

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!

- *Selling flows remained active this morning. Asian IG space widened 2-5bps. AT1/properties were weak with light flows, VNKREs down 0.2-0.3pt. GRNCH were unchanged to 0.2pt higher post the repurchase of GRNCH'25 for USD150mn.*
- *LMRTSP: Issue USD16.2mn due-26 notes to partly repay LMRTSP 7.25 06/19/24. We are neutral on LMRTSP. LMRTSPs were unchanged to 0.25pt higher this morning. See below.*
- *LGENSE: FVs of new 3/5/10-yr USD bonds to be T3+85-90, T5+100-105 and T10+130-135. See below.*

❖ Trading desk comments 交易台市场观点

Yesterday, the UST 10-yr yield tightened another 5bps to 4.33% and closed c30bps tighter since 29 May'24. KR names were under better selling. The recent new POHANG 27/29 widened 1-3bps. HYUELE/HYUCAP/LGELEC 27-31s were 1-2bps wider. OCBCSP 32/34 and EXIMTH '29 widened 2-3bps. ANZ/MQGAU T2s were 1-2bps tighter. Chinese IGs remained soft under profit taking. HAOHUAs widened 1-2bps. The front end of CHGDNUs/CHITRAs/CMHIs were 1bp wider. TENCNT '30/BABA '31 widened 2-3bps. In the high beta TMTs, MEITUA/WB 30s were 1-3bps wider. In financials, BOCAVI 28-33s widened another 2-4bps. BCHINA/CCB/CINDBK T2s closed 1-3bps wider. PINGIN '34 widened 2bps. In Chinese AMCs, CCAMCLs/ORIEASs widened 1-5bps. HRINTH 27/Perp closed unchanged to 0.2pt higher (unchanged to 5bps tighter). In EU AT1s, INTNED 8 Perp/HSBC 6 Perp were 0.1-0.3pt lower. We saw more clients trimming risks in the recent rally, while the digestion of the loose bonds remained in an orderly manner. In HK, AIA/CKHH 29s/34s widened 1-2bps. NWDEVL 6.15 Perp/LIFUNG 5.25 Perp were 0.9pt higher. HYSAN Perps were up 0.4-0.5pt. Chinese properties retreated. VNKRE 25/27/29 were down 1.4-1.7pts, but closed unchanged to 0.6pt higher WTD. LNGFOR 27-32s declined 1.4-1.5pts after the gain of 0.9-1.3pts on Tue. SHUIONS dropped 0.5-0.8pt. On the other hand, DALWAN 25-26s were up 0.5-1.4pts. CHIOLI 34-43s closed 0.4-0.5pt higher. Outside properties, GWFOOD '30 was 1.0pt higher. ANTOIL '25/EHICAR '26 were up 0.2-0.3pt. In Macau gaming, WYNMAC/SANLTD 24-31s were 0.2-0.5pt higher. In Indonesia, LMRTSP 24/26 were unchanged

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to 0.2pt higher. LMRTSP proposed a tap USD16.2mn of the due-2026 bond to partially refinance its due-2024 bond. See below for comments. In India, VEDLNs and ADSEZs/ADTINs/ADGREGs were up 0.1-0.3pt.

In LGFV, CNSHAN 6.5 Perp was 0.2pt higher. QDJZWD 27 hovered unchanged. ZHHFGR '25/CPDEV '26 were down 0.2-0.3pt. HUANEN '29/HNINTL '30 were 0.3-0.5pt higher. FRESHK 26/27 were up 0.1pt. In SOE perps, CHSCOI 4 Perp/HUADIA 3.375 Perp were unchanged to 0.1pt higher.

