

CMBI Credit Commentary

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

- *Asian IG space tightened 1-2bps this morning. Front-end IGs were well bid. Sentiment on Chinese developers remained firm, CHIOLI/COGO/GEMDAL were unchanged to 0.6pt higher. Short-term LGFVs were under better selling.*
- **DALWAN:** Prepared funds for USD120mn amortisation due 29 May'24. Maintain buy on DALWANS. See below.
- *Media reported that Chinese state-owned banks tightened credit to LGFVs in the provinces not defined as having high debt risks.*

❖ Trading desk comments 交易台市场观点

Yesterday, Asia IG space had a quiet session with SG out for holiday. In KR, DAESEC '29 tightened 5bps. KOROILs/HYNMTRs were under better buying and tightened 2bps. In JP, SOFTBKs were 0.2-0.5pt higher (10-20bps tighter) following S&P's one-notch to 'BB+'. In Chinese IGs, BIDU '30/TENCNT '28 were better bid and edged 1-3bps tighter. HAOHUAs closed unchanged to 1bp wider under small selling. In financials, ICBCAS 27s tightened 2bps. The new CCAMCL '29 tightened 1bp to T+125. HRINTHs were 0.1pt lower (unchanged to 5bps wider) amid mixed two-way flows. Chinese AT1s such as BOCOM/ICBCAS Perps were unchanged to 0.1pt higher on some RM buying. EU AT1s were stable. The new C 7.125 Perp opened 0.2pt higher at 100.125/100.25 from par but closed around 100 under profit taking. In HK, NWDEVLS/HYSANS declined 0.3-1.4pts on the back of selling from PBs/FMs. Chinese properties moved higher. FUTLAN/FTLNHD 24-26s rebounded 0.6-1.3pts after decline of 1.0-2.3pts on Tue. LNGFOR 27-32s were also 0.5-1.1pts higher. GEMDAL '24 was up 0.8pt. DALWANS were up 0.3-0.7pt on amortization payment on rescheduled DALWAN 7.25 12/29/24. See comments below. The long end of CHIOLIs remained sought after by RMs and closed 0.5-0.7pt higher. Industrials were mixed. FOSUNI '25/WESCHI '26 were 0.4-0.6pt higher, whilst HILOHO '24 declined 1.1pts. In Macau gaming, SJMHOLs were down 0.8pt and MPELS/SANLTDs were 0.3pt lower. In Indonesia, LMRTSP 24/26 moved 1.5-2.7pts higher following the results announcement of the exchange offer on its due-2024s. In India, VEDLN 26-28s were up 0.4-0.6pt.

The USD LGFVs were mixed with light flows. In the 5-6% LGFVs, GZDZCD '26/NJYZSO '27 were up 0.1pt, while GZINFU '26/SXUCI '26/GZGETH '27 were down 0.1pt. Shandong names SHGUOH 25s/JNHTE 24s were down 0.1-0.3pt. In the high beta names, HUANEN '29/HNINTL '30 were 0.5-0.9pt lower. CWAHK '26 declined another 0.4pt. In SOE perps, CHPWCN 3.55 Perp/COFCHK 3.1 Perp/SPICPT 3.45 Perp were up 0.1pt, while HUADIA 3.375 Perp was down 0.2pt.

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

Cyrena Ng, CPA 吴倩莹
 (852) 3900 0801
 cyrenang@cmbi.com.hk

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

❖ Last Trading Day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
LMRTSP 7 1/4 06/19/24	99.6	2.7	NWDEVL 4.8 PERP	42.6	-1.4
LMRTSP 7 1/2 02/09/26	84.4	1.5	NWDEVL 4 1/8 PERP	55.8	-1.3
FTLNHD 4 5/8 10/15/25	71.2	1.3	HILOHO 9 3/4 11/18/24	62.0	-1.1
LNGFOR 3.95 09/16/29	71.9	1.1	NWDEVL 4 1/2 05/19/30	73.0	-1.0
LNGFOR 3.85 01/13/32	66.0	1.0	HUANEN 3 12/10/29	90.1	-0.9

❖ Marco News Recap 宏观新闻回顾

Macro – S&P (-0.27%), Dow (-0.51%) and Nasdaq (-0.18%) retreated on Wednesday. US Apr'24 home sales down 1.9% mom to 4.14mn units, lower than the expectation of 4.21mn units. UST yield rallied higher yesterday, 2/5/10/30 yield were 4.86%/4.47%/4.43%/4.55%.

