

CMBI Credit Commentary

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

- *Asian IG benchmarks tightened 1-3bps this morning. VNKRLEs rallied 0.5-2.75pts post the news that it is seeking HKD7-8bn refinancing. HRINTHs were firm and rose 0.25-0.5pt. BOCAVI'28 widened c3bps after new issue announcement.*
- *Macau gaming: Solid GGR growth in 2024 projected. See below.*
- *BTSDf: Revenue continues to grow in 9M23; eye on further buyback of BTSDf 5.625 10/24/24. BTSDfs were unchanged this morning. See below*

❖ Trading desk comments 交易台市场观点

Yesterday, Asia ex JP IG space had a firm session ahead of FOMC meeting. In Korea space, the recent new DFHOLD 26s tightened another 2bps. Chinese SOE/TMT benchmarks BABA/SINOCH 31s were unchanged to 2bps tighter. The high beta TMTs MEITUA/LENOVO 30s were unchanged to 5-6bps tighter. In financials, the front end of Chinese bank T2/leasing papers remained under better selling from RMs. BCHINA/ICBCAS/CMINLE 24-26s widened 4-6bps. In AMC space, HRINTHs were traded mixed two-way flows, with better buying on front end versus better selling on long end. Chinese AT1s ICBCAS/BCHINA Perps closed 0.1-0.2pt higher under buying from onshore RMs. HSBC 8 Perp/STANLN 7.75 Perp were up 0.2pt. HK IGs HKAA/CKHH 33s widened 5-10bps. HK Corp space was weaker. HYSAN 4.1 Perp/NANFUN 5 Perp/CKINF 4.85 Perp lowered 0.9-1pt. NWDEV/PEAKRN Perps were down 0.5-0.6pt. SHUION/YLLGSP 26s were 1.2-1.5pts lower. Chinese properties were mixed. Media reported Vanke was in talks with banks for up to HKD8bn new syndicated loans. VNKRLE 4.2 '24 rebounded 9pts on PB buying, and the rest of VNKRLE 24-29s were 2.3-5.1pts higher. On the other hand, PINGRE '25/CHJMAO '29 were 2.2-2.8pts lower. FUTLAN/FTLNHD 24-26s were down 0.7-1.7pts. DALWAN '24/ROADKG '26 declined 0.6-0.9pt. In industrials, AACTEC/WESCHI 26s were down 0.3-0.5pt. In Macau gaming names, MPEL/SANLTD 26-31s were up 0.3-0.9pt. Indian space was quiet. AZUPOE/VEDLN 24-26s were down 0.2-0.3pt. Indonesian names LPKRIJ '25/KIJAIJ '27 were 0.8-1.3pts higher.

The LGFV/Perp spaces were firm. In LGFVs, there was report about CQNANA 24's potential tender offer plan. The USD500mn CQNANA 4.66 '24 and USD150mn CQNANA 4.2 '24 closed 0.3pt higher. CQNANA 26s were 0.8-1.2pts higher. The other high-beta LGFVs CQLGST '24/GSHIAV '25 were also under buying from mainly Chinese AMs and closed 0.1-0.2pt higher. The 7-8% LGFVs QDJZWD '24/GZINFU '26 were up 0.1-0.2pt. CPDEV 25/Perp were 0.6-1.7pts higher. However, BCDHGR '26 was 0.1pt lower. GXFING '23 was down 0.1pt. Elsewhere, SOE perps had a consolidation session amid mixed flows. Selected papers were under some

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selling at open, but cash price levels closed roughly stable supported by buying flows from onshore RMs. CHPWCN 4.25 Perp/CHSCOI 3.4 Perp/HUADIA 4 Perp were down 0.1-0.2pt. FRESHK '25 was up 0.8pt.

❖ Last Trading Day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
VNKRLE 4.2 06/07/24	84.2	9.0	PINGRE 3 1/4 06/23/25	58.5	-2.8
VNKRLE 3.15 05/12/25	61.3	5.1	CHJMAO 4 1/4 07/23/29	53.3	-2.2
VNKRLE 3.975 11/09/27	49.1	4.0	FIHUCN 5 02/26/28	85.3	-1.7
VNKRLE 5.35 03/11/24	90.8	3.6	FTLNHD 4 5/8 10/15/25	20.6	-1.7
VNKRLE 3 1/2 11/12/29	41.7	2.3	SHUION 5 1/2 06/29/26	41.8	-1.2

❖ Marco News Recap 宏观新闻回顾

Macro – S&P (+1.05%), Dow (+0.67%) and Nasdaq (+1.64%) rallied higher yesterday post Fed held interest rate unchanged at 5.25%-5.5%. US Oct ADP employment was +113k, lower than the expectation of +150k. US Oct ISM manufacturing PMI was 46.7, lower than the expectation of 49.0. China Oct Caixin manufacturing PMI was 49.5, lower than the expectation of 50.8. The UST yields retreated yesterday, 2/5/10/30 yield reached 4.95%/4.67%/4.77%/4.96%, respectively.