❖ Last Trading Day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
DALWAN 11 02/13/26	84.2	1.4	VNKRLE 3.975 11/09/27	68.8	-1.7
GWFOOD 3.258 10/29/30	76.9	1.0	VNKRLE 3 1/2 11/12/29	61.8	-1.7
NWDEVL 6.15 PERP	91.8	0.9	LNGFOR 3.85 01/13/32	61.8	-1.5
LIFUNG 5 1/4 PERP	46.9	0.9	LNGFOR 4 1/2 01/16/28	75.3	-1.5
CHGRID 4 05/04/47	86.7	0.8	LNGFOR 3.95 09/16/29	68.2	-1.5

❖ Marco News Recap 宏观新闻回顾

Macro – S&P (+1.18%), Dow (+0.25%) and Nasdaq (+1.96 %) were strong on Wednesday and S&P, Nasdaq reached historical high level. US May'24 Markit service PMI was 54.8, in line with expectation. US ADP employment report's private payrolls was +152k in May'24, lower than the expectation of +173k. UST yield retreated yesterday, 2/5/10/30 yield was 4.72%/4.31%/4.29%/4.44%.

❖ Desk analyst comments 分析员市场观点

➤ LMRTSP: Issue USD16.2mn due-26 notes to partly repay LMRTSP 7.25 06/19/24

Lippo Mall (LMIRT) proposed to issue USD16.2mn 7.5% notes due in 2026 to partly repay LMRTSP 7.25 06/19/24. The new notes will be issued at an issue price of 95.152% of the principal amount, including accrued interest in respect of the period from and including 9 Feb'24 to, but not including 12 Jun'24. Excluding accrued interest, the issue price offers a slight premium over the last close of LMRTSP 7.5 02/09/26 at 89.6.

The outstanding amount of LMRTSP 7.25 06/19/24 is USD97.6mn. Recalled that LMIRT has accepted USD40.8mn of LMRTSP 7.25 06/19/24 in an exchange offer on 21 May'24. LMIRT has also obtained IDR1.5tn (cUSD93mn) 6-year amortizing term loan facility on 8 May'24 to partly repay LMRTSP 7.25 06/19/24. At 31 Mar'24, LMIRT has cash and cash equivalent of SGD49.8mn (cUSD37.0mn), it was surprised to us that it still need to issue new notes to fund the repayment.

Separately, LMIRT has obtained an 8-year amortizing term loan facility of up to IDR2.5tn (cUSD154mn) on 29 May'24, in which IDR2.3tn (cUSD141mn) will be used to prepay an existing SGD denominated secured bank loans due in Jun. These show that LMIRT is still able to refinance its debt obligations from banks. However, LMIRT's aggregate leverage ratio increased to 44.3% at Dec'23, which is very close to the limit of 45% imposed by MAS. The room for LMIRT to obtain incremental financing is limited.

LMIRT has 29 properties, and it has pledged its three largest assets (Lippo Mall Puri, Sun Plaza, and Lippo Mall Kemang) for bank loans. These three malls represent 49% of the total carrying value of its investment properties as at 31 Mar'24. On 19 Apr'24, LMIRT requested to replace Sun Plaza with six other properties as collaterals (Gajah Mada Plaza, Mal Lippo Cikarang, Plaza Medan Fair, Lippo Plaza Kramat Jati, Lippo Mall Kuta, and Plaza

Madiun) under the SGD loan facilities. The replacement request requires an upfront payment of SGD6.5mn, as well as an additional prepayment of USD18.5mn in instalments from 31 May to 30 Oct'24. The carrying value of these six properties totaled IDR3.3tn, compared with Sun Plaza's IDR2.6tn as at 31 Mar'24.

LMRTSP 7.5 02/09/26 was up by c23pts since the tender offer in Dec'23. At 90.1, LMRTSP 7.5 02/09/26 is trading at YTM of 14.4%. We are neutral on LMRTSP 7.5 02/09/26 and recommend investors to take profit from the bond given the less appealing valuation after the price rally and thin trading liquidity. LMIRT has two perps denominated in SGD outstanding, the cumulative distribution of them amounted to cUSD12.7mn has been skipped since Mar'23. There are dividend stopper provisions under the terms of perpetual securities. LMIRT, 47.45% stakes owned by Lippo Karawaci, does not have cross default trigger to the latter.

	ISIN	o/s amt	Ask px	YTM/YTC (ask, %)
LMRTSP 7.25 06/19/24	XS2010198260	USD97.63mn	100.04	5.76
LMRTSP 7.5 02/09/26	XS2295115997	USD114.72mn	90.10	14.35
LMRTSP 6.475 Perp	SG74H800008	SGD102.96mn	38.00	530.80
LMRTSP 8.096 Perp	XS1632471352	SGD86.56mn	38.76	305.36
Total		cUSD353.05mn		

Source: Bloomberg.

