

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!

- *Asian IG space was unchanged this morning. IG floaters were well bid. Low-beta CKHH, HAOHUA were better sold. EU AT1s were firm, new SANTAN 8 PERP rose c0.5pt. We saw active buying flows on front end LGFV and SOE perp.*
- *NWDEVL: 5.25 PERP is our top pick. See below comments. NWDEVLs moved -0.1 to +0.2pt this morning.*
- *LGFV: Gradual progression of government support towards LGFV. See comments below.*

❖ Trading desk comments 交易台市场观点

Yesterday, Asia IG space was quiet with light and mixed two-way flows. In Chinese IGs, HAOHUA '30/TENCNT '28 were 1-2bps wider. In financials, CCAMCLs/ORIEASs closed unchanged to 3bps wider. HRINTH 24/25 were 2-5bps tighter. GRWALL 7.15 Perp was 0.2pt higher. DBSSP/OCBCSP T2s widened 1bp. In AT1s, ICBCAS 3.2 Perp/CINDBK 4.8 Perp/KTBTB 4.4 Perp/KBANK 4 Perp were 0.1pt higher. ACAFP 6.5 Perp/HSBC 6 Perp/INTNED 8 Perp were 0.1-0.3pt higher. In HK, CKHH 33/34 widened 1bp. AIA/BNKEA 34s tightened 1-2bps. NWDEVL Perps were 0.5-1.1pts higher following media report of progress on additional loan arrangements. See below for comments. HYSAN/REGH/CKPH Perps were 0.3-0.6pt higher. PCPDC '26/NANFUN '30 were up 0.4-0.5pt. Chinese properties were soft. FUTLAN/FTLNHD 25-26s and ROADKG 28-30s were 0.3-0.7pt lower. VNKRL 25/27/29 were 0.2-0.4pt lower. Outside properties, EHICAR 26/27 lowered 0.6-1.0pt. HILOHO '24/WESCHI '26 declined 0.4pt. In Macau gaming, MGMCHI '26/MPEL '29 were 0.4-0.5pt lower. In Indonesia, PTSMGP priced a USD350mn 7NC3 green bond at par to yield 7.75%. In India, ADSEZs/ADANEMs/ADGREGs were 0.1-0.3pt higher. UPLLIN 28/30/Perp were 0.3-0.5pt higher. Elsewhere, GLPSP Perps were 0.3pt higher. VLLPM '29 lowered 0.4pt.

In LGFVs, LYURBN '26/WFURCD '24 were 0.2pt higher. WUXIND '26/WUXIMU '24 were 0.1pt higher. On the other hand, CPDEV 25/26 were 0.1-0.3pt lower. YWSOAO '25 declined 0.3pt. In SOE perps, HUADIA 3.375 Perp/COFCHK 3.1 Perp were 0.1pt higher, CHPWCN 3.55 Perp/CHSCOI 4 Perp were 0.1pt lower. In the high beta names, HNINTL '30 was up 0.3pt. ZHONAN '26 was 0.1pt higher. TIANFS '26 was 0.2pt lower.

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❖ Last Trading Day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
NWDEVL 5 1/4 PERP	85.4	1.1	EHICAR 12 09/26/27	85.7	-1.0
NWDEVL 4.8 PERP	44.3	1.0	FTLNHD 4 5/8 10/15/25	74.8	-0.7
NWDEVL 4 1/8 PERP	64.4	0.8	EHICAR 7 09/21/26	80.2	-0.6
NWDEVL 6.15 PERP	96.5	0.6	ROADKG 5.9 09/05/28	48.9	-0.5
HYSAN 4.85 PERP	71.8	0.6	ROADKG 6 03/04/29	44.0	-0.5

❖ Marco News Recap 宏观新闻回顾

Macro – S&P (+0.08%), Dow (-0.12%) and Nasdaq (+0.07%) were mixed on Monday. UST yields retreated yesterday, 2/5/10/30 yield reached 4.36%/4.05%/4.17%/4.42%.

❖ Desk analyst comments 分析员市场观点

➤ NWDEVL: The 5.25 PERP is our top pick

Media reported that NWD obtained new operating loans in Mainland China: 12-yr of RMB1bn and 15-yr of RMB400mn at 3.1% and 3.15%, respectively. These once again demonstrate NWD's ability to access various funding channels at low funding costs. We continue to see NWD's maturity profile manageable and prefer NWDEVL perps with high coupon step-up, i.e. NWDEVL 6.15 Perp, NWDEVL 5.25 Perp and NWDEVL 4.125 Perp. These 3 step-up perps have been 9-18pts higher since early Mar'24. Further progresses on NCD and securing long-term operating loans in China will continue to be the catalysts for NWDEVLs to outperform. Subsequent to NWDEVL 6.15 PERP traded up to 97, our current top pick out of the 3 step-up perps is NWDEVL 5.25 Perp in view of its more balanced risk-return profile, i.e. lower cash price, highest YTC and highest credit spread (789bps) if the perp is not called on the first call date.

