

CMBI Credit Commentary

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

- *New issue KOCRGF'27 tightened 5bps, KUB'27 tightened 2bps this morning. China IG developers were under better buying, CHIOLI/COGO/YUEXIU were unchanged to 1pt higher. We also saw better buying on the front-end LGFVs/AT1s.*
- **FUTLANs/FTLNHDs:** *Progresses in refinancing. Maintain buy on FUTLANs/FTLNHDs which were unchanged to 0.3pt higher this morning. See below.*
- **DALWANs:** *Media reported that Wanda Commercial readies funds for 29 May amortisation on rescheduled due-December offshore bonds. DALWANs were unchanged to 0.5pt higher this morning.*

❖ Trading desk comments 交易台市场观点

Asia IG space was mixed yesterday. In KR, HYUELEs/HYNMTRs tightened 1-3bps. DAESEC '27/DFHOLD '26 were unchanged to 2bps tighter. WOORIB 27/29 were 1-2bps wider under small selling. In JP, SMBCAC/SUMIFL 33s were 1-2bps tighter. In Chinese IGs, HAOHUA 28-30s widened 2bps. SINOCHs/BIDUs edged 1bp wider. In financials, the new CCAMCL 29s closed 5bps tighter from the RO (T+130) amid active two-way flows, while the other AMCs were under better selling. CCAMCL 25-30s/HRINTH 24-27s/ORIEAS 27s were 4-10bps wider. The recent new BOCAVI '30/PINGIN '34 were unchanged to 1bp tighter. BNKEA T2s were 1-3bps tighter. EU/CA AT1s were under better selling. BACR 4.125 Perp/ ACAFP 6.5 Perp/ INTNED 3.375 Perp/ SWEDA 4 Perp and BMO 4.8 Perp/ RY 7.048 Perp were unchanged to 0.4pt lower. In HK, AIA/CKHH 29s/34s were under better buying and closed unchanged to 2bps tighter. NWDEVLs were 0.3-1.3pts lower under PB selling. CASHLD Perp was up 1.0pt. Chinese properties had some retracement. GEMDAL '24 dropped 3.3pts. FUTLAN/FTLNHD 24-26s retraced 1.0-2.3pts after gaining 4.2-7.5pts on Mon. See comments on Seazen below. SHUION 24-26s were 1.4-1.5pts lower. VNKRLE 25-29s lowered 1.1-1.3pts after gaining 3.3-4.5pts on Mon. LNGFORs/CHJMAOs were down 0.4-1.1pts. GRNCH '24/YXREIT '26/ CHIOLI '43, on the other hand, were 0.4-0.6pt higher. In industrials, FOSUNI 25-27s were up another 0.4pt. In Macau gaming, SANLTDs were up 0.2-0.4pt while MPELs/STCITYs were down 0.2-0.3pt. In India, UPLLIN 28/30/Perp were 0.6-1.5pts lower. VEDLN 26-28s were down 0.3pt. In Indonesia, APLNIJ '24 was 1.6pts higher. MDLNIJ 25/27 declined another 0.8-1.2pts. LMRTSP 24/26 closed unchanged to 0.1pt higher. LMIRT announced results for the exchange offer on its LMRTSP 7.25 06/19/24 that USD40.815mn were validly tendered and accepted, leaving USD97.629mn outstanding.

Glenn Ko, CFA 高志和
(852) 3657 6235
glennko@cmbi.com.hk

Cyrena Ng, CPA 吳蒨瑩
(852) 3900 0801
cyrenang@cmbi.com.hk

Jerry Wang 王世超
(852) 3761 8919
jerrywang@cmbi.com.hk

The flows were light in USD LGFVs and high-beta IG spaces. In the 5-6% LGFVs, GZGETH/SYSTIO 27s were 0.1-0.2pt higher. Shandong names such as HKIQCL/JMUDIV/QDJZWD 25s were up 0.1pt. The property related LGFV such as CPDEV 25/26/Perp and ZHHFGR '25 remained sought after by RMs and closed 0.1-0.2pt higher. In the high-beta names, HUANEN '29/HNINTL '30 were up 0.4-1.2pts. CWAHK '26 was 0.4pt lower. In SOE perps, CHPWCN 3.45 Perp/CHSCOI 4 Perp were down 0.1pt.

