Coupon	Priced	Issue Rating (M/S/F)
Quzhou Qutong Transportation	200	3yr	4.9%	4.9%	-/-/-
Zhejiang Qiantang River Investment	114	3yr	6.25%	6.25%	-/-/-

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

Issuer/Guarantor	Currency	Size (USD mn)	Tenor	Pricing	Issue Rating (M/S/F)
Guangde State-owned Assets Investment and Management	USD	-	3yr	6.8%	-/-/-
Huaibei City Construction	USD	-	3yr	6.7%	-/-/-
Huzhou City Investment Development	USD	-	3yr	5.1%	-/-/BBB

➤ **News and market color**

- Regarding onshore primary issuances, there were 140 credit bonds issued yesterday with an amount of RMB180bn. As for month-to-date, 1,783 credit bonds were issued with a total amount of RMB1,709bn raised, representing a 15.8% yoy increase
- Media reported that South Korea intends to provide cUSD10.2bn financial support to local chipmakers in 2025
- **[ADANIG]** Adani Green Energy clarified no new financial commitment under discussion with TotalEnergies
- **[ADEIN]** Media reported that Andhra Pradesh government to explore cancelling power supply contract linked to Adani Group; Moody's revised Adani Group seven entities' outlook to negative from stable
- **[ANTASP]** ANTA Sports Products proposes to repurchase EUR1.1bn CBs ANTASP 0 02/05/25 and offer EUR1.5bn new CBs
- **[DALWAN]** Media reported that Dalian Wanda Commercial Management said it would be able to repay remaining 75% on USD 400m bonds in January 2026 with PAG deal proceeds
- **[SHUION]** Shui On Land delayed circular on RMB8.1bn limited partnership agreement with China Life Insurance to 29 Nov'24
- **[TENCNT]** Media reported that Tencent mulls to issue USD and CNH bonds in coming weeks
- **[VEDLN]** Media reported that Vedanta plans to invest USD2bn in Saudi Arabia for copper projects

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