❖ Desk analyst comments 分析员市场观点

➤ Macau gaming: Solid GGR growth in 2024 projected

MOP mn	2022	2023	Cumulative GGR 2023	Cumulative GGR 2023 growth rate	% of 2019 GGR
Jan	6,344	11,580	11,580	62.6%	46.4%
Feb	7,759	10,324	21,904	48.4%	43.5%
Mar	3,672	12,738	34,642	94.9%	45.5%
Apr	2,677	14,722	49,364	141.4%	49.5%
May	3,341	15,565	64,929	172.9%	51.7%
Jun	2,477	15,207	80,136	205.0%	53.6%
Jul	398	16,662	96,798	263.0%	55.6%
Aug	2,189	17,213	114,011	295.1%	57.5%
Sep	2,962	14,937	128,948	305.3%	58.5%
Oct	3,899	19,501	148,449	315.6%	60.2%

Source: Macau DSEC.

The recovery momentum of GGR in Macau continues to accelerate. In Oct'23, GGR rose 400.2% to MOP19.5bn, benefited from the extended golden week of mid-Autumn festival and national holiday of China. Cumulatively, GGR in 10M23 rose 315.6% yoy to MOP148.4bn. The 10M23 GGR is equivalent to 60.2% of pre-pandemic level. We estimate the full year GGR of 2023 to be MOP174-178bn, i.e. 2023 GGR will increase 312-322% yoy and will be equivalent to c60% of that of 2019. As reported, the Macao government estimated GGR in 2024 to be MOP216.bn, representing 20-24% yoy growth from our estimated GGR in 2023. The growth momentum of GGR in Macau remains solid.

As we wrote before, Macau gaming operators turned EBITDA positive given the strong recovery in GGR. This helps notably improve their credit profiles and relieve their refinancing risk. Indeed, the offshore bond maturities of the Macau gaming sector is manageable. The next USD maturity will be MGMCHI 5.375 05/15/24 (o/s USD750mn), followed by WYNMAC 4.875 10/01/24 (o/s USD600mn). These are the only offshore bond maturities from now till Jun'25. As valuations of their bonds are normalizing and credit profiles are improving

with stronger cash flow, we expect Macau gaming operators to explore refinancing options starting from next year to extend their maturities and lower the funding costs.

Longer-dated Macau gaming bonds lowered 1-4pts in Oct'23 along with the weakened market. We consider the corrections present better entry opportunities. For outright plays, we continue to prefer MPEL, SJM and STCITY/STDCTY for better risk-return profiles. After the underperformance compared with the bonds of their US parents, we see MGMCHIs, SANLTDs and WYNNMACs good leverage plays on bonds of their parents with WYNNMACs offering highest yield pick-up of 90-180bps.

	Ask YTM (%)	Mod Duration	Ask Price
MGMCHI	7.60-9.00	0.5-2.9	88.24-98.85
MPEL	8.67-9.84	1.5-4.8	79.89-94.47
SANLTD	7.23-7.76	1.6-6.4	75.77-96.97
SJMHOL	11.27-11.33	2-3.6	78.83-86.83
STCITY/STDCTY	9.25-12.46	1.5-4.2	72.03-94.64
WYNNMAC	4.04-9.85	0.9-4.9	79.4-102.18

Source: Bloomberg.

➤ **BTSDF: Revenue continues to grow in 9M23; eye on further buyback of BTSDF 5.625 10/24/24**

In 9M23, Health & Happiness (H&H)'s revenue increased 11.9% to RMB10.3bn. Revenue from ANC, represented 44% of total, grew 36.8% yoy to RMB4.6bn with robust demand and new product launches. Revenue from infant formulas continued to drop in 9M23, by 9.7% yoy to RMB4.3bn partly due to increased competitive intensity during the new GB standards transition. By geographical location, revenue from Australia and New Zealand grew by 26.5% with strong market presence. As per the company, Swisse maintained its No.1 position in the overall Australian VHMS market.