❖ Last Trading Day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
APLNIJ 5.95 06/02/24	96.1	1.6	GEMDAL 4.95 08/12/24	90.1	-3.3
HUANEN 3 12/10/29	91.0	1.2	FTLNHD 4 1/2 05/02/26	62.1	-2.3
CASHLD 4 PERP	94.0	1.0	FTLNHD 4.8 12/15/24	81.6	-2.1
CHGRID 4 05/04/47	85.6	0.8	FTLNHD 4 5/8 10/15/25	69.5	-2.1
SINOPE 4 1/4 04/12/47	87.1	0.7	FUTLAN 4.45 07/13/25	72.8	-1.6

❖ Marco News Recap 宏观新闻回顾

Macro – S&P (+0.25%), Dow (+0.17%) and Nasdaq (+0.22%) rallied higher on Tuesday and Nasdaq reached historical high level. UST yield retreated yesterday, 2/5/10/30 yield were 4.82%/4.43%/4.41%/4.55%.

❖ Desk analyst comments 分析员市场观点

➤ FUTLANs/FTLNDLs: Progresses in refinancing

We continue to believe that Seazen is among one of the survivor of the sector in view of its progresses in refinancing and the financial flexibility offered by its matured IPs. FUTLANs/FTLNHDs have been performing strongly despite the corrections yesterday. FUTLAN/FTLNHD rose 30.1-38.7pts YTD and 18.0-34.8pts over the past 2 months. We still see value in FUTLANs and FTLNHDs and maintain buy recommendations on them.

Seazen's USD bonds

Security Name	ISIN	o/s amount (USD mn)	YTM (Ask)	Ask Price	Price movement in YTD (pts)	Price movement over past two months (pts)	Rating (M/S/F)
FUTLAN 6 08/12/24	XS2215175634	250	37.4	93.4	31.0	18.0	-/-/-
FTLNHD 4.8 12/15/24	XS2270462794	450	45.4	81.5	37.3	31.8	-/B/-
FUTLAN 4.45 07/13/25	XS2281036249	300	39.5	70.0	38.7	34.8	-/-/-
FTLNHD 4 5/8 10/15/25	XS2353272284	300	35.9	67.8	36.7	33.1	Caa2/-/-
FTLNHD 4 1/2 05/02/26	XS2290806285	404	37.6	57.0	30.1	28.6	Caa2/-/-
Total		1,704					

Source: Bloomberg.

Seazen's CBICL-guaranteed bonds

Security Name	ISIN	o/s amount (RMB mn)	YTM (Ask)	Ask Price	Issue date
FTLNHD 3.28 09/13/25	BY8687562	1,000	3.1	100.2	9/13/2022
FTLNHD 4.3 12/12/25	ZN8407795	2,000	2.9	102.0	12/12/2022
FTLNHD 4 07/25/26	ZJ9579203	850	3.1	101.9	7/25/2023
FTLNHD 4.48 12/14/26	ZG6772815	850	3.2	103.1	12/14/2023
FTLNHD 3.2 05/20/27	YX1536292	800	3.2	100.0	5/20/2024
FTLNHD 3.4 05/20/29	YX1545996	560	3.4	100.0	5/20/2024
Total		6,060			

Source: Bloomberg.

Seazen issued its 5th CBICL-guaranteed bonds. The 2-tranche issues totaled RMB1.36bn, comprised of a 3-yr tranche of RMB800mn priced at 3.2% (vs IPT of 2.8-4%) and a 5-yr tranche of RMB560mn priced at 3.4% (vs IPT of 3.4-4.5%). Seazen's previous 4 CBICL-guaranteed bonds are all 3-yr in tenor without put. This is the first time for Seazen to print a 5-yr issue (without put). For the 3-yr tranche (also without put) this time, the coupon rate of 3.2% is the lowest amongst all of Seazen's 3-yr CBICL-guaranteed issues. Seazen issued 3-yr CBICL-guaranteed bonds of RMB850mn in Dec'23 at a coupon rate of 4.48%. The longer-tenor and lower coupon rate reflect Seazen's improving access to onshore bond markets.

Meanwhile, media reported that Seazen repaid FTLNHD 7.95 05/20/24, the on-balance sheet PP with an issue size of USD100mn. We consider Seazen's debt maturity profile manageable, taking comfort from its smooth access to various funding channels including the onshore bond markets. Seazen's matured investment properties could offer additional financial flexibility for refinancing. As at Apr'24, Seazen had 46 unpledged shopping malls as of Apr'24. These represent a financing headroom of cRMB18bn (cUSD2.6bn) assuming a LTV of 50%. After the repayment of FTLNHD 7.95 05/20/24, its o/s offshore bonds totaled cUSD1.7bn.

