

CMBI Credit Commentary

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

- *Benchmark/high-beta TMTs were 3-5bps/10-20bps tighter. HRINTHs rose 1-1.5pts and CCAMCLs tightened 3-5bps. China Properties were firm post new policies. FUTLANs/FTLNHDs moved 5-7.5pts higher, LNGFOR were up 1.5-2.5pts and CHJMAO 4.875 Perp were 4.5 pts higher. See below for comments on the relaxation policies.*
 - *NWD/NWS: Maintaining the listing status of NWS should not be a surprise. NWDEVLs gained another 3.5-3.75pts and NWSZFs were up 0.75pt this morning. See below.*
 - *Macau gaming: GGR recovery continued to accelerate in Aug'23. See below.*
- ❖ **Trading desk comments 交易台市场观点**

Last Friday, the flows were extremely thin because of the typhoon signal No.8 signal in HK and the presidential election holiday in SG. In financials, AMCs were under better buying. HRINTH 24s/25s/26s/27s/29s were traded 1-2.5pts higher across the curve. CCAMCL curve tightened 3-5bps. Chinese IG benchmarks were stable. TMTs such as BABA/TENCNT papers were 1-2bps tighter. The long-end of SOEs such as SINOPE/CNOOC papers were better-sold. HK IGs such as HKLSP 33s tightened another 5bps. HK Corp space remained strong. NWDEVL perps were traded up 2.5-4.5pts to close 8-10pts higher WoW. NWSZF 27/Perp were up 0.5-2.5pts. HYSAN 4.1 Perp/NANFUN 5 Perp were quoted 0.5-1pt higher. HK/Chinese properties performed strongly. PBOC and NAFR announced to lower mortgage down-payment ratios for homebuyers, and encouraged banks to cut rates for new and existing mortgage loans. See below for comments. FUTLANs/FTLNHDs jumped another 5.25-7.25pts to close 15-20pts higher WoW. SHUION 24-26s gained another 2.25-6.25pts. HPDLF/YLLGSP 23-26s were up 2-2.5pts. LNGFOR/VNKRLEs were traded 2.25-4.75pts higher. DALWANs/ROADKGs/CHINSCs/GRNCHs were traded up 1.5-3.5pts. AGILEs/GRNLGRs were around 0.5 higher. However, COGARD 24s were among the exceptions to be marked down 0.5pt at low-teens. PINGRE 26s were marked 3pts lower at high-60s. In industrials, FOSUNs were traded 2.25-4.75pts higher. WESCHI/CHIOIL 26s were bid up 0.75-1pt. Macau gaming names such as MPELs/STCITYs/WYNMACs were quoted 0.5-0.75pt higher. In Indian space, VEDLNs were indicated 0.5-0.75pt higher. Indonesian energy names LPKRIJ/ABMMIJ 26s were traded 0.75pt lower.

LGfVs were largely stable with light flows. CPDEV 25s/26s were quoted 0.6-0.8pt higher. BEIENTs were better-offered. The high-yielding LGfV papers remained sought-after. WFURCD/GSHIAV 24s were up 0.1pt. KMRLGP '24 was marked 0.8pt higher. Chongqing/Shandong names performed mixed. CQNANA 4.98 '25 was bid up 0.3pt. CQLGST/SHDOIS 24s were marked 0.1-0.15pt higher. Whilst on the other hand, SHUGRP 24s/SHGUOH 26s

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were quoted 0.15-0.2pt lower. FRESHK 26s/ZHONAN 25s were marked 0.5-0.75pt higher.