At 30 Sep'23, H&H has RMB2.1bn cash on hand, same as 30 Jun'23. Management is comfortable to repay the USD84mn term loan amortization due by year end as well as USD120mn due by 1H24 with the liquidity built up and operating cash flow. Besides, H&H completed the tender and exchange offers on BTSDF 5.625 10/24/24 in Jun'23, USD171.7mn in principal were cancelled. New BTSDF 13.5 06/26/26 of USD200mn were issued concurrently. For the new BTSDF 13.5 06/26/26, H&H repurchased USD20.2mn during Jul-Sep'23 with internal resources.

On BTSDF 5.625 10/24/24, H&H has repurchased USD13.2mn in aggregate during Feb-Oct'23 and another USD10.3mn on 1 Nov'23. Recalled that H&H has to refinance the BTSDF 5.625 10/24/24 in full 3 months prior to the maturity in Oct'24 according to the terms of the secured bank loans. With the outstanding amount of only USD74.6mn, we expect H&H to continue to buyback the bond in an opportunistic manner. At 96.4, BTSDF 5.625 10/24/24 is trading at YTM of 9.6%.

On the other hand, H&H obtained RMB1.3bn new bank loans in 1H23 and RMB501mn were denominated in RMB. As per the management, it is now in the mid of obtaining additional onshore RMB loans and offshore RMB related debt instruments to support future repayment. We view this is positive to its capital structure under the current interest rate environment, as to neutralize the offshore high interest rate debt as well as mitigate the currency risk.

Table 1: Bond profile of H&H

Bond	Ask px	YTM (ask, %)	Amt o/s (USDmn)	Bond rating (M/S/F)	Ranking
BTSDF 5.625 10/24/24	96.4	9.6	74.6	B1/BB/-	Senior subordinated
BTSDF 13.5 06/26/26	96.0	15.4	179.8	Ba3/BB+/-	Senior

Total 254.4
Source: Bloomberg.

Table 2: H&H bond issuance and buyback in 2023

Bond	Date	Action	Price	Amt (USDmn)
BTSDF 5.625 10/24/24	1 Nov'23	Market repurchase	c95.6	10.3
	1 Feb-31 Oct'23	Market repurchase	c91.7	13.15
	26 Jun'23	Tender offer	93	29.862
		Exchange offer	-	141.793
BTSDF 13.5 06/26/26	5 Sep'23	Market repurchase	c94.7	4.1
	Jul-Aug'23	Market repurchase	c94.7	16.1
	26 Jun'23	Bond issuance	-	200

Source: Bloomberg, CMBI Research.

➤ **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)
BOC Aviation	USD	-	5yr	T+155	-/A-/A-

➤ **News and market color**

- Regarding onshore primary issuances, there were 85 credit bonds issued yesterday with an amount of RMB57bn. As for Month-to-date, 85 credit bonds were issued with a total amount of RMB57bn raised, representing a 11.6% yoy decrease
- **[AZUPOE]** Azure Power Global announced that its shareholder CDPQ's unit has replaced its two nominees on boards of company and Azure Power India
- **[CQNANA]** Media reported that CQNANA is considering a potential tender offer for its two due 2024 USD bonds with USD650mn outstanding amount. The issuer has started to identify the bondholders in this week
- **[EVERRE]** Media reported that China Evergrande put forth new debt restructuring proposal for offshore bondholders involving 30% equity stake in two HK listed subsidiaries Evergrande Property Services and Evergrande New Energy Vehicle
- **[GEELY]** Geely Oct'23 sales volume rose 19% yoy to 180.7k units
- **[IDASAL]** Fitch affirmed Indonesia's MIND ID at BBB- and placed stable outlook

- **[NIO]** NIO Oct'23 vehicle deliveries rose 60% yoy to 16.1k units
- **[SLSCCI]** Chengdu Airport Xingcheng Investment issued RMB1bn five-year MTNs at 3.47% coupon rate to repay debts
- **[SMCPM]** San Miguel Global Power unit signed PHP40bn (cUSD704mn) in financing agreements
- **[VNKRLE]** Media reported that Vanke is negotiating with state owned banks to acquire HKD7-8bn syndicated loan to repay due 2024 offshore notes
- **[ZHESTA]** Zhenjiang State-Owned Investment issues RMB300mn two-year MTNs at 3.45% coupon rate to repay debts

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