

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!

- *The new WHREST '27 hovered unchanged at par. HNYUZI '27 was 0.2pt higher. There were small selling on the front-end LGFVs. ASAMLI/FUKOKU Perps were down 0.2pt under profit taking. ROADKG Perps were up 0.4pt. GLPCHI '26 was 0.7pt higher.*
- *NWDEVL: Key takeaways from an update call. NWDEVL 6.15 Perp/NWDEVL 5.25 Perp were 0.2-0.5pt higher. See below.*
- *Chinese AMC: AMC bonds continue to perform despite rating downgrade. Fitch downgraded China Great Wall to BBB- and China Orient to BBB+. Affirmed ratings of China Cinda at A- and China CITIC FAMC at BBB. CCAMCLs/GRWALLs/ HRINTHs/ORIEASs are largely unchanged in spreads this morning. See below.*

❖ Trading desk comments 交易台市场观点

Yesterday, Asia IG space was mixed following UST yields tightened 10-15bps overnight. HYNCRD '29/SHNHAN '34 tightened 2bps. SIASP/OCBCSP 34s widened 1-3bps. In Chinese IGs, TENCNT 29-30s widened 1-2bps. In financials, BOCAVI '33 widened 2bps. In Chinese AMCs, Fitch downgraded ORIEAS and GRWALL one notch to BBB+ and BBB-, respectively. See below for comments. In AT1s, BBLTB/KBANK/BCHINA Perps closed 0.1pt higher. In EU AT1s, BNP/SOCGEN Perps closed unchanged to 0.2pt higher on tighter UST despite profit taking flows. The recent new issues NWG/STANLN Perps closed 0.1-0.3pt lower. In HK, NWDEVL 6.15 Perp/NWDEVL 5.25 Perp were up 0.8-1.3pts while the rest of NWDEVLs were unchanged. Chinese properties performed mixed. CSCHCN 24s/27s were another 0.9-2.8pts higher. ROADKG Perps/24-26s were 0.7-1.5pts higher. CHIOLI 42-43s were 0.9pt higher. On the other hand, FTLNHD/FUTLAN 24-26s were 0.4-1.5pts lower. VNKRL 25-29s were down 0.3-0.6pt. Outside properties, WESCHI/CNMDHL 26s were 0.1-0.3pt higher. In Macau gaming, SANLTD/STCITY 27-31s were up 0.2-0.4pt whilst WYNMAC '29 was down 1.0pt. In India, ADSEZs/ADTINS/ADGREGs were 0.3-0.7pt higher. VEDLN 26-28s were up 0.2-0.4pt. In Indonesia, ASRIIJ '25 was up 0.1pt. Alam Sutera Realty announced the call of its o/s USD251mn ASRIIJ 12 11/02/25 at a redemption price of 100.7813 on 13 Jul '24. LMRTSP 24/26 were 0.2-0.4pt higher.

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In LGFVs, HNYUZI and WHREST both priced a USD500mn 3-yr bond at par, to yield 5.9% and 5.7%, respectively. On the secondary front, we continued to see RMs deploying in quality LGFVs and short-dated papers that would provide a yield pickup. HZCONIs/JMUDIVs/CDCOMMs were up 0.1pt. SOE perps, CHSCOI 4 Perp/CHPWCN 4.25 Perp/RLCONS 3.97 Perp were 0.1pt higher. In the high beta IG names, TIANFS 26s were 1.2pts lower. GPRCIN '26 was down 0.2pt.

❖ Last Trading Day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
CSCHCN 9 12/11/24	25.7	2.8	FTLNHD 4 1/2 05/02/26	66.1	-1.5
CSCHCN 4 1/2 08/19/27	25.5	2.6	FUTLAN 4.45 07/13/25	78.5	-1.2
CSCHCN 9 06/26/24	25.8	1.8	TIANFS 6 1/4 05/31/26	97.1	-1.2
ROADKG 7 PERP	14.3	1.5	FTLNHD 4 5/8 10/15/25	75.8	-1.2
ROADKG 5 1/8 07/26/26	28.4	1.4	WYNMAC 5 1/8 12/15/29	90.3	-1.0

❖ Marco News Recap 宏观新闻回顾

Macro – S&P (+0.23%), Dow (-0.17%) and Nasdaq (+0.34%) were mixed on Thursday. The latest US initial jobless claims was +242k, higher than the expectation of +225k. UST yield retreated yesterday, 2/5/10/30 yield was 4.68%/4.24%/4.24%/4.40%.

