

CMBI Credit Commentary

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

- *Yesterday's new issues DFHOLD'26 further tightened 1-2bps this morning. We saw active selling flows on front-end IG names including AMC/Bank T2/TMT. SOE Perps/AT1s retreated post rates rallied higher. Property sector continued to be weak under the affection of Vanke's recent volatility that HYSANs down 0.1 to 0.3pt.*
- **DALWAN:** *Largely stable 9M23 result and manageable maturities in the near term. DALWANs down 0.1 to 0.25pt this morning.*
- **China Economy** – *PMI dropped to contraction calling for additional policy easing. CMBI maintains the GDP growth forecast for 2023 at 5.2% and the forecast for 2024 at 4.9%. See below for comments from CMBI economic research.*

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

Cyrena Ng, CPA 吳蓓瑩
(852) 3900 0801
cyrenang@cmbi.com.hk

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

❖ Trading desk comments 交易台市场观点

Yesterday, overnight UST yields widened 3-4bps. On the primary front, new DFHOLD 26s tightened 15bps from RO (CT3+235/CT2+219) at open and closed at CT2+205/203. The new HYNMTR floating/fixed rate bond 25s and fixed rate bond 29s, were priced at SOFR+132, T+125, and T+178, respectively. The other recent new issues LGCHEM/HYUELE/GSCCOR 28s and SKONKR 26s were under better selling. On the secondary side, Chinese SOE/TMT benchmarks HAOHUA/TENCNT/BABA 30-31s were unchanged to 2bps wider. The front end of CNOOC/SINOCHs were under better selling. In financials, AMCs were firm. HRINTH/ORIEAS 29-30s were 1-4bps tighter. Chinese bank T2s were skewed to better selling. Chinese AT1s were better bid by active cash deploying flows from Chinese RMs. ICBCAS/BCHINA/CINDBK/BOCOHK Perps were unchanged to 0.1pt higher. HK IGs HKAA/HKLSP 33s tightened 2-4bps. HK/Chinese properties were weak. SHUION/YLLGSP 26s were down 0.8pt. VNKRL performed mixed. VNKRL 24s were under PB-driven better buying and closed 0.5pt higher, whilst VNKRL 25-27s were 2.1-2.9pts lower. GEMDAL '24 declined 2.5pts. COGO/CHJMAO 24-26s were down 0.9-1.1pts. DALWAN/ PINGRE 24/26 lowered 0.8-1.7pts. FUTLAN/FTLNHD 24-26s were down 0.7-1.4pts. COGARDs/CSCHCNs were down 0.5pt across the curve. Media reported CSCHCN paid the 26 Oct amortization on its termed-out due-Jun'2024 bonds. In industrials, ANTOIL '25/WESCHI '26 were down 0.2-0.3pt. In Macau gaming names, MPEL/MGMCHI/SANLTD/WYNMAC 25-27s were 0.2-0.6pt higher. Indian chemical name UPLLIN 28/30/Perp dropped 2.7-3.8pts, post its 2Q24 results. VEDLN 25-26s were down 0.4-0.5pt. Indonesian names LMRTSP 24/26 were up 0.3-0.5pt. Elsewhere, GLPCHI 24/26 were up 0.3-0.4pt.

The LGFV/Perp space had a hectic session. On the new issue front, XMITGH priced a USD170mn 364-day note at par to yield 6.9%. CPDEV 25/26 were under better selling and closed 0.1-0.2pt lower, although we saw some support from Chinese RMs. The quality LGFVs across 24-26 papers and c24 SOE perps were also sought-after by Chinese RMs. Meanwhile some other asset managers were happy to park cash in very short dated Nov '2023 papers. The higher-yielding LGFVs CQNANA '24/GSHIAV '25 was 0.2-0.4pt higher. GZGETH '23/GZINFU '26 were 0.1-0.2pt higher. KMRLGP '24 was down another 0.5pt. In SOE perps, HUADIA 3.375 Perp/CHPWCN 3.08 Perp were up 0.1pt.

❖ Last Trading Day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
MGMCHI 5 7/8 05/15/26	94.0	0.6	UPLLIN 5 1/4 PERP	70.9	-3.8
VNKRLE 5.35 03/11/24	87.2	0.5	UPLLIN 4 1/2 03/08/28	82.6	-2.9
FRIDPT 6.2 04/14/52	82.5	0.5	VNKRLE 3.975 11/09/27	45.0	-2.9
LMRTSP 7 1/4 06/19/24	67.8	0.5	UPLLIN 4 5/8 06/16/30	76.5	-2.7
WYNMAC 5 1/8 12/15/29	79.0	0.5	GEMDAL 4.95 08/12/24	20.2	-2.5

❖ Marco News Recap 宏观新闻回顾

Macro – S&P (+0.65%), Dow (+0.38%) and Nasdaq (+0.48%) rebounded on Tuesday. The US Oct Conference Board Consumer Confidence index is 102.6, down from 104.3 in Sep while higher than the expectation of 100.0. Euro-zone Oct CPI was +2.9% yoy, lower than the expectation of +3.1% yoy. The UST yields were stable yesterday, 2/5/10/30 yield reached 5.07%/4.82%/4.88%/5.04%, respectively.