NWD started making uses of its IPs in Mainland China to obtain long-term operating loans since Jan'24. So far NWDEVL disclosed that it obtained RMB2.6bn operating loans (15-year of RMB2bn and 10-yr of RMB600mn at funding costs of 3.0% and 2.9%, respectively). Including the new RMB1.4bn operating loans as reported, NWD's total operating loans should be cRMB4bn (cHKD4.3bn) compared with the BV of its IPs in China of cHKD43bn. Assuming only half of them have reached the maturity for securing operating loans and a LTV of 50% on average, it can raise operating loans up to cHKD11bn from its IPs in China. This represents a headroom of HKD6-7bn for additional operating loans in China, and a meaningful source of alternative liquidity, especially the uses of proceeds from operating loans are less restrictive these days.

Another source of liquidity could be NWD's land reserve in Northern Metropolis. We estimate that NWD's land reserve with lower development potential is worth HKD11-13bn though the actual size and timing for monetization of the land reserve are uncertain. Please see [our comments on 25 Jun'24](#) for more discussions.

	Amt Out (USD mn)	Maturity	Ask Price	YTC (Ask)	Next Call Dt	Coupon reset	Coupon Step-up
NWDEVL 6.15 PERP	454	--	96.6	12.0	3/16/2025	3yrUST+6.201%	300bps
NWDEVL 5 ¼ PERP	999	--	84.9	16.1	3/22/2026	5yrUST+7.889%	300bps
NWDEVL 4 ½ PERP	1140	--	64.1	18.1	3/10/2028	5yrUST+5.858%	300bps

Source: Bloomberg.

➤ LGFV: Expansion of government support

Media reported that the Chinese government plans to help the LGFVs in 31 provinces, autonomous regions and municipalities to refinance their debts under a guideline issued in 2023, i.e. No.35 document, including bonds, loans, and to restructure non-standard debt from shadow banks. The 19 provinces not classified as higher debt risk in No.35 documents could nominate cities struggling with debt repayments to swap their short-term, high interest debts into long-term bank loans at lower interest rates.

This reflects an expansion of the government support towards LGFVs from 12 higher risk provinces to remaining 19 provinces, autonomous regions and municipalities with comparably lower risk. As mentioned in the No.35 document issued last year, provinces not classified as higher risk are also allowed to work with financial institutions for debt refinancing and restructuring, and debts arising from refinancing and restructuring via financial institutions are not treated as new financing.

The supportive policies will set a more favorable tone for the refinancing environment, onshore and offshore, for LGFVs. YTD, LGFVs have issued offshore bonds totaled cUSD25.6bn equivalent, denominated in USD, CNH, and other currencies. Nonetheless, LGFVs are still facing significant refinancing pressure with offshore bonds totaled cUSD17bn maturing in the rest of 2024.

Last week, China government issued No.134 document, extending the validity of No.35 document to Jun'27 from the end of 2024, see our comments in [daily on 24 Jul'24](#). In the LGFV space, we like CCUDIH, GSHIAV, GXFING and KMRLGP for better risk-return profiles.

Security Name	ISIN	O/S amt (USD mn)	Mod Dur	YTM (%, ask)	Px (ask)	Rating (M/S/F)
CCUDIH 4.3 09/09/24	XS2374510407	230	0.1	6.1	99.8	Baa2/-/BBB
CCUDIH 6.8 06/25/27	XS2824607266	230	2.6	6.7	100.2	-/-/BBB
CCUDIH 7 06/13/26	XS2701555968	200	1.7	6.5	100.8	-/-/BBB
CCUDIH 5 06/14/25	XS2476853085	250	0.9	6.3	98.8	Baa2/-/BBB
GSHIAV 4.9 03/30/25	XS2455963590	300	0.7	6.2	99.1	-/BBB+/-
GXFING 7 ½ 11/14/25	XS2713658537	150	1.2	6.2	101.5	-/-/BBB
KMRLGP 3.9 12/12/24	XS2084435002	200	0.4	10.6	97.6	-/-/-
KMRLGP 8 ½ 12/07/25	XS2558634791	253	1.3	8.5	99.9	-/-/-

Source: Bloomberg.

➤ Offshore Asia New Issues (Priced)

Issuer/Guarantor	Size (USD mn)	Tenor	Coupon	Priced	Issue Rating (M/S/F)
PT Sorik Marapi Geothermal	350	7NC3	7.75%	7.75%	Ba1/-/BB+

➤ Offshore Asia New Issues (Pipeline)

Issuer/Guarantor	Currency	Size (USD mn)	Tenor	Pricing	Issue Rating (M/S/F)
Nanyang Commercial Bank	USD	-	10NC5	T+250	Baa2/-/-

➤ News and market color

- Regarding onshore primary issuances, there were 61 credit bonds issued yesterday with an amount of RMB65bn. As for month-to-date, 1,835 credit bonds were issued with a total amount of RMB1,816bn raised, representing a 16.7% yoy increase
- **[BABA]** Alibaba onshore platforms to increase merchant fees to bolster revenue
- **[CHFOTN]** China Fortune Land Development signed strategic cooperation agreement with state-owned Langfang Linkong Investment Development
- **[DALWAN]** Media reported that Dalian Wanda Commercial Management has not yet receive RMB60bn capital from PAG-led consortium; Its entire stake in Huangshi Wanda Plaza Investment frozen by court
- **[NWDEVL]** Media reported that New World Development recently completed additional HKD10bn loan arrangements and debt repayments
- **[RAKUTN]** Rakuten pushed back completion of financial business overhaul by three months to Jan'25
- **[ZHPRHK]** Zhenro Properties further extended longstop date of RSA to 8 Aug'24

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