❖ Desk analyst comments 分析员市场观点

➤ NWDEVL: Key takeaways from an update call

Last evening, we had a call with NWD ahead FYE24 (year ended Jun), we summarized the key takeaways as follows:-

- **Confident to complete non-core disposals (NCD) of HKD8bn for FY24:** That implies the cumulative NCD to be completed by end of Jun'24 totaled cHKD4bn. Recalled various media reports on NWD's asset disposals, including the sale of D-Park Mall to Chinachem for HKD4.02bn in Mar'24. During the investors' call of 1HFY24 in Feb'24, NWD raised the NCD target in FY24 to HKD8bn from HKD6bn. As per NWD, completion of NCD totaled HKD8bn will help bring its net gearing ratio 3.4 pct pts lower on a pro-forma basis.
- **Northern Metropolis land reserve could be a boost to NAV, as well as a source of liquidity:** Since Dec'23, NWD has entered into strategic partnership/cooperating agreements with China Resources Land, China Merchants Shekou and Shum Yip on the developments of NWD's agricultural land reserve in Northern Metropolis. The total GFA involved is c3.4mn sq ft. NWD has a land reserve of c15mn sq ft by site area in Northern Metropolis. Assuming a plot ratio of 5x, its land reserve there by GFA will be c75mn sq ft. As per NWD, c5mn sq ft out of c15mn sq ft by site area of its land reserve is equipped with better infrastructure with better development potential. It will sell minority stakes for development projects and expect these developments to be self-funded through proceeds from selling minority stakes and project loans. The developments will help boost its asset value factoring into the plot ratio and land cost of HKD100-200/sq ft by site area. On the other hand, for the land reserve of c10mn sq ft with less established infrastructure with lower development potential, NWD will explore the opportunities to sell this land reserve to 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 could represent an alternative liquidity source of HKD11-13bn.

- **Calling the perps is still on the card:** As per NWD, the refinancing activities in Jan-Jun'24 have been performing smoothly. Its average funding cost is 5.2% and it can also secure long-term operating loans (all-in funding cost of 3%) secured by Chinese IPs. Hence, the company considers the funding costs of perps after the reset and step-up to be too high. It is highly motivated to call the perps, especially NWDEVL 6.15 Perp on the first call date. The company does not anticipate the breach of loan covenants resulting from the call of NWDEVL 6.15 Perp.

NWD has a manageable public bond maturity profile and has so far demonstrated its ability to continue to access bank financing. Its next USD bond maturity will be in Jan'27. Its next HKD bond maturity will be in Mar'26 after the repayments totaled HKD2.2bn in 1Q24. For NWDEVLs, we continue to prefer perps with high coupon step-up, i.e. NWDEVL 6.15 Perp, NWDEVL 5.25 Perp and NWDEVL 4.125 Perp as we see a strong incentive and the ability for NWD to call or early redeem these perps.

➤ Chinese AMC: AMC bonds continue to perform despite rating downgrade

Fitch downgraded China Great Wall AMC (Great Wall) to BBB- from BBB with stable outlook. The downgrade reflects agency's expectation on Chinese sovereign's propensity to provide timely and sufficient support has weakened. Fitch also downgraded China Orient AMC to BBB+ from A-, affirmed China Cinda AMC at A- and affirmed China CITIC FAMC at BBB. See Table 2 below.

We expect the government support towards China AMCs, including Great Wall, to remain strong in view of the sector's strategic importance to the stability of Chinese's financial system. At the same time, we do not see any regulatory action towards Great Wall on the breach of minimum regulatory requirement on the capital adequacy, which we believe already happened as at end-Dec'22.