We take additional comfort with its more resilient operating performance. In 4M24, Seazen's contract sales declined 45% yoy to RMB15.7bn. These compared with an average decline of 47% for 33 developers under our radar. We estimated its contract sales to be cRMB50bn in FY24, based on its saleable resources of cRMB85bn and a sell-through rate of 60% (similar to the level in FY23). These imply full-year decline in contract sales to narrow to c33% by FYE24, supported by relaxation policies. On non-property development operations, Seazen guided the commercial operating income to increase 11% to RMB12.5bn in FY24. Its matured IPs not only provide financial flexibility for refinancing but also growing and recurring operating cash flow.

RMB mn	FY22	FY23	% change	1H22	1H23	% change
Contract sales (RMB bn)	116.1	76.0	-34.5%	65.2	42.4	-35.0%
Revenue	116,541	119,464	2.5%	43,352	42,533	-1.9%
- Property sales	104,883	107,336	2.3%	37,736	36,342	-3.7%
-Non property sales	11,658	12,127	4.0%	5,616	6,190	10.2%
Gross profit	15,939	16,168	1.4%	8,655	7,416	-14.3%
Net core profit attributable equity holders	185.4	157.7	-14.9%	1,746	1,565	-10.4%
Recognized GFA (k sqm)	13,197	13,003	-1.5%	4,599	3,958	-14.0%
Recognized ASP/sqm (RMB)	7,947	8,255	3.9%	8,205	9,183	11.9%
Gross margin	13.7%	13.5%		20.0%	17.4%	

Source: Company fillings.

➤ Offshore Asia New Issues (Priced)

Issuer/Guarantor	Size (USD mn)	Tenor	Coupon	Priced	Issue Rating (M/S/F)
Korea Credit Guarantee Fund	300	3yr	5.357%	T+75	Aa1/AA/-
Kubota Credit Corp USA	500	3yr	5.333%	T+73	-/A/-
Republic of Uzbekistan	600	7yr	6.9%	7.125%	Ba3/BB-/BB-

➤ 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 82 credit bonds issued yesterday with an amount of RMB89bn. As for month-to-date, 548 credit bonds were issued with a total amount of RMB700bn raised, representing a 16.7% yoy increase
- **[BABA]** Media reported that Alibaba cuts prices of some AI services by 97% amid AI price war in China
- **[DALWAN]** Media reported that Wanda Commercial readies funds for 29 May amortisation on rescheduled due-December offshore bonds
- **[FTHDGR]** Fantasia Holdings Group further extends consent fee deadline of proposed offshore debt restructuring to 29 May'24
- **[LMRTSP]** Lippo Mall Indonesia Retail Trust announced results of exchange offer for its due Jun'24 bonds that the company accepted USD40.8mn tendered bonds, leaving USD97.6mn outstanding
- **[TIANFS]** Tianfeng Securities announces USD1bn structured note and MTN programme which is expected to become effective on 22 May'24
- **[YGCZCH]** Moody's affirmed Shandong Energy and Yankuang Energy's Ba1 CFR while revised the outlook to negative from stable

Fixed Income Department

Tel: 852 3657 6235/ 852 3900 0801

fis@cmbi.com.hk

CMB International Global Markets Limited ("CMBIGM") is a wholly owned subsidiary of CMB International Capital Corporation Limited (a wholly owned subsidiary of China Merchants Bank)

Author Certification

The author who is primary responsible for the content of this research report, in whole or in part, certifies that with respect to the securities or issuer that the author covered in this report: (1) all of the views expressed accurately reflect his or her personal views about the subject securities or issuer; and (2) no part of his or her compensation was, is, or will be, directly or indirectly, related to the specific views expressed by that author in this report.

Besides, the author confirms that neither the author nor his/her associates (as defined in the code of conduct issued by The Hong Kong Securities and Futures Commission) (1) have dealt in or traded in the stock(s) covered in this research report within 30 calendar days prior to the date of issue of this report; (2) will deal in or trade in the stock(s) covered in this research report 3 business days after the date of issue of this report; (3) serve as an officer of any of the Hong Kong listed companies covered in this report; and (4) have any financial interests in the Hong Kong listed companies covered in this report.