➤ LGENSO: FVs of new 3/5/10-yr USD bonds to be T3+85-90, T5+100-105 and T10+130-135

We consider the FVs of LG Energy Solution (M/S/F issuer rating: Baa1/BBB+/-) proposed 3/5/10yr USD senior unsecured bonds (M/S/F rating: Baa1/BBB+/-) to be T3+85-90bps (YTM of 5.35%-5.40%), T5+100-105bps (YTM of 5.31%-5.36%) and T10+130-135bps (YTM of 5.59%-5.64%) in view of the yield curve of LGENSO/LGCHM and LGCHM's one notch higher rating from Moody's. LG Energy Solution was energy solution business division of LG Chem until it was spilt-off in Dec'20. LG Energy Solution was listed in Jan'22 and its 81.8% stake is owned by LG Chem. There is no cross-default terms between LG Energy Solution and LG Chem.

	LGENSO 5 ½ 09/25/26	LGENSO 5 ¾ 09/25/28	LGCHM 3 ½ 04/15/29	LGCHM 2 ¾ 07/07/31
YTM	5.53	5.23	5.25	5.26
T-Spread	80	92	93	96
Maturity	25 Sep'26	25 Sep'28	15 Apr'29	7 Jul'31
Rating (M/S/F)	Baa1/BBB+/-	Baa1/BBB+/-	A3/BBB+/-	A3/BBB+/-

Source: Bloomberg.

LG Energy Solution proposes to use the proceeds of issuance for general corporate purposes and refinancing of green projects. In FY23, its revenue increased 32% to cUSD24.7bn and EBITDA rose 46% to cUSD3.3bn. As of Mar'24, the company had cash on hand of cUSD3.9bn cash and net debts of cUSD5.5bn. On 28 May'24, S&P revised outlook on LG Chem and LG Energy Solution's BBB+ rating to negative from stable due to their aggressive expansion investment. The downgrade trigger of S&P is debt/EBITDA ratio exceeds 2.5x on a sustained basis. In 1Q24, LG Energy Solution's debt/EBITDA(LTM) ratio was 3.1x, weakened from 2.5x in FY23.

➤ Offshore Asia New Issues (Priced)

Issuer/Guarantor	Size (USD mn)	Tenor	Coupon	Priced	Issue Rating (M/S/F)
No Offshore Asia New Issues Priced Today					

➤ Offshore Asia New Issues (Pipeline)

Issuer/Guarantor	Currency	Size (USD mn)	Tenor	Pricing	Issue Rating (M/S/F)
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Bank of China Sydney Branch	USD	-	3yr	SOFR+95	A1/A/A
LG Energy Solution Ltd	USD	-	3/5/10yr	-	Baa1/BBB+/-
Zhongyuan Yuzi Investment Holding Group	USD	-	3yr	-	-/-/A

➤ News and market color

- Regarding onshore primary issuances, there were 103 credit bonds issued yesterday with an amount of RMB105bn. As for Month-to-date, 251 credit bonds were issued with a total amount of RMB298bn raised, representing a 35% yoy increase
- [CHJMAO]** Fitch affirmed China Jinmao's BBB- rating while revised the rating outlook to negative from stable
- [DALWAN]** Dalian Wanda Commercial Management exits from two Wanda Plazas in Fuzhou
- [FOSUNI]** Media reported that Fosun International plans to redeem its USD600mn due 2 Jul'24 with internal cash
- [GRNCH]** Greentown China repurchased USD150mn of GRNCH 2.3 01/27/25
- [GZRFPR]** Media reported that Guangzhou R&F is seeking grace period until 16 Mar'25 for coupon/amort due 2024 on restructured RMB1.7bn 6.7% notes
- [VNKRLE]** China Vanke disclosed that it will remit the funds for the redemption of USD 600mn notes due 7 Jun'24 to the escrow account on 6 Jun'24
- [YUEXIU]** Fitch affirmed Yuexiu Property at BBB- while revised rating outlook to negative from stable
- [YXREIT]** Fitch affirmed Yuexiu REIT at BBB- and placed negative rating outlook

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