

CMBI Credit Commentary

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

- *The market was firm this morning ahead of China's NPC meeting. See our economic research on NPC preview. FRESHK 25-28s tightened 2-5bps. CCAMCL/ORIEAS 27-28s widened 1-3bps. HYSAN 4.1/4.85 Perps were up 0.5-0.7pt following the mandate of new HYSAN NC5.5 Perp and concurrent tender offer for HYSAN 4.1 Perp. NWDEVLs were unchanged to 1.8pts higher.*
- **FAEACO:** *Ready for the partial call? Far East Consortium finally announced the sale of BC Invest for AUD106.3mn. We maintain buy on FAEACO 12.764 Perp which moved 0.9pts higher this morning. See comments below.*
- **YLLGSP:** *Positive FCF generation continues in a challenging operating environment. YLLGSP'26 remains a good carry play despite lower conviction. See below.*

❖ Trading desk comments 交易平台市场观点

Last Friday, UST yield tightened another 4-8bps and closed 14-20bps tighter WoW. Asia IG space had a risk-off session post Trump's latest tariff threats. HYUELE/LGENSO 27-34s were 1-3bps wider. In Chinese IGs, BABA/TENCNT 27-31s widened 1-4bps on heavy profit taking. CCAMCL/CFAMCI 27-30s were 2-6bps wider. In financials, the recent new HSBC/SUMIBK/KDB/MIZUHO Float 29-31s closed unchanged to 2bps wider amid mixed flows. WSTP/WSTPNZ/NAB 30-36s widened 2-4bps. In AT1s, BNP 7.375/SOCGEN 8.5 Perp were up 0.2-0.4pt in light of lower rates. In HK corps, FAEACO 12.764 Perp was up 1.0pt. See comments below. NWDEVL 27-31s/Perps rose another 0.3-1.9pts from last Thu close posted the release of 1HFY25 results. NWDEVLs closed 2.2-6.3pts higher WoW. We shall provide comments on NWD separately. NWSZF 28-29s were up 0.1-0.4pt. CKPH/CKINF Perps increased 0.3-0.8pt. In Chinese properties, YLLGSP '26 closed 0.9pt higher with continued net debt reduction through positive FCF. See comments below. YUEXIU 31s/CHIOLI 28-43s/ROADKG 27-30s were up 0.3-1.1pts. Outside properties, SANLTD 25-31s were up 0.2-0.7pt, MPEL 25-29s were 0.1pt higher. See our comments on MPEL on 28 Feb '25. In India, ADGREG 42s/ARENRJ 39s were down 0.3-0.6pt. Elsewhere, MONMIN 26s declined another 0.8pt despite Moody's revised its outlook to positive.

In LGFVs, SHGUOH 25s/DFINVH 25s/CDCOMM 27s were up 0.1-0.2pt. There were two way interests on CNH names such as JDZUDG 28s/LYGYIH 27s. In SOE perps, CHPWCN 3.45/HUADIA 3.375/CTIH 6.4 Perps were up 0.2pt.

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❖ Last Trading Day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
NWDEVL 8 5/8 02/08/28	71.8	1.9	CCAMCL 5 02/08/48	90.7	-1.0
CCAMCL 4 3/4 12/04/37	92.1	1.5	EXIMCH 4 11/28/47	90.0	-0.8
NWDEVL 4 1/8 07/18/29	60.6	1.4	MONMIN 12 1/2 09/13/26	107.0	-0.8
CHGRID 4.85 05/07/44	102.0	1.2	MINMET 4.95 07/22/26	96.5	-0.6
CHGRID 4 05/04/47	90.4	1.2	ADGREG 6.7 03/12/42	91.2	-0.6

❖ Marco News Recap 宏观新闻回顾

Macro – S&P (+1.59%), Dow (+1.39%) and Nasdaq (+1.63%) were higher on last Friday. US Jan'25 Core PCE index was +2.6% yoy, in line with the expectation. US Jan'25 personal spending was -0.2% mom, lower than the expectation of +0.2%. UST yield retreated on last Friday, 2/5/10/30 yield at 3.99%/4.03%/4.24%/4.51%.

❖ Desk Analyst Comments 分析员市场观点

➤ FAEACO: Ready for the partial call?