❖ Desk analyst comments 分析员市场观点

➤ DALWAN: Prepared funds for USD120mn amortisation due 29 May'24

Media reported that Dalian Wanda Commercial Management (DWCM) has prepared funds for 20% instalment payment (USD120mn) of extended USD600mn DALWAN 7.25'24. Recalled that DWCM has paid 10% principal amount (USD60mn) of the bonds in Jan'24 as scheduled. After the payment of May'24 installment, the next installments will be USD180mn (30% amortisation) on 29 Sep'24 and USD240mn (40% amortisation) on 29 Dec'24 according to the redemption schedule. We continue to believe that DWCM would be a survivor of the sector given its improving operating performance, manageable debt maturities and liquidity headroom from its IPs. DALWAN rose 11.0-17.7pts YTD and 3.0-4.2pts post FY23 result released on 30 Apr'24. We continue to see value in DALWANs despite recent price rally and maintain buy on DALWANs.

Security Name	ISIN	o/s amount (USD mn)	Ask Price	YTM (Ask)	Price movement YTD (pts)	Price movement post FY23 result (pts)	Rating (M/S/F)
DALWAN 7 ¼ 12/29/24	XS1023280271	540	94.3	17.7	11.0	4.2	Ca-/ICC
DALWAN 11 01/20/25	XS2577258713	400	91.0	26.8	17.5	3.0	Ca-/ICC
DALWAN 11 02/13/26	XS2586129574	400	81.6	24.7	17.7	3.9	Ca-/ICC

Source: Bloomberg.

In 1Q24, DWCM's revenue increased 8.0% yoy to RMB13.5bn and gross profit improved to 64.4% from 63.9% in 1Q23. On the other hand, DWCM's near-term liquidity pressure was largely relieved after signing new pre-IPO investment agreement with PAG-led investors in Dec'23. The PAG-led investors reinvested cRMB32bn pre-IPO investment redemption and bought in incremental investment of cRMB28bn (cUSD3.9bn) to Zhuhai Wanda (ZWCM). As of Mar'24, DWCM had cash on hand of RMB12.5bn while its net debts (excl. pre-IPO redemption) were unchanged at cRMB130bn compared with net debts (excl. pre-IPO redemption) in Dec'23. In Mar'24, its short-term debts totaled cRMB23.9bn, accounting for 16.8% of total debts. We take comfort from the ownership of matured IPs of DWCM which could be an alternative liquidity source. DWCM has sold 14 Wanda Plaza since May'23 and the net proceeds of these disposals totaled RMB4-5bn.

As per media, DWCM's unit Newland Commercial Management, the newly formed holding company of Zhuhai Wanda Commercial Management, will complete its board restructuring in 2Q24 and PAG-led investors will take c60% of board seats. We expect Zhuhai Wanda Commercial Management (ZWCM) to be deconsolidated from DWCM. In FY23, ZWCM accounted c57% and 46% of DWCM's revenue and gross profit, respectively. The impact of deconsolidation will mainly be on top-lines. Nonetheless, we believe that the impact on DWCM's

recurring net profit and cash flow should be contained after taking into account of the contribution from associates. The immediate impact of diluting the shareholding in ZWCM to DWCM's balance sheet is positive after the removal of pre-IPO redemption of cRMB45bn from its ST debts. On an ongoing basis, the deconsolidation of ZWCM should have limited impact as ZWCM only accounted for 3.8% of DWCM's total assets as at Dec'23.

➤ 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)
CSC Financial Co., Ltd	USD	-	3yr	SOFR+115	-/-/BBB+
TFI International Securities	USD	-	2yr	6.90%	-/-/BBB-
Shandong Hi-Speed Group	USD	-	PNC3	6.95%	A3/-/A-

➤ News and market color

- Regarding onshore primary issuances, there were 82 credit bonds issued yesterday with an amount of RMB97bn. As for month-to-date, 631 credit bonds were issued with a total amount of RMB799bn raised, representing a 21.2% yoy increase
- Media reported that Chinese state-owned banks tightened credit to LGFVs in the provinces not defined as having high debt risks
- Media reported that major Chinese banks are instructing their branches to lend to SOE for buying unsold homes in support of the new housing rescue plan
- [LAISUN]** Lai Sun Development's shareholders approve the HKD216mn sale of residential property, car parking spaces in HK's May Tower
- [SOFTBK]** S&P upgraded SoftBank Group's rating to BB+ and placed stable outlook
- [YZCOAL]** Yankuang Energy plans to distribute special FY23 dividend of RMB0.19 per share

Fixed Income Department

Tel: 852 3657 6235/ 852 3900 0801

fis@cmbi.com.hk

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