❖ Last Trading Day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
FTLNHD 4.8 12/15/24	46.8	7.2	PINGRE 3.45 07/29/26	68.0	-3.0
FTLNHD 4 5/8 10/15/25	37.3	6.9	SINOPE 4 1/4 04/12/47	83.7	-1.3
FTLNHD 4 1/2 05/02/26	34.3	6.7	SINOPE 4 09/13/47	80.3	-1.3
SHUION 5 1/2 03/03/25	59.5	6.2	SINOPE 3.35 05/13/50	70.2	-1.3
FUTLAN 6 08/12/24	58.8	5.8	BEIENT 4.99 12/17/40	89.3	-1.2

❖ Marco News Recap 宏观新闻回顾

Macro – S&P (+0.18%), Dow (+0.33%) and Nasdaq (-0.02%) were mixed on last Friday. US Aug NFP was +187k, rose from +157k in Jul and was higher than expectation of +170k. US Markit Aug manufacturing PMI was 47.9, higher than the expectation of 47.0. China Caixin Aug manufacturing PMI was 51 and higher than the expectation of 49.3. US treasury yields rallied higher on Friday, 2/5/10/30 yield reached at 4.87%/4.29%/4.18%/4.29%, respectively.

❖ Desk analyst comments 分析员市场观点

➤ NWD/NWS: Maintaining the listing status of NWS should not be a surprise

Regarding CTF's intention to maintain the listing status of NWS, this should not be a surprise as: 1) CTF's acquisition of the stakes in NWSs is conducted through a general offer instead of a privatization scheme. The NWS offer, [as we discussed in our comments on 27 Jun'23](#), is effectively for CTF to provide liquidity support to NWD. The net proceeds after special dividend to NWD will be cUSD2.3bn. Privatization of NWS is not the objective and priority for the NWS offer. Indeed, we believe that the Cheng family would like to keep the listing status of NWS as a separate funding platform; 2) Media reported that CTF secured HKD26bn bridge loan for the NWS offer from BOC, HSBC and ING. The loan is equivalent to only c73% of the maximum consideration to acquire all the non-concerted parties' stakes. The loan size, in our view, revealed CTF's intention to maintain the listing status of NWS and a minimum free-float of 25%.

We understand the NWS offer is still in the process of fulfilling the pre-conditions which are mainly regulatory approval and bank consents for the NWS offer. After the pre-conditions are satisfied, the next major hurdle will be an EGM approval at NWD. This will require the approval of a majority of non-concerted shareholders of NWD for the sales of NWD's 61% stakes in NWS to CTF. The longstop date of the NWS offer is 26 Dec'23.

NWD has recently denied the talks of secured financing at double-digit yield. Between Mar and Jun'23, the company has secured HKD30bn financing at funding costs of HIBOR+1.1%, including HKD8bn new loans. Additionally, it raised RMB1bn CMBS in Apr'23 at a coupon rate of 3.5%. NWD continues to access funding at reasonable costs.

We prefer perps with reset and coupon step-up within NWDEVL/NWSZF complex for the yield pick-up and maintain Buy on NWDEVL 4.125 Perp, NWDEVL 6.15 Perp, NWDEVL 5.25 Perp and NWSZF 5.75 Perp. NWDEVL Perps/NWSZF Perp gained 3-13 pts over the last week. NWDEVLs gained another 3.5-3.75pts and NWSZFs were up 0.75pt this morning.

	Ask Price	Ask YTC (%)	Call date	Coupon reset	Step-up (bps)
NWDEVL 4.125 Perp	49.13	22.73	3/10/2028	5yr UST+5.858%	300
NWDEVL 6.15 Perp	74.53	27.70	03/16/2025	3yr UST+6.201%	300
NWDEVL 5.25 Perp	64.53	24.88	03/22/2026	5yr UST+7.889%	300
NWSZF 5.75 Perp	96.00	16.31	01/31/2024	5yr UST+8.205%	500

Source: Bloomberg.

➤ China Properties: SOEs and developers focusing in T1/2 to benefit more from the latest stimulus

China's regulators, including the housing ministry, central bank and financial regulator, are reported to implement new measures to address the property developers crisis under the guidance of State Council. The proposed measures include relaxation of home purchase restrictions, such as on unqualified non-resident and on the number of properties an individual can buy, in non-core districts in Beijing, Shanghai and Shenzhen.