Last Fri night, Far East Consortium (FEC) finally announced the sale of BC Invest for AUD106.3mn. On 26 Feb'25, FEC announced the sales of its interests in hotel and townhall in The Broadway, London for a total consideration of GBP47.2mn (HKD461.6mn). Over the last week, FEC announced the non-core asset disposals for total considerations and book gain of HKD983mn and HKD379.4mn. FAEACO 12.764 Perp performed weakly since early Feb given the concerns on fading prospect of US rate cut, as well as the concerns of credit quality of HK corps and banks. The weak performance of FAEACO 12.764 Perp reversed after FEC' announcements on the progresses in non-core asset disposal, the revived expectation of US rate cut, as well as the better than expected results of HK corps and banks. At 91.7, we see a better entry point and believe that FAEACO 12.764 Perp a good short-dated carry play. The progresses in non-core asset disposals and, more importantly, the collection of proceeds from pre-sold properties should considerably strengthen FEC's financial flexibility to start partial call of FAEACO 12.764 Perp. We maintain buy on FAEACO 12.764 Perp.

Recalled that FEC did not call FAEACO 12.764 Perp on 18 Oct'24, the first call date, and instead solicited the consent for partial calls in Aug'24. The non-call is partly due to the potential loan covenant breach if the perp were called in full in Oct'24. The book gain from recent non-core asset disposals should somehow addresses the potential impact of smaller equity base resulting from the partial call.

Furthermore, the proceeds of HKD983mn and net cash collection from properties to be delivered should notably improve FEC's liquidity over the coming months. We expect the cash to be collected from property deliveries in 1Q25 will be cHKD2.5bn. We continue to see FEC's strong willingness and improving ability to call FAEACO 12.764 Perp to lower funding cost.

➤ YLLGSP: Positive FCF generation continues in a challenging operating environment

YLLGSP'26 remains a good carry play despite lower conviction

We consider Yanlord one of the few survivors of the Chinese property sector given its positive free cash flow (FCF) generation for a notable net debt reduction under a challenging operating performance. We take additional comfort with the financial flexibility offered by its IPs and its manageable debt maturity profile. The refinancing pressure of Yanlord has considerably alleviated through various funding activities. Yanlord has only 1 outstanding offshore bond, i.e YLLGSP 5.125 05/20/26 due May'26 with an o/s amount of USD500mn. YLLGSP 5.125 05/20/26 continues to perform well, up c6pts since the interim results and c2pts

YTD. At 96.9, YLLGSP 5.125 05/20/26 is trading at YTM of 7.8%. The bond remains a good carry play despite the conviction level is lower. We maintain buy on YLLGSP 5.125 05/20/26.

Table 1: YLLGSP's o/s bond

	O/S (USD mn)	Maturity	Coupon	Offer price	YTM (%)
YLLGSP 5 1/8 05/20/26	500	5/20/2026	5.13%	96.9	7.80%

Source: Bloomberg.

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

Issuer/Guarantor	Size (USD mn)	Tenor	Coupon	Priced	Issue Rating (M/S/F)
Jiangsu Tenghai Investment Holding Group	100	3yr	4.78%	4.78%	Unrated
Qingdao Jiaozhou Urban Development And Investment Co	150	3yr	7.0%	7.0%	Unrated

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

Issuer/Guarantor	Currency	Size (USD mn)	Tenor	Pricing	Issue Rating (M/S/F)
Bank of Communications Financial Leasing	USD	-	3yr/5yr	SOFR+115/ SOFR+130	A3/-/A
Rudong County Mintai Urban and Rural Construction Engineering Co	USD	-	3yr	6.6%	Unrated
Sumitomo Mitsui Trust Bank	USD	-	3yr/5yr/5yr/10yr	T+85-90/ T+100-105/ SOFR Equiv/ T+120	A1/A/-

➤ **News and market color**

- Regarding onshore primary issuances, there were 75 credit bonds issued last Friday with an amount of RMB40bn. As for Feb'25, 1,345 credit bonds were issued with a total amount of RMB1,242bn raised, representing a 27.7% yoy increase
- Macau gaming revenue for Feb'25 rose 6.8% yoy to MOP19.7bn
- **[FAEACO]** Far East Consortium to sell 53.21% of BC Investment Group at initial consideration of AUD106.3mn (cUSD66.2mn) plus per share earn-out payment
- **[GZRFPR]** Guangzhou R&F extends deadline to support restructuring of three USD bonds to 31 Mar'25 from 28 Feb'25
- **[HYSAN]** Hysan launches a tender offer on HYSAN 4.1 Perp of USD750mn at par, the maximum acceptance amount of the perp is subject to the size of concurrent new issuance. Expiration deadline will be 11 Mar'25

- **[KAISAG]** Kaisa Group creditors approve four schemes by requisite majority
- **[MONMIN]** Moody's revised the outlook of Mongolian Mining Corp to positive from stable and affirmed B3 ratings
- **[SHUION]** Shui On expects the total net profit for FY24 to be RMB800-825mn, dropped from RMB1,397mn in FY23, due to a lower level of residential project completions during the year
- **[SOFTBK]** SoftBank in discussions with banks to borrow USD16bn for AI projects

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