

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 HENINV'27 rose 0.3pt this morning. High-beta NANYAN/BNKEA T2s were firm. QBEAU Perps were unchanged to 0.3pt higher. JP financials remained strong.*
- *NWSZF: FV for the 4-year issue to be CT5+225-235bps, i.e. YTM of 5.9-6.0%. See comments below.*
- *RAKUTN: Higher EBITDA in 1H24 and liquidity gap up to FY25 largely plugged. Maintain buy on RAKUTN 5.125 Perp RAKUTNs were unchanged to 1.2pts higher post 1H24 results. See comments below.*

❖ Trading desk comments 交易台市场观点

Yesterday, UST 2-yr yield tightened 8bps to 3.93% overnight and the flows in Asia IG space were light ahead of CPI data on Wed night. In Chinese IGs, HAOHUA/TENCNT 30s tightened 1-2bps. XIAOMI 30s tightened 3bps. MEITUA 30s closed 1bp wider. In financials, Chinese AMCs remained firm. HRINTHs/GRWALLs were 0.3-0.5pt higher (5-15bps tighter). CCAMCLs/ORIEASs were 2-5bps tighter. In AT1s, BNP 8 Perp/SOCGEN 8.5 Perp/INTNED 8 Perp were up 0.2-0.5pt. In JP, RAKUTN 11.25 '27/RAKUTN 9.75 '29 were up another 0.3-0.5pt. In KR, Moody's revised HYUELE's outlook to stable from negative, affirmed its Baa2 ratings. HYUELEs closed unchanged. The front end of KOROILs/LGCHMs/POHANGs were unchanged to 3bps wider. In HK, BNKEA/NANYAN 34s tightened 3-5bps. NWDEVL Perps/27-31s were traded in mixed flows and closed 0.4-0.8pt lower. In Chinese properties, DALWAN '26 was 1.2pts higher. YLLGSP '26 was up 0.2pt. On the other hand, LNGFOR '28/VNKRLE '25 were 0.3-0.4pt lower. In industrials, EHICAR 26/27 declined 1.0-1.4pts. See our comments on 5 Aug'24. In Macau gaming, MPELs/WYNMACs were another 0.3-0.5pt higher. In India, VEDLN 26-28s rose 0.5-1.3pts. Vedanta Ltd upsized the share sales to 3.17% stakes in Hindustan Zinc Ltd, higher from its earlier plan of selling up-to 2.6% stakes. ADSEZs/ADANEMs/ADGREGs were 0.4-0.9pt higher amid the media report on progress of Adani Enterprise's QIP with the size of USD1.5-2bn. UPLLIN 28/30/Perp were up 0.3-0.8pt.

In LGFVs, ZJSOAM priced a USD520mn 3-yr sustainability bond at par to yield 5.55%. HENINV priced a USD345mn 3-yr sustainability bond at par to yield 5.1%. UMQHTH announced the tender offer and consent solicitation to repurchase in full of its o/s USD90mn UMQHTH 7.5 '26 at par. CPDEV 25/26

PLEASE READ THE AUTHOR CERTIFICATION AND IMPORTANT DISCLOSURES ON LAST PAGE

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

Cyrena Ng, CPA 吳倩瑩
(852) 3900 0801
cyrenang@cmbi.com.hk

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

were 0.2pt higher. In SOE perps, CHPWCN 3.55 Perp/CCBINT 3.329 Perp were 0.1pt lower. In the high beta names, SUNSHG '26 was up 0.1pt.

❖ Last Trading Day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
VEDLN 9 1/4 04/23/26	98.2	1.3	EHICAR 7 09/21/26	75.4	-1.4
DALWAN 11 02/13/26	87.1	1.2	EHICAR 12 09/26/27	80.6	-1.0
VEDLN 13 7/8 12/09/28	99.2	0.9	NWDEVL 4 1/8 07/18/29	75.5	-0.8
ADANEM 3.867 07/22/31	83.9	0.9	NWDEVL 4 1/2 05/19/30	74.3	-0.8
ADANEM 3.949 02/12/30	88.0	0.9	NWDEVL 5 7/8 06/16/27	91.8	-0.6

❖ Marco News Recap 宏观新闻回顾

Macro – S&P (+0.38%), Dow (+0.61%) and Nasdaq (+0.03%) rallied higher on Wednesday. US Jul'24 CPI was +2.9% yoy, lower than the expectation of +3.0% yoy. China Jul'24 unemployment rate was 5.2%, higher than the expectation of 5.1%. Long-term UST yields retreated yesterday, 2/5/10/30 yield reached 3.94%/3.67%/3.83%/4.12%.

