

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!

- *New issue LGENSO 27-34 widened 7-10bps this morning. Asian IG space was weak with one-way selling flows. China Vanke secured RMB1.5bn 10yr loans, VNKRLs moved -0.25 to +0.25pt this morning.*
- *NWDEVL: Refinancing is progressing smoothly. NWDEVLs were unchanged to 0.5pt higher this morning. See below.*
- *SOFTBK: FVs of new 5/7-yr USD bonds to be 6.3%-6.4% and 6.45%-6.55%. Prefer RAKUTN 5.125 PERP among JP corps. See below*

❖ Trading desk comments 交易台市场观点

Yesterday, LGENSO priced a USD700mn 3-yr bond at T+100, a USD800mn 5-yr bond at T+110, a USD500mn 10-yr bond at T+135. The recent issued HYNMTR 27/29/31 were unchanged to 2bps wider. HYUELE '27 widened 1bp and HYUELE 29/31 tightened 1bp. KRKPSC 27s/29s widened 2-3bps. OCBCSP 34s widened 2bps. WSTP 26/29 were unchanged to 2bps tighter. MQGAU/NAB 34s were unchanged to 2bps wider. Chinese IGs remained weak. TENCNT '30/BIDU '30/BABA '31 widened 2-6bps. HAOHUA '30/SINOCH '31 were 1-2bps wider. In financials, BOCAVI 29/30/33 widened 4-5bps. In Chinese AMCs, GRWALL announced new 3.5-yr senior bond and a NC3 senior perp. CCAMCL '29/ORIEAS '29/HRINTH '30 were 3-5bps wider. In EU AT1s, BNP 6.875 Perp/SOCGEN 7.875 Perp were 0.3pt higher. In HK, the new BNKEA '34 widened 1bp to T+257. PINGIN/CKHH/AIA 34s were 1-2bps wider. LIHHK/LASUDE 26s were 0.2-0.8pt higher. NWDEVL 5.25 Perp/NWDEVL 6.15 Perp were up 0.2-0.3pt. Chinese properties performed mixed. ROADKG 24-26s/Perps were 0.6-2.0pts higher. VNKRL 25/27/29 dropped 1.9-2.5pts. LNGFOR '29/FTLNHD '26 were 0.8-0.9pt lower. Outside properties, HILOHO '24/WESCHI '26 declined 0.4-0.6pt. MPEL 27-29s/SANLTD '28 were 0.3-0.7pt higher. In Indonesia, LMRTSP '26 was 0.5pt lower. MDLNIJ 25s rose 2.4pts while its 27s were unchanged.

In LGFVs, WFURCD '24 was 0.5pt higher. Media reported China regulators instructed banks to provide additional help to LGFVs in Weifang. SHGUOH '25/QDJZWD '25/JNUCGC '26 were 0.1-0.2pt higher. GSHIAV '25/KMRLGP '24 were up 0.2-0.3pt. CDCOMM '24/GDCOMM '27 were 0.1pt lower. In SOE perps, SPICPF 3.38 Perp/SPICPT 3.45 Perp/HUADIA 3.375 Perp/CHPWCN 3.45 Perp were 0.1pt lower. In the high beta names, CHMEDA '30 was 0.5pt

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higher. FRESHK 25/26 were up 0.2pt. ZHONAN '26 was up 0.2pt, while SUNSHG '26 was down 0.2pt.

❖ Last Trading Day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
MDLNIJ 5 06/30/25	42.0	2.4	VNKRLE 3.975 11/09/27	62.5	-2.5
ROADKG 6.7 09/30/24	55.1	2.0	VNKRLE 3 1/2 11/12/29	55.7	-2.3
ROADKG 6 09/04/25	34.3	1.4	VNKRLE 3.15 05/12/25	85.3	-1.9
ROADKG 5 1/8 07/26/26	30.5	1.3	GRNCH 2.3 01/27/25	97.4	-1.5
ROADKG 5.2 01/12/26	31.0	1.2	LNGFOR 3.95 09/16/29	68.8	-0.9

❖ Marco News Recap 宏观新闻回顾

Macro – S&P (-0.31%), Dow (+0.67%) and Nasdaq (-1.09%) were mixed on Monday. UST yield was stable yesterday, 2/5/10/30 yield reached 4.71%/4.27%/4.25%/4.38%.

❖ Desk analyst comments 分析员市场观点

➤ NWDEVL: Refinancing is progressing smoothly

Yesterday, NWD disclosed that it had completed the arrangement of new loans and refinancing totaled HKD35bn YTD. As per our discussions with NWD, the HKD35bn exclude the rollover of loans of HKD9.5bn at its hotel JV with ADIA. The average funding costs for offshore loans arranged YTD was HIBOR+1.1%, i.e. c5.7% based on current HIBOR. More importantly, NWD started to make uses of its IPs in China to obtain long-term operating loans since Jan'24. As disclosed, it secured 15-year operating loans of RMB2bn and 10-yr operating loans of RMB600mn at funding costs of 3.0% and 2.9%, respectively. We understand the BV of its IPs in China is cHKD43bn. Assuming only half of them have reached the maturity for securing operating loans and a LTV of 50% on average, it can raise operating loans up to cHKD11bn (compared with cHKD2.8bn disclosed so far) from its IPs in China. We also understand the uses of proceeds from operating loans are less restrictive these days. The onshore operating loans could be used for offshore debt repayments. NWD's IPs in China represent meaningful sources of alternative liquidity.

