

CMBI Credit Commentary

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

- *Flows were skewed to buying this morning. Asian IG space was 0-2bps tighter. BIDU curve tightened 5bps, HKLSP'33 was 3bps tighter. DAHSIN/SHCMBK T2 were under better buying. SUMIFL/SKONKR/POHANG/SATSSP curves were stable despite coming new issues.*
- **LMRTSP:** Another round of tender offer to be financed with USD90mn credit facility available. LMRTSP'24/ LMRTSP'26 rose 3.8pts/3.0pts this morning. See below.
- **China Economy – Exports to gradually improve in 2024.** CMBI expects exports and imports of goods to respectively increase 3.6% and 3.3% in 2024 after dropping 4.6% and 5.5% in 2023. See below for comments from CMBI economic research.

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❖ Trading desk comments 交易台市场观点

Yesterday, overnight UST yield tightened another 6-12bps across the curve. Asia ex JP IG space was quiet as US market was out for holiday without live UST. Chinese SOE/TMT benchmarks HAOHUA/TENCNT 29-30s were 1-2bps tighter. BIDU curve widened 2-5bps. Baidu denied the media report on Chinese military link which raised concerns of potential US sanctions. The high beta TMTs were also better sold. WB/LENOVO 30s widened 2-3bps. In financials, we also saw heavy selling flows on due-24 papers to switch for longer duration. In Chinese bank T2/leasing/AMC names, BCHINA/ICBCIL/GRWALL/HRINTH 24s widened 4-10bps. Chinese AT1s were firm. BCHINA/ICBCAS/CINDBK Perps were up 0.1-0.3pt. In KR space, HYUELE curve was traded in active two way flows and closed 2-3bps tighter. In HK Corp space, we saw decent amount of buying interests in high-beta HK names such as NANFUN/LIHHK from AMs. BNKEA/NANFUN FFL Perps were up 0.5-1.5pts. LIHHK 24-26s were 0.8-0.9pt higher. SHUION 24-26s were up 1.6-2.7pts. Chinese properties were mixed. CSCHCN 24-27s were 1.4-5.4pts higher. YLLGSP '26/DALWAN '25 were up 1.8-3.1pts. LOGPH 24-28s were 0.7-0.9pt higher. Logan signed the credit support agreement with AHG to restructure its offshore senior notes. On the other hand, FUTLAN '24/COGO '26/CHIOLI '30 were down 0.6-2.2pts. In industrials, ANTOIL '25/EHICAR '26 were up 1.3-2.0pts whilst HILOHO '24 was 1.3pts lower. Macau gaming names were muted. In Indian space, VEDLN 26-28s were 1.2-1.6pts higher. ADANEM 30-31s were up 0.5-0.9pt. Indonesian space was firm. LPKRIJ 25-26s were up 1.6-2.1pts, while LMRTSP 24/26 were 1.1-1.3pts higher. APLNIJ '24 was up 1.7pts.

The LGFV/Perp spaces had a fairly upbeat session, supported by solid cross-border buying flows from Chinese RMs in quality LGFV names. The 5-6% LGFVs such as GZINFU/YWSOAO 26s were up 0.1pt. CQNANA '26 was up

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0.3pt. CPDEV 25/26/Perp were 0.3-0.5pt higher. In SOE perps, HUADIA 3.375 Perp/CHPWCN 3.45 Perp were up 0.1pt. Meanwhile, the high-yielding Chinese IG papers remained sought after. SUNSHG 26s/ZHONAN 25-26s were up 0.2-0.4pt.

❖ Last Trading Day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
CSCHCN 4 1/2 08/19/27	37.7	5.4	FUTLAN 6 08/12/24	64.9	-2.2
CSCHCN 9 12/11/24	36.2	4.4	HILOHO 9 3/4 11/18/24	52.6	-1.3
YLLGSP 5 1/8 05/20/26	73.6	3.1	JINKE 6.85 05/28/24	8.2	-1.2
SHUION 5 1/2 06/29/26	62.5	2.7	CHIOLI 6 3/8 10/29/43	97.2	-1.0
SHUION 5 1/2 03/03/25	71.8	2.1	NWDEVL 6 1/4 PERP	53.5	-0.9

❖ Marco News Recap 宏观新闻回顾

Macro – US stock markets closed on Monday. UST yields were unchanged on Friday, 2/5/10/30 yield stayed at 4.14%/3.84%/3.96%/4.20%, respectively. US dollar index rose 0.15% to 102.6. The WTI/Brent crude oil moved -0.25%/+0.45% to USD72.5/78.6 per barrel.