Several relaxation were introduced in past two weeks. Central bank and financial regulator reduced the down payment ratio to no lower than 20%/30% for first/second homebuyer respectively. Beijing, Shanghai, Suzhou and some other cities categorize buyers with mortgage records but no local home ownership as first-homebuyer. In addition, Guangzhou and Shenzhen start to allow homebuyers to enjoy preferential loans for first-home purchases regardless of credit records.

These stimulus target to further boost the property demand, and these are viewed as more effective measures than previous policies. We expect state-owned developers and developers focusing on T1/2 cities to benefit more from these stimulus. Home buyers' confidence in non-stated owned developers is still weak, in our view, due to the concerns of unfinished projects. For 7M23, Yuexiu recorded 68% yoy growth compared to 7M22, ranked the 1st in terms of sales growth rates among 35 developers under our radar. We continue to like non state-owned developers focusing on T1/2 cities such as [Hopson](#), [Longfor](#), [Seazen](#) and [Yanlord](#).

➤ Macau gaming: GGR recovery continued to accelerate in Aug'23

MOP mn	2022	2023	Cumulative GGR 2023	Cumulative GGR 2023 growth rate	Cumulative GGR 2023 of 2019
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%

Source: Macau DSEC.

In Aug'23, the gross gaming revenue (GGR) in Macau rose 686% to MOP17.2bn. The cumulative GGR in 8M23 rose 295.1% to MOP114.0bn and was c57.5% of pre-pandemic level in 8M19, increased from c55.6% in Jul'23. The growth rate of cumulative GGR continued to accelerate. Supported by tourism and GGR rebound, the gaming operators' credit profiles had notably improved with all operators turned positive adj. EBITDA in 1H23.

As discussed before, we saw split recovery paths of different sectors in China: the slowing recovery pace of large-ticket, durable consumptions but solid recovery for small-ticket and frequent consumptions like gaming, F&B and car rental. We still like the Macau gaming bonds given the sector's improving credit stories and contained capex despite the less attractive valuation. We continue to prefer MPEL, SJM and STCITY/STDCTY for better risk-return profiles. We also see WYNMACs yield pick-up plays over the bonds of its US parents.

	Ask YTM (%)	Mod Duration	Ask Price
MGMCHI	6.73-7.76	0.7-3.0	91.14-99.09
MPEL	7.68-8.61	1.2-5.0	84.62-95.48
SANLTD	6.59-7.00	1.8-6.6	80.76-97.28
SJMHOL	9.62-10.05	2.2-3.7	81.88-89.29
STCITY/STDCTY	8.54-10.95	1.7-4.4	76.47-95.49
WYNMAC	3.13-8.69	1.0-5.1	83.04-97.97

Source: Bloomberg.

➤ 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)
Hong Kong Mortgage Corp.	USD	-	5yr	-	Aa3/AA+/-

➤ News and market color

- Regarding onshore primary issuances, there were 96 credit bonds issued last Friday with an amount of RMB65bn. As for Month-to-date, 96 credit bonds were issued with a total amount of RMB65bn raised, representing a 56.3% yoy decrease
- Media reported that China's major banks including ICBC, BOC and ABC made coordinated cut in deposit rates for the third time in a year
- **[COGARD]** Media reported that Country Garden has received sufficient approval from its creditors to extend payments of the RMB3.9bn (USD540mn) onshore private notes 16Biyuan05 over three years; the company transferred a MYR2.85mn coupon payment on 5.7% due 2027 notes
- **[DALWAN]** S&P withdrew Dalian Wanda Commercial CCC ratings at company's request
- **[FUTLAN]** Seazen was dissuading CMBS holders from exercising November put
- **[GEELY]** Geely Aug sales volume climbed 24% yoy to 118.2k
- **[NIO]** NIO Aug sales increased 81% yoy to 19.3k
- **[SOFTBK]** Media reported that SoftBank-owned Arm targeting USD50-55bn valuation ahead of US IPO
- **[VENT]** VNET's CFR was downgraded to Caa1 by Moody's

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