❖ Desk analyst comments 分析员市场观点

➤ NWSZF: FV for the 4-year issue to be CT5+225-235bps, i.e. YTM of 5.9-6.0%

Issuer	Celestial Dynasty Limited
Guarantor	NWS Holdings
Status	Senior unsecured
Rating	Unrated
Expected issue size	-
Tenor	4 years
Format	Reg S
Use of proceeds	General corporate purposes

NWS Holdings (NWS) plans to issue 4-year USD bonds. We consider FV of the new NWSZF'28 (unrated) to be CT5+225-235ps vs IPG of CT5+310bps compared with the valuation of NWSZF 4.25 06/27/29. The new bond will be issued by its SPV Celestial Dynasty Limited and guaranteed by NWS Holdings Limited. The bond will have cross-default provision with NWS Holdings and its material subsidiaries, in case of payment default exceeding HKD200mn. The issuing structure of the new NWSZF'28 is the same as that of NWSZF 4.25 06/27/29.

NWS is 76.17% owned by CTFE and ultimately owned by the Cheng Family. NWS's businesses include toll roads, insurance (CTF Life), logistic, construction and facilities management (HK Convention and Exhibition Centre, Gleneagles Hospital Hong Kong and Parkway Medical). NWS expects no less than 33% yoy increase in profit attributable to shareholders to HKD2bn-2.2bn in FY24, due to the notable growth in insurance businesses, turnaround from facilities management as well as steady growth in roads and logistics. The FY24 results will be announced in Sep'24.

Meanwhile, NWS is proactively managing its liabilities. It has a good access to onshore and offshore debt capital markets. In Jan'24, NWS redeemed NWSZF 5.75 Perp in full of USD1bn on the first call date. In Mar'24, it issued RMB100mn Green Panda bonds at 3.55% for capex. Additionally, it applied to CSRC for the issuance of RMB5bn Panda bonds in Jun'24.

Security Name	ISIN	Amt o/s (USD mn)	Px (ask)	YTM (ask)	Z-Spread	Guarantor	Rating
NWSZF 4.25 06/27/29	XS2009282539	243.65	92.3	6.1%	267bps	NWS Holdings	Unrated

Source: Bloomberg.

- **RAKUTN: Higher EBITDA in 1H24 and liquidity gap up to FY25 largely plugged. Maintain buy on RAKUTN 5.125 Perp**

Table 1: Bond profile of Rakuten

Security Name	o/s amt (USD mn)	Ask Px	YTM/YTC (Ask)	Mod Dur	Frist call date	Rating (M/S/F)
RAKUTN 3.546 11/27/24	433.56	99.08	6.95	0.28	-	-/BB/-
RAKUTN 10.25 11/30/24	350.39	101.20	5.89	0.30	-	-/BB/-
RAKUTN 11.25 02/15/27	1,800	109.11	7.20	2.07	-	-/BB/-
RAKUTN 9.75 04/15/29	2,000	107.02	7.92	3.63	-	-/BB/-
RAKUTN 5.125 Perp	750	94.16	9.48	1.53	04/22/26	-/B/-
RAKUTN 6.25 Perp	1,000	85.81	9.32	5.08	04/22/31	-/B/-

Source: Bloomberg.

Rakuten Goup (Rakuten)'s operating performance further improved in 1H24. Its revenue increased 8.0% yoy to JPY1,051bn in 1H24 with improvements in all three segments. In 1H24, the operating losses and the net loss attributable to the owners of the company reduced 59% yoy to JPY52bn, and 46% yoy to JPY76bn, respectively. Its operating cash flow generated in 1H24 increased 222% yoy to JPY666bn. The capex lowered 32% to JPY131bn. Besides, 2Q24 was the first quarter for Rakuten Mobile's pre-marketing cash flow to turn positive.

Rakuten will self-fund its capex and interest expenses in FY24. Rakuten has secured funds for capex needs for Rakuten Mobile, from the 10-year sales and leaseback arrangement of JPY150bn-300bn on some of its mobile network equipment. The tenor for the arrangement is 10 years and the interest rate is 6.5% p.a. Meanwhile, the growing operating cashflow from internet services and FinTech will be used to fund their own capex and reduce debts.

