

CMBI Credit Commentary

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

- *Markets were stable with light flows this morning. Asian IG space was overall unchanged. Media reported that Agung Podomoro plans to extend APLNIJ'24 by 3.5 years and offer 10% upfront payment, APLNIJ'24 rebounded 1.6pts post yesterday's 9.1pts drop.*
- *Seazen: FY23 results continue to demonstrate the resilience. See below.*
- *Macro Report - Deflation lingers with bumpy recovery in consumption. CMBI revises down the forecast for CPI and PPI growth in 2024 from 0.7% and -0.3% to 0.5% and -0.7%. See below for comment from CMBI economic.*

❖ Trading desk comments 交易台市场观点

Yesterday, Asia IG was firm on spread terms post overnight rates widened 15-25bps on higher-than-expected US CPI data. In KR, DAEECS/DFHOLDS tightened 2-5bps. KOROIL '27/KOMRMR '29 were 3-4bps tighter. HYUELES/HYMNTRs were unchanged to 2bps tighter amid mixed two-way flows. In JP, SMCACs tightened 1-3bps. In AU/NZ, ANZs/CBAAs moved another 1-4bps tighter. In Chinese IGs, HAOHUA 28-30s tightened 7-11bps. TENCNT 28-31s grinded 3-5bps tighter. In the BBB TMTs, MEITUA/LENOVO 30-32s were also 2-5bps tighter. In financials, Chinese leasing names/AMCs were firm. BOCAVI 28-33s tightened 2-4bps tighter. HRINTH/ORIEAS/CCAMCL 28-30s were sought-after. In AT1s, ICBCAS/BBLTB/KBANK Perps were down 0.1-0.3pt in light of overnight rates widening. EU AT1s such as BNP 8 Perp/INTNED 8 Perp/UBS 7.75 Perp were 0.3-0.6pt lower. HK IGs such as CKHH/HKLSP 33s were 2-5bps tighter. BNKEA '27/NANYAN '29/DAHSIN '33 were 10-20bps tighter. HYSAN 4.1 Perp was up 0.1pt. Chinese properties performed mixed. FUTLAN '25/LNGFOR '32 were up 1.4-1.5pts. GEMDAL '24/SUION '26 were 0.9-1.0pt higher. DALWAN/YLLGSP 26s were up 0.4pt. VNKRL 24-29s, on the other hand, lowered another 0.9-1.3pts and closed 3-5pts lower WTD. S&P lowered the long-term issuer rating on China Vanke by three notches to BB+, after Moody's/Fitch also downgraded it to non-IG ratings in Mar '24. In industrials, CHIOIL '26 was 1.2pts. CHIOIL expects to published the delayed FY23 on 22 Apr'24. HILOHO '24 was up 0.8pt. In Macau gaming, SANLTD 27-31s were up 0.3-0.7pt. Indonesian developer APLNIJ '24 plunged 9.1pts post APLN announced the exchange offer for its USD131.96mn APLNIJ 5.95 06/02/24 to new 3.5-yr unsecured bonds. The long-end of PERTIJs/PLNIJs were down 0.9-1.7pts on the back of higher rates. In Indian space, ADSEZs/ADANEMs were 0.3-0.5pt lower.

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In the high beta names, the new FRESHK '27 was 0.2pt lower. HNINTL '30/HUANEN '31 were also down 0.2-0.4pt. In LGFVs, HZMGSG priced a USD210mn 3-yr bond at par to yield 5.48%. The new JNHTE '27 was down another 0.1pt. In the 5-6% LGFVs, SXUCI '26/NJYZSO '27/GZGETH '25/GINZFU '26 were 0.1-0.2pt lower. On the other hand, the higher-yielding LGFVs CPDEV '25/ZHHFGR '24 were up 0.1pt. In SOE perps, SPICPT 3.45 Perp/HUANEN 3.08 Perp were up 0.1pt.

❖ Last Trading Day's Top Movers

| Top Performers | Price | Change | Top Underperformers | Price | Change |
|-----------------------|-------|--------|-----------------------|-------|--------|
| FUTLAN 4.45 07/13/25 | 47.5 | 1.5 | APLNJ 5.95 06/02/24 | 73.7 | -9.1 |
| LNGFOR 3.85 01/13/32 | 49.5 | 1.4 | PLNIJ 4 3/8 02/05/50 | 77.1 | -1.7 |
| CHIOIL 4.7 06/30/26 | 89.4 | 1.2 | INDOIS 3.8 06/23/50 | 75.7 | -1.5 |
| GEMDAL 4.95 08/12/24 | 85.8 | 1.0 | PERTIJ 5 5/8 05/20/43 | 95.1 | -1.4 |
| SHUION 5 1/2 06/29/26 | 61.6 | 0.9 | VNKRLE 3.975 11/09/27 | 44.3 | -1.3 |

❖ Marco News Recap 宏观新闻回顾

Macro – S&P (-0.95%), Dow (-1.09%) and Nasdaq (-0.84%) retreated on Wednesday post CPI released. US Mar'24 CPI rose 3.5% yoy, higher than the expectation of +3.4% yoy. China Mar'24 CPI/PPI was +0.1%/-2.8% yoy, compared with the expectation of +0.3%/-2.7% yoy. UST yield jumped higher yesterday, 2/5/10/30 yield reached 4.97%/4.61%/4.55%/4.64%.