Another source of liquidity could be NWD's land reserve in Northern Metropolis. As we wrote in our [comments on 14 Jun'24](#), NWD could explore the opportunities to sell the land reserve of c10mn sq ft with less established infrastructure to the government. Taking cues from Henderson Land's sales of land parcels in Hung Shui Kiu/Ha Tsuen and Fanling North and Kwu Tung for total considerations of HKD5.8bn, i.e. HKD1,114-1283/sq ft by site area in Dec'23 and Apr'24, NWD's land reserve with lower development potential is worth HKD11-13bn though the actual size and timing for any sales will be uncertain.

We continue to see NWD's maturity profile manageable given its continued access to various funding channels at manageable costs and good financial flexibility. Its next USD bond maturity will be in Jan'27 and the next HKD bond maturity will be in Mar'26 after the repayments totaled HKD2.2bn in 1Q24. We continue to prefer NWDEVL perps with high coupon step-up, i.e. NWDEVL 6.15 Perp, NWDEVL 5.25 Perp and NWDEVL 4.125 Perp in view of NWD's strong incentive to control funding cost and its good financial flexibility. Updates on NCD and ability to secure more long-term operating loans in China will be the catalysts for NWDEVLs to out-perform.

➤ **SOFTBK: FVs of new 5/7-yr USD bonds to be 6.3%-6.4% and 6.45%-6.55%**

We consider the FVs of SoftBank Group (M/S/F issuer rating: -/BB+/-) proposed 5/7yr Reg.S USD senior unsecured bonds (M/S/F rating: -/BB+/-) to be 6.3%-6.4% and 6.45%-6.55%, taking cues from the existing yield curve of SOFTBKs. There are concurrent issuance of 4.5/8yr Reg.S EUR senior unsecured bonds (M/S/F rating: -/BB+/-). SoftBank proposes to use the proceeds of issuance for replenishment of its liquidity and repayment of debts including the early redemption of USD766.8mn SOFTBK 4.75 09/19/24 announced this morning.

	SOFTBK 4 5/8 07/06/28	SOFTBK 5 1/4 07/06/31
YTM	6.29	6.43
Z-Spread	225	246
Maturity	6 Jul'28	6 Jul'31
Rating (M/S/F)	-/BB+/-	-/BB+/-

Source: Bloomberg.

SoftBank has an adequate liquidity profile. As of Mar'24, SoftBank had cash and short-term investment totaled JPY3,934bn (cUSD26bn) and undrawn commitment lines of JPY750bn (cUSD5bn), compared to its short-term debts of JPY2,382bn (cUSD15.8bn). Besides, the company's LTV (net debts/equity value of holdings) decreased to 8.4% from 11.0% in Mar'23, lower than its goal of 25%. On 22 Mar'24, S&P upgraded SoftBank's rating 1 notch to BB+ with stable outlook on improvement in asset quality and expected the company to maintain steady financial metrics over the next one to two years.

Among JP corps, we prefer RAKUTN 5.125 PERP (M/S/F issuer rating: -/B/-) than others for its better risk-return profile. At 88.9, RAKUTN 5.125 PERP (the first call date on 22 Apr'26) is traded at a YTC of 12.1%, offering a yield pick-up of 380bps and 480bps over RAKUTN 11.25 02/15/27 (M/S/F rating: -/BB/-) and SOFTBK 6.875 PERP ((M/S/F rating: B2/B+/-). If RAKUTN 5.125 PERP will not be called on the first call date, its coupon will be reset to 5yr UST+4.578% with a 25bps coupon step-up, i.e. 8.8% based on current 5yr UST. We see a good chance that Rakuten to call the perp on first call date.

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

Issuer/Guarantor	Size (USD mn)	Tenor	Coupon	Priced	Issue Rating (M/S/F)
LG Energy	700/800/500	3/5/10yr	5.375%/5.375%/5.5%	T+100/110/135	Baa1/BBB+/-

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

Issuer/Guarantor	Currency	Size (USD mn)	Tenor	Pricing	Issue Rating (M/S/F)
China Great Wall	USD	-	3.5yr	T+240	-/BBB-
China Great Wall	USD	-	PNC3	7.7%	-/BB+
China Huaneng Group	USD	-	PNC3	-	A3/-/
Indonesia	USD	-	5/10/30yr	5.4%/5.5%/5.8%	Baa2/BBB/BBB
NTT Finance	USD	-	3/5/7yr	T+80-85/95-100/110-115	A1/A/-
SoftBank Group	USD	-	5/7yr	-	-/BB+/-
Sumitomo Corporation	USD	-	5/10yr	T+105/125	Baa1/A/-/

➤ News and market color

- Regarding onshore primary issuances, there were 99 credit bonds issued yesterday with an amount of RMB114bn. As for month-to-date, 1,456 credit bonds were issued with a total amount of RMB1,449bn raised, representing a 7.2% yoy increase
- **[ADANIG]** Media reported that Adani Green Energy aims to invest INR250-275bn (cUSD3-3.3bn) to establish pumped-storage hydropower facility
- **[FOSUNI]** Media reported that Fosun International plans to acquire the remaining 40.4% stake of Shanghai Henlius to take it private for cHKD5.4bn
- **[KAISAG]** Kaisa Group winding-up petition hearing further adjourned to 12 Aug'24
- **[NWDEVL]** New World Development said it has repaid debts totaled cHKD35bn (cUSD4.5bn) in YTD. The company obtained new bank loans totaled RMB2.6bn with interest rate of c3%.
- **[VEDLN]** Media reported that Vedanta Limited is considering overseas bond issuance of USD500-1000mn

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