Important Disclosures

There are risks involved in transacting in any securities. The information contained in this report may not be suitable for the purposes of all investors. CMBIGM does not provide individually tailored investment advice. This report has been prepared without regard to the individual investment objectives, financial position or special requirements. Past performance has no indication of future performance, and actual events may differ materially from that which is contained in the report. The value of, and returns from, any investments are uncertain and are not guaranteed and may fluctuate as a result of their dependence on the performance of underlying assets or other variable market factors. CMBIGM recommends that investors should independently evaluate particular investments and strategies, and encourages investors to consult with a professional financial advisor in order to make their own investment decisions.

This report or any information contained herein, have been prepared by the CMBIGM, solely for the purpose of supplying information to the clients of CMBIGM and/or its affiliate(s) to whom it is distributed. This report is not and should not be construed as an offer or solicitation to buy or sell any security or any interest in securities or enter into any transaction. Neither CMBIGM nor any of its affiliates, shareholders, agents, consultants, directors, officers or employees shall be liable for any loss, damage or expense whatsoever, whether direct or consequential, incurred in relying on the information contained in this report. Anyone making use of the information contained in this report does so entirely at their own risk.

The information and contents contained in this report are based on the analyses and interpretations of information believed to be publicly available and reliable. CMBIGM has exerted every effort in its capacity to ensure, but not to guarantee, their accuracy, completeness, timeliness or correctness. CMBIGM provides the information, advices and forecasts on an "AS IS" basis. The information and contents are subject to change without notice. CMBIGM may issue other publications having information and/ or conclusions different from this report. These publications reflect different assumption, point-of-view and analytical methods when compiling. CMBIGM may make investment decisions or take proprietary positions that are inconsistent with the recommendations or views in this report.

CMBIGM may have a position, make markets or act as principal or engage in transactions in securities of companies referred to in this report for itself and/or on behalf of its clients from time to time. Investors should assume that CMBIGM does or seeks to have investment banking or other business relationships with the companies

in this report. As a result, recipients should be aware that CMBIGM may have a conflict of interest that could affect the objectivity of this report and CMBIGM will not assume any responsibility in respect thereof. This report is for the use of intended recipients only and this publication, may not be reproduced, reprinted, sold, redistributed or published in whole or in part for any purpose without prior written consent of CMBIGM.

Additional information on recommended securities is available upon request.

Disclaimer:

For recipients of this document in the United Kingdom

This report has been provided only to persons (I) falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended from time to time) ("The Order") or (II) are persons falling within Article 49(2) (a) to (d) ("High Net Worth Companies, Unincorporated Associations, etc.") of the Order, and may not be provided to any other person without the prior written consent of CMBIGM.

For recipients of this document in the United States

CMBIGM is not a registered broker-dealer in the United States. As a result, CMBIGM is not subject to U.S. rules regarding the preparation of research reports and the independence of research analysts. The research analyst who is primary responsible for the content of this research report is not registered or qualified as a research analyst with the Financial Industry Regulatory Authority ("FINRA"). The analyst is not subject to applicable restrictions under FINRA Rules intended to ensure that the analyst is not affected by potential conflicts of interest that could bear upon the reliability of the research report. This report is intended for distribution in the United States solely to "major US institutional investors", as defined in Rule 15a-6 under the US Securities Exchange Act of 1934, as amended, and may not be furnished to any other person in the United States. Each major US institutional investor that receives a copy of this report by its acceptance hereof represents and agrees that it shall not distribute or provide this report to any other person. Any U.S. recipient of this report wishing to effect any transaction to buy or sell securities based on the information provided in this report should do so only through a U.S.-registered broker-dealer.

For recipients of this document in Singapore

This report is distributed in Singapore by CMBI (Singapore) Pte. Limited (CMBISG) (Company Regn. No. 201731928D), an Exempt Financial Adviser as defined in the Financial Advisers Act (Cap. 110) of Singapore and regulated by the Monetary Authority of Singapore. CMBISG may distribute reports produced by its respective foreign entities, affiliates or other foreign research houses pursuant to an arrangement under Regulation 32C of the Financial Advisers Regulations. Where the report is distributed in Singapore to a person who is not an Accredited Investor, Expert Investor or an Institutional Investor, as defined in the Securities and Futures Act (Cap. 289) of Singapore, CMBISG accepts legal responsibility for the contents of the report to such persons only to the extent required by law. Singapore recipients should contact CMBISG at +65 6350 4400 for matters arising from, or in connection with the report.