❖ Desk analyst comments 分析员市场观点

➤ Seazen: FY23 results continue to demonstrate the resilience

| Security Name | ISIN | Amt Out (USD mn) | YTM (Ask) | Ask Price | Rating (M/S/F) |
|----------------------|--------------|------------------|-----------|-----------|----------------|
| FUTLAN 6 08/12/24 | XS2215175634 | 250 | 57.9 | 85.6 | -/- |
| FTLNHD 4.8 12/15/24 | XS2270462794 | 450 | 72.7 | 68.3 | -B/- |
| FTLNHD 4 ½ 05/02/26 | XS2290806285 | 404 | 62.3 | 37.7 | Caa2/- |
| FUTLAN 4.45 07/13/25 | XS2281036249 | 300 | 78.8 | 46.8 | -/- |
| FTLNHD 4 ¾ 10/15/25 | XS2353272284 | 300 | 69.4 | 44.8 | Caa2/- |

Source: Bloomberg

Seazen reported weakened but relatively resilient FY23. We continue to believe that Seazen is among one of the survivor of the sector in view of the financial flexibility offered by its matured IPs. YTD, FUTLAN/FTLNHD rose 12-30pts, we continue to see value on FUTLANs and FTLNHDs and maintain buy recommendations on them.

| RMB mn | FY22 | FY23 | % change | 1H22 | 1H23 | % change |
|---|---------|---------|----------|--------|--------|----------|
| Contracted 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 filings.

In FY23, Seazen's revenue from property sales rose 2.3%. The higher recognized ASP more than offset the lower recognized GFA. The commercial operating income continued to increase, rose 13.2% to RMB11.3bn in FY23. Its gross margin declined to 13.5% from 13.7% in FY22, reflecting the high recognized land costs.

We estimated contracted sales of Seazen in FY24 to be cRMB50bn based on the saleable resources of cRMB85bn and a sell-through rate of 60% (similar to the level in FY23), implying c33% decline from the level of FY23. In 3M24, Seazen's contracted sales was RMB12bn, decreased 44% yoy and accounted for 24% of our estimated FY24 contracted sales. On non property development operations, Seazen guided the commercial operating income to increase 11% to RMB12.5bn in FY24. In FY23,

| RMB mn | Dec'22 | Dec'23 | % change | Dec'22 | Jun'23 | % change |
|------------------|--------|--------|----------|--------|--------|----------|
| Cash | 32,453 | 19,500 | -39.9% | 32,453 | 29,012 | -10.6% |
| ST debts | 35,663 | 24,756 | -30.6% | 35,663 | 25,616 | -28.2% |
| LT debts | 44,474 | 39,718 | -10.7% | 44,474 | 48,558 | 9.2% |
| Total debts | 80,137 | 64,473 | -19.5% | 80,137 | 74,174 | -7.4% |
| Net debts | 47,684 | 44,973 | -5.7% | 47,684 | 45,162 | -5.3% |
| Net gearing | 51.3% | 49.7% | | 51.3% | 48.5% | |
| Cash/ST debts | 0.9x | 0.8x | | 0.9x | 1.1x | |
| Adj. liab/assets | 68.9% | 66.6% | | 68.9% | 67.5% | |

Source: Company filings.

We consider Seazen's near-term debt maturities to be manageable despite its cash/ST debts ratio lowered to 0.8x. In FY24, Seazen has USD800mn offshore bonds and RMB2bn (cUSD285mn) onshore bonds (incl. puttable) maturing. We draw our comfort from Seazen's matured investment properties which could offer the financial flexibility for refinancing. As per our discussions with Seazen, it has 46 unpledged shopping malls. We estimate that the headroom for additional financing from these IPs to be RMB18.4bn (cUSD2.6bn) assuming a LTV of 50%. As per media report, Seazen is planning to issue its 5th CBICL guaranteed bonds. The size and funding cost is reported to be RMB400mn (cUSD55mn) and 2.8-4.5%.

➤ Macro Report - Deflation lingers with bumpy recovery in consumption

China's CPI growth dropped sharply in March as the boost effect from Chinese New Year holiday faded. The weak consumer price indicates a bumpy road for consumer demand to recover. PPI stayed flat amid elevated commodity price as the final demand remained subdued. As most prices are weaker than our expected, we revise down our forecast for CPI and PPI growth in 2024 from 0.7% and -0.3% to 0.5% and -0.7%. The retreat of China's consumer price contrasts with the stronger inflation in the US, which may expand the US-Sino interest rate gap and add downside pressure on renminbi. China's lingering deflation pressure calls for a shift of policy stimulus from supply side to demand side as the fiscal policy continues to focus on infrastructure investments and industrial development. But such shift is not easy as this requires a change of policy philosophy from pro-central-planner to pro-market. As real-term interest rates remained high and credit demand was still weak, the PBOC may guide banks to further lower deposit rates in 2Q24 before additional moderate cuts in loan rates in 2H24. We expect additional 10bps cut in LPR and 25bps cut targeted specifically at mortgage rates for the first-home and second-home buyers in the remainder of this year.