The latest CET1 ratio disclosed by Great Wall was 9.81% at Jun'22 and 9.44% at Dec'21. The CET1 ratio at Dec'22 should fall below the regulatory requirement of 9% based on the sizeable loss incurred in FY22 of RMB45.3bn. The equity attributable to the equity holders was RMB56.3bn at Dec'21, it fell to RMB10.1bn at Dec'22, RMB11.1bn at Dec'23 and RMB11.2bn at Mar'24. We expect the government support to continue despite Great Wall is yet to announce the capital replenishment plan to cure its capital shortfall.

In Jun'24, media reported that Great Wall was considering to issue USD bonds totaled USD600mn including senior bonds and perpetual. The proposed issuance is likely to address the redemption of GRWALL 3.95 Perp and GRWALL 3.125 07/31/24 in Jul'24. The first call date of GRWALL 3.95 Perp is 31 Jul'24 with an outstanding amount of USD400mn, and GRWALL 3.125 07/31/24 of USD200mn will be due on the same day.

Although the credit metrics of Great Wall remains weak, we are not too concerned about its repayment ability given the demonstrated support from the Chinese government to the AMC sector. We also take comfort that the AMCs remain accessible to various funding channels, including onshore bond market. In the AMC sector, GRWALL 3.95 Perp and HRINTHs remain to be our top picks. For lower beta play in the sector, we like CCAMCL 4.4 Perp.

Table 1: Our picks in the China AMC sector

Security Name	Amt o/s (USD mn)	Ask price	YTM/YTC (ask, %)	First call date	Coupon reset	Step-up (bps)	Rating (M/S/F)
CCAMCL 4.4 Perp	1700	96.1	6.1	11/03/26	5yr UST+3.232%	-	B1/-/-
GRWALL 3.95 Perp	400	99.7	6.5	07/31/24	5yr UST+7.145%	500	-/-/BB+
HRINTH 4.25 Perp	250	96.8	6.9	09/30/25	5yr UST+6.979%	300	-/-/BB-
HRINTH 4.75 04/27/27	850	95.4	6.5	-	-	-	Ba2/-/BBB
HRINTH 4.25 11/07/27	1,100	92.7	6.7	-	-	-	Ba2/-/BBB
HRINTH 4.5 05/29/29	544	91.2	6.6	-	-	-	Ba2/-/BBB

Source: Bloomberg.

Table 2: China AMC's credit ratings

	Moody's	S&P	Fitch
China Cinda	Baa1/Negative	BBB+/Stable	A-/Negative
China Great Wall	Withdrawn	Suspended	BBB-/Stable
China Orient	Baa2/Negative	BBB/Stable	BBB+/Stable
China CITIC Financial AMC	Ba1/Negative	BBB-/Stable	BBB/Stable

Source: Moody's, S&P Global Ratings, Fitch Ratings.

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

Issuer/Guarantor	Size (USD mn)	Tenor	Coupon	Priced	Issue Rating (M/S/F)
Wuhan Urban Construction Group Co. Ltd.	500	3y	5.7%	5.7%	Baa2/-/BBB+
Zhongyuan Yuzi Investment Holding Group Co., Ltd.	500	3y	5.9%	5.9%	-/-/A

➤ **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 124 credit bonds issued yesterday with an amount of RMB99bn. As for Month-to-date, 703 credit bonds were issued with a total amount of RMB717bn raised, representing a 2.7% yoy decrease
- **[ASRIIJ]** Alam Sutera Realty elects to redeem all outstanding USD251mn notes due-2025 on 13 Jul'24 at a redemption price of 100.7813
- **[CCAMCL]** Fitch affirmed China Cinda AMC at A- with negative outlook
- **[GRWALL]** Fitch downgraded China Great Wall AMC to BBB- from BBB on perceived weaker government support propensity, outlook changed to stable
- **[HRINTH]** Fitch affirmed China CITIC FAMC at BBB, outlook changed to stable
- **[LPKRIJ]** Fitch downgraded Lippo Karawaci to C from CCC on distressed debt exchange
- **[ORIEAS]** Fitch downgraded China Orient AMC to BBB+ from A-, outlook changed to stable

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