As of Jun'24, Rakuten had cash on hand of JPY5,942bn and total debts of JPY5,437bn. YTD, Rakuten raised USD3.8bn (cJPY558bn) and JPY50bn (cUSD322mn) via offshore and onshore bond issuance at average funding costs of 10.5% and 6%, respectively. Per Rakuten, the issuance of USD bonds has addressed its liquidity gap up to the end of 2025. Rakuten scheduled to call the two due-2055 JPY subordinated bonds, RAKUTN 1.81 11/04/55 and RAKUTN 2.61 12/13/55, totaled cUSD707mn on their first call dates. The coupon of RAKUTN 1.81 11/04/55 will be step-up to c2.2% from 1.81% on 4 Nov'25 and that of RAKUTN 2.61 12/13/55 will be step-up to c3.6% from 2.61% on 13 Dec'25, if they are not called on their first call dates. Recalled that Rakuten called its subordinated RAKUTN 2.35 12/13/53 of JPY140bn on the first call date on 13 Dec'23. We consider Rakuten's liquidity profile adequate over the medium term.

On the other hand, Rakuten delayed the FinTech reorganization plan by 3 months to Jan'25. Rakuten Bank entered into a basic agreement with Rakuten on organizational restructuring on Rakuten's FinTech business. The reorganization is to combine its banking, card, securities, insurance businesses into one single group, so as to enhance the data integration and AI utilization across the group. Rakuten plans to maintain the listing status of Rakuten Bank and drop the IPO plan of Rakuten Securities after the reorganization. Currently, Rakuten holds 49.27% in Rakuten Bank, 100% in Rakuten Card and 100% Rakuten Securities. Rakuten Bank estimated the reorganization cost at JPY5bn in FY24. While Rakuten has not yet release the transaction detail, the cash proceeds from the share sales of Rakuten Card and Rakuten Securities to Rakuten Bank should boost the liquidity of Rakuten at holdco level substantially, in our view.

We are not too concerned of the impact of raising JPY rate and stronger JPY on Rakuten as the pace of rate increase is gradual. Furthermore, c86% of Rakuten's revenue was generated in Japan in 1H24, per our estimate. The stronger JPY will lower the JPY equivalent revenue generated offshore, mainly from other interest services segments covering overseas markets including Rakuten Rewards, Rakuten Viber, Rakuten TV, Rakuten Kobo, and Rakuten Viki which contributed 14% of Rakuten's 1H24 revenue. The adverse impact will also be somewhat mitigated by the expected higher net interest income from banking business in a rising rate environment due to higher interest rate, in our view. We expect the net interest income of Rakuten Bank to increase under the rising interest rate environment, as the majority of loans are subject to floating interest rate based on TIBOR while the interest expenses on deposit has a lower sensitivity to interest rate rise than assets. Rakuten Bank contributed 7% of Rakuten's total revenue in 1H24.

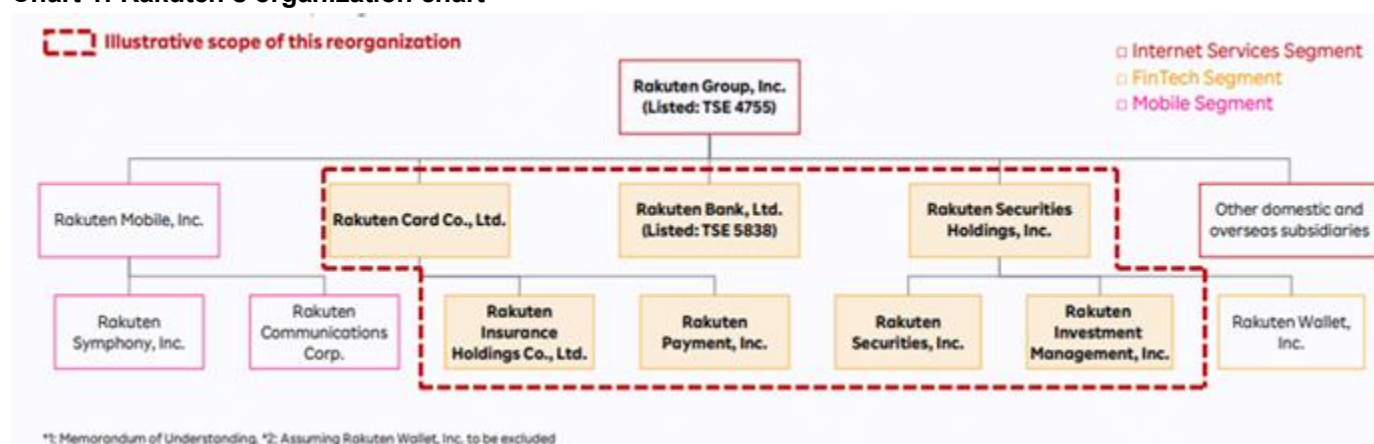
We maintain buy on RAKUTN 5.125 Perp, in view of yield pick-up trade over other RAKUTNs. At 94.2, RAKUTN 5.125 Perp is traded at a YTC of 9.5%, offering a yield pick-up of 220bps over RAKUTN 11.25 02/15/27 and 180bps over SOFTBK 6.875 Perp. The coupon of RAKUTN 5.125 Perp will be reset to 5yUST+4.578% with 25bps coupon step-up if it is not called on the first call date in Apr'26. We see a good chance Rakuten to call the perp on first call date, in view of improving operating performance and good access to various funding channels. The price of RAKUTN 5.125 Perp rallied 7pts post our initiation of buy recommendation in May'24.