CPI dropped below expectations. CPI YoY growth declined to 0.1% in Mar from 0.7% in Feb, lower than the market expectation of 0.4%. The decline of food price accelerated from -0.9% to -2.7%, while core CPI slowed down to 0.6% from 1.2%. In sequential terms, CPI dropped 1% after rising 1% in Feb, below Mar average of -0.6% in history. Specifically, food CPI dropped 3.2% MoM after rising 3.3% during the CNY month. Pork price declined 6.7% MoM after a sharp rebound of 7.2% in Feb, with its YoY growth retracted to modest contraction again. As live hog farms started to cut capacity or go bankruptcy, pork price may gradually stabilize in the coming months. Energy price extended its rally with vehicle fuel price up by 1.1% MoM and by 2.2% YoY.

Core CPI dipped after the boost from CNY faded. Core CPI plummeted by 0.6% MoM in Mar after a historic rise of 0.5% in Feb as its YoY growth moderated to 0.6%. The boost effect of CNY holiday faded as we have witnessed a new consumer pattern with more concentrated consumption during holiday and bigger swing in the following month. Tourism price, for instance, dropped 14.2% MoM in Mar after notably rising 13.1% MoM in Feb with a record-breaking number of travellers during CNY holiday. Other services came in stronger than historic trend while rent remained lethargic as a sign of weak employment condition. Durable goods continued to endure headwinds from income deterioration, real estate contraction and fierce producer competition, as home equipment, telecom equipment and vehicles dropped 0.3%, 0.3% and 0.7% MoM. Looking forward, CPI growth may mildly rise as household consumption slowly recovers.

PPI was in-line with expectation as energy price rebounded, yet final demand remained weak. PPI stayed flat on 2.7% YoY decline in Mar, contracting for the 18th consecutive month. The MoM decline of PPI narrowed to -0.1% from -0.2% in Feb amid resurgence of commodities prices. For mining industries, PPI in oil & gas mining and non-ferrous metals increased to 6.3% and 0.6% YoY from 4.2% and -0.2% in Feb thanks to the rally of crude oil and copper prices, while coal mining and ferrous metals remained lethargic, dropping 15% and 7.2%. For mid-and-downstream industries, PPI in durables and capital goods remained tepid with over supply capacity pressure. Looking forward, PPI may modestly recover amid elevated commodities prices and improving exports.

Lingering deflation pressure calls for demand-side policy stimulus. The weakness of consumer and producer prices in March indicates the pick-up of retail sales and core CPI in 2M24 may be mainly due to the holiday momentum. The lingering deflation pressure calls for a shift of policy stimulus from the producer side to consumer side. But such shift is not easy as this requires a change of policy philosophy from pro-central-planner to pro-market. Investors will wait and see whether actual progress could be made in the policy shift. As real-term interest rates remained high and credit demand was still weak, the PBOC may guide banks to further lower deposit rates in 2Q24 before additional moderate cuts in loan rates in 2H24. We expect additional 10bps cut in LPR and 25bps cut targeted specifically at mortgage rates for the first-home and second-home buyers in the remainder of this year.

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➤ Offshore Asia New Issues (Priced)

| Issuer/Guarantor | Size (USD mn) | Tenor | Coupon | Priced | Issue Rating (M/S/F) |
|--------------------------------|---------------|-------|--------|--------|----------------------|
| Huzhou Moganshan Hi-tech Group | 210 | 3yr | 5.48% | 5.48% | -/-/- |

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

| Issuer/Guarantor | Currency | Size (USD mn) | Tenor | Pricing | Issue Rating (M/S/F) |
|-----------------------|----------|---------------|-------|---------|----------------------|
| Hyundai Card Co., Ltd | USD | - | 3/5yr | - | Baa1/-/BBB+ |

➤ **News and market color**

- Regarding onshore primary issuances, there were 125 credit bonds issued yesterday with an amount of RMB92bn. As for month-to-date, 550 credit bonds were issued with a total amount of RMB574bn raised, representing a 5.8% yoy decrease
- **[ADEIN]** Media reported that Adani Group is in discussion with banks to raise around USD750mn
- **[APLNIJ]** Media reported that Agung Podomoro plans to launch exchange offer for its USD132mn bond maturing Jun'24. The company proposes to extend the maturity by 3.5 years and offer 10% upfront payment
- **[CHIOIL]** China Oil & Gas announced that the reason for the delay in publication of the FY23 results was due to the auditor's demand for more time to perform audit procedures and it expected the FY23 results to be published on 22 Apr'24
- **[GRNLGR]** Moody's downgraded Greenland Hong Kong to Ca from Caa2 and placed negative outlook
- **[SMCPM]** San Miguel plans to raise PHP20bn (cUSD355mn) via PHP-denominated bonds
- **[ZHPRHK]** Zhenro Properties considers postponing implementation of scheme in connection with offshore holistic liability management solutions

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