❖ Desk analyst comments 分析员市场观点

➤ LMRTSP: Another round of tender offer to be financed with USD90mn credit facility available

Lippo Mall Indonesia Retail Trust (LMIRT) announced another round of tender offer on LMRTSP 7.25 06/19/24 and LMRTSP 7.5 02/09/26. The minimum and maximum purchase price for LMRTSP 7.25 06/19/24 is USD90 and USD95, respectively, and the minimum purchase price for LMRTSP 7.5 02/09/26 is USD80. The prices are higher than the tender offer conducted in Dec'23, at USD76.5 and USD66.5, respectively.

LMIRT has cUSD90mn credit facility available in this round of tender offer to purchase these two notes, after purchasing USD82mn in total for the same notes in the tender offer conducted in Dec'23. The expiration deadline will be on 24 Jan. Also, LMIRT will prioritize LMRTSP 7.25 06/19/24 over LMRTSP 7.5 02/09/26, and expects to allocate at least 80% of the acceptance consideration for purchasing the LMRTSP 7.25 06/19/24. Assuming 80% of the credit facility of USD90mn to be used to purchase LMRTSP 7.25 06/19/24, the total outstanding amount of the notes will be further reduced to USD116.3mn, which will be due within 6 months. The near-term refinancing pressure remains high.

The IDR2.5tn credit facility for the tender offers has an average life of 6 years. The two USD notes are subordinated to the credit facility, which is secured by certain security including mortgages over one of its three largest assets. The remaining two of such three largest assets, are also secured for certain SGD loans in 2023. The three largest assets (Lippo Mall Puri, Sun Plaza, and Lippo Mall Kemang) represents 45% of the total fair value of investment properties as at 30 Sep'23. The room for obtaining refinancing via pledge of properties is narrowing.

Meanwhile, the distributions on its SGD perps perpetual securities will continue to be skipped. There are dividend stopper provisions under the terms of perpetual securities. Besides, Lippo Karawaci owned 47.29% of LMIRT and classified as an associate. And there is no cross default trigger to Lippo Karawaci. LMRTSP'24/ LMRTSP'26 rose 3.8pts/3.0pts this morning.

Table 1: Bond profile of LMRTSP

	o/s amt	Min. purchase px	Max. purchase px	Ask px	YTM/YTC (ask, %)
LMRTSP 7.25 06/19/24	USD188.3mn	USD90	USD95	96.6	15.7
LMRTSP 7.5 02/09/26	USD143.2mn	USD80	-	83.5	17.4
Bonds under tender offer					
LMRTSP 6.475 Perp	SGD140mn	-	-	25.0	1,473.3
LMRTSP 8.096 Perp	SGD120mn	-	-	27.0	656.7
Total outstanding bonds	cUSD526.1mn				

Source: Bloomberg, Company filing.

➤ China Economy – Exports to gradually improve in 2024

China's exports of goods continued to improve thanks to base effect and slowdown of overseas de-stocking process. Sino-US trade activity remained weak as China strengthened trade ties with emerging markets and developing countries. Imports modestly rebounded as commodity import volume improved and import price narrowed the decline. Looking forward, exports and imports of goods may continue to improve, buoyed by base effect, re-stocking cycle and a rebound in prices. However, Sino-US trade tensions and weak demand may continue to pose challenges. Exports and imports of goods are expected to respectively increase 3.6% and 3.3% in 2024 after dropping 4.6% and 5.5% in 2023. We expect China may maintain the GDP growth target at around 5% with moderate easing of monetary policy and fiscal policy in 2024.

Exports to developing economies were better than those to developed economies. China's exports of goods picked up 2.3% YoY (all on a YoY basis unless specified) in Dec after rising 0.5% in Nov. For 2023, the exports of goods dropped 4.6%. By destination, exports of goods to the US, EU, Canada, Japan, South Korea and ASEAN respectively decreased 13.1%, 10.2%, 14.9%, 8.3%, 7.2% and 5% in 2023, compared to the growth of 1.2%, 8.6%, 4.5%, 4.4%, 9.5% and 17.7% in 2022. Meanwhile, exports to India, Africa, Russia and Saudi Arabia respectively increased 0.8%, 7.5%, 46.9% and 14.4% after rising 21.7%, 11.2%, 12.8% and 25.7%. As China's trade activities with most developed economies weakened, its trade ties with most developing economies strengthened. China's market shares in the US and EU imports of goods respectively declined from 12.9% and 15.4% in 2022 to 11.2% and 14.6% in 2023. However, its market share in Indonesia's imports of goods further rose from 27.6% in 2022 to 28.9% in 2023.