Table 2: Financial highlights of Rakuten

JPYbn	1H23	1H24	Change
Revenue	972.8	1,050.9	8.0%
-Internet services	565.8	589.6	4.2%
-FinTech	349.0	396.2	13.5%
-Mobile	176.4	194.8	10.4%
Operating loss	(125.1)	(51.6)	-58.7%
EBITDA	37.1	119.6	221.9%
Net loss attributable to the owner of the company	(140.0)	(76.0)	-45.7%
Operating cash flow	239.8	665.7	177.6%
Capex	191.2	130.9	-31.6%
	Dec'23	Jun'24	Change
Cash on hand	5,127.7	5,942.2	15.9%
Total debts	4,795.2	5,437.3	13.4%

Source: Company filling, CMBI Research.

Chart 1: Rakuten's organization chart



Source: Rakuten's 2QFY24 result presentation.

➤ Offshore Asia New Issues (Priced)

Issuer/Guarantor	Size (USD mn)	Tenor	Coupon	Priced	Issue Rating (M/S/F)
Henan Investment Group Co., Ltd.	345	3yr	5.1%	5.1%	-/-/A

➤ Offshore Asia New Issues (Pipeline)

Issuer/Guarantor	Currency	Size (USD mn)	Tenor	Pricing	Issue Rating (M/S/F)
Huaibei City Construction (SBLC by Huishang Bank)	USD	-	3yr	6.1%	-/-/-
NWS Holdings	USD	-	4yr	T+310	-/-/-

➤ 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, 948 credit bonds were issued with a total amount of RMB974bn raised, representing a 37.6% yoy increase
- [ADEIN]** Media reported that Adani Enterprises may launch up to USD2bn QIP in first half of September and NCD issue in next week
- [CAPG]** China Aoyuan expects to swing to a net profit in 1H24 on restructuring gains following offshore revamp
- [DALWAN]** Media reported that Dalian Wanda Commercial plans to use loan to pay for part of pre-IPO equity buyback
- [HYSAN]** Media reported that Hysan Development obtained a four-year syndicated loan and revolving credit facility for HKD8bn to refinance debt and boost working capital
- [HYUELE]** Moody's affirmed SK Hynix's Baa2 and revised its rating outlook to stable from negative
- [SINOCE]** Media reported that Sino-Ocean Group USD bondholder AHG urges holders to sign letter opposing restructuring plan
- [UMQHTH]** Urumqi Gaoxin Investment and Development announced tender offer and consent solicitation in relation to all outstanding USD90mn UMQHTH 7.5 09/22/26
- [VEDLN]** Vedanta Limited plans to sell up to 3.2% stake (1.33mn shares) in Hindustan Zinc via stock exchange with floor price INR486 (cUSD5.88) per share
- [VNRKLE]** Media reported that China Vanke plans to sell stakes in two China shopping malls via asset securitization
- [YIDCHL]** Yida China Hong Kong winding-up petition hearing adjourned to 23 Sep'24
- [YLLGSP]** Yanlord 1H24 revenue rose 34.8% yoy to RMB20bn while gross profit decreased 37% yoy to RMB2.6bn

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.