Exports continued to recover across major products. Automobile remained a big pull as exports of vehicles rose 52% in Dec after increasing 27.9% in Nov. The growth of vehicle exports reached 69% in 2023, with the contribution to total export growth at 1.3ppt. Exports of home-related products like furniture and home appliances saw a moderate recovery from 3.6% and 11.8% to 12.4% and 14.7%. However, exports of automatic data processing equipment, garment, cellphone, integrated circuits and medical equipment dropped 20.4%, 7.8%, 2.7%, 10.1% and 2.9% in 2023. China's export performance was dragged by three reasons. Firstly, overseas consumers shifted their demand from goods to service. Secondly, overseas de-stocking cycle lasted with weak PPI performance. Thirdly, Sino-US trade tensions lasted as multinational companies continued to diversify their supply chain beyond China.

Imports of goods marginally rebounded despite weakening intermediate goods. China's imports of goods rebounded 0.2% in Dec after dropping 0.6% in Nov, slightly above market expectations. Imports of intermediate goods for further processing including steel products, copper products and rubber remained soft as its import volume dwindled from -18.7%, 2% and 8.1% to -5%, -10.6% and -4.9%, casting a shadow on growth prospects. Volume growth of crude oil recovered to 0.6% from -9.2% while its price further dropped 5.1% in Dec from 3.9%. For integrated circuits, the import volume continued to rebound by 6% after reporting 0.5% growth in Nov, while

their import price fell by 8.8% after rising 8% in Nov. Iron ore and copper ore both improved in terms of volume from 3.9% and 1.2% to 11% and 18.1% while their price continued to increase. For grain and soybean, their import volume eased while coal and natural gas rebounded. At the same time, the import volume of beauty cosmetics continued with YoY declines as domestic consumers became more price-elastic.

Exports and imports of goods are expected to increase 3.6% and 3.3% in 2024 after decreasing 4.6% and 5.5% in 2023. Global trade of goods may moderately improve in 2024 thanks to base effect and re-stocking cycle. The downside pressure in the US economy should be mainly from the service sector, while demand for goods in the EU and China may mildly improve. As the de-stocking cycle may come to an end, foreign trade price is expected to rebound. China's exports and imports of goods may continue to improve from the YoY perspective. We expect China's exports and imports of goods to increase 3.6% and 3.3%, respectively, in 2024.

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➤ 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)
POSCO	USD	-	3yr	T+150	Baa1/A-/-
Sats Treasury Pte Ltd	USD	-	5yr	T+120	A3/-/-
SK Battery America	USD	-	3yr	T+140	Aa3/-/-
Shriram Finance Ltd	USD	-	3.25yr	7.0%	-/BB/BB

➤ News and market color

- Regarding onshore primary issuances, there were 84 credit bonds issued yesterday with an amount of RMB58bn. As for Month-to-date, 727 credit bonds were issued with a total amount of RMB611bn raised, representing a 9.5% yoy decrease
- [COGARD]** Media reported that Country Garden expects to deliver over 480k residential units in 2024
- [EHOUSE]** E-House expects to gain cRMB6.333bn (cUSD887mn) from the disposal of TM Home
- [ICBCIL]** ICBC Financial Leasing's USD300mn keepwell-backed loan in syndication; commitments due 9 Feb'24
- [LOGPH]** Media reported that Logan Group's bank creditors may seek the liquidation in HK of Logan's two subsidiaries
- [MGMCHI]** MGM China will raise staff salaries this year by 2.5%-6.5% as Macau gaming revenue continues to rebound

- **[SINOCE]** Media reported that Sino-Ocean proposes up to 30-month extension for nine onshore bonds with RMB18.27bn outstanding under holistic deal
- **[VEDLN]** S&P upgraded Vedanta Resources to CCC+ from SD following maturity extensions and placed stable outlook
- **[ZHLGHD]** Zhongliang Holdings will hold scheme meeting on 9 Feb'24

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