❖ Desk analyst comments 分析员市场观点

➤ DALWAN: Stable 9M23 result and manageable maturities in the near term

Table 1: DWCM 9M23 key financials

Income Statement, RMB mn	9M22	9M23	% change
Revenue	36,438.8	38,825.6	6.6%
Gross profit	22,847.8	24,950.2	9.2%
SG&A	-4,106.3	-4,223.9	2.9%
Financing expense	-9,130.9	-10,838.9	18.7%
Profit before tax	14,882.1	15,425.6	3.7%
Net profit	10,906.3	11,057.1	1.4%
Gross margin	62.7%	64.3%	
Net profit margin	29.9%	28.5%	
Balance Sheet, RMB mn	Jun'23	Sep'23	% change
Cash and cash equivalent	16,015.4	13,269.1	-17.1%
Financial assets held for trading	43,413.9	43,406.8	0.0%
Other current assets (Wealth management products)	22,900.0	22,900.0*	0.0%
ST debts	74,554.8	66,209.3	-11.2%
-Pre-IPO redemption	45,589.4	45,589.4*	0.0%
LT debts	126,308.9	124,561.2	-1.4%

Total debts	200,863.6	190,770.5	-5.0%
Net debts	184,848.3	177,501.5	-4.0%
Cash/ST debts	0.2x	0.2x	
Net gearing	60.9%	57.6%	

Note: * is estimation data.

Source: Company filings.

Dalian Wanda Commercial Management (DWCM) reported largely stable 9M23 results with modest PBT growth and solid albeit lower profit margin. As of Sep'23, its cash on hand and ST debts both decreased compared to those in 1H23 due to recent repayment. Despite lower cash on hand, we take comfort that DWCM has financial assets held for trading and wealth management products totaled cRMB66.3bn, which can be monetized to provide liquidity.

Table 2: Bonds maturities of DWCM (Incl. put)

	Onshore bonds (RMB mn)	Offshore bonds (USD mn)
2H23	30	-
1H24	760	600
2H24	4,118	-
2025	2,024	800
Total	6,932	1,400

Source: Bloomberg.

YTD, DWCM has paid USD960mn offshore bonds and RMB14.1bn (cUSD1.9bn) onshore bonds by internal resources and funds from assets disposals. In 2023, DWCM has sold three Wanda Plazas in May for cRMB1-1.5bn, stakes of Wanda Film in Jul for RMB6.7bn, and plans to sell another Wanda Plaza in Shanghai, sport media Infront and internet finance platform Kuaiqian. In the rest of 2023 and 1H24, there will be maturing onshore bonds of cRMB790mn and offshore bonds of USD600mn. We expect DWCM to continue to monetize its assets including the financial assets to cover short-term maturities. We also expect a significant portion of the pre-IPO put to be waiver or extended.

The Zhuhai Wanda IPO will highly unlikely completed by end of 2023 given the market sentiment. We estimate that the redemption by FYE23 to cRMB46bn. DWCM has been reported in negotiations with pre-IPO investors to waive or extend the redemption. As we wrote before, the pre-IPO investors and DWCM are in the same boat. The waiver or amendment of put option is in the interests of the pre-IPO investors and DWCM/Zhuhai Wanda. The keys to persuade pre-IPO investors for waiving or amending the put option, in our view, are: 1) DWCM and Zhuhai Wanda are ring-fenced operations, continue to generate large recurring income from property leasing and management; and 2) both are them remain solvent and continue to honour payment obligations.

Table 3: USD bonds profiles of DWCM

Bond	Amt o/s (USDmn)	Ask px	YTM (ask, %)	Bond rating (M/S/F)
DALWAN 7 ¼ 01/29/24	600.0	55.1	331.3	Caa3/-/CC
DALWAN 11 01/20/25	400.0	31.3	146.4	Caa3/-/CC
DALWAN 11 02/13/26	400.0	28.0	90.2	Caa3/-/CC
Total	1,400.0			

Source: Bloomberg.

➤ **China Economy – PMI dropped to contraction calling for additional policy easing**

China's manufacturing PMI came in below market expectation at 49.5 in Oct, after only one month of expansion in Sep. All of the 5 sub-indexes that made up the headline PMI worsened, in which new order, inventory and employment all remained in contraction territory. Manufacturing activities in large, medium and small enterprises all further dropped. Export order and import indexes further contracted, pointing to a still-weak external and domestic demand. Due to the pullback of energy and commodity prices, material purchase price index and ex-factory product index substantially dipped, dragging on the reflation trend in future. Employment in manufacturing and service remained tedious due to still-soft labour demand and industrial upgrading towards higher labour productivity. Service and construction PMI both deteriorated as real estate market continued to tumble. After two months of stabilization, China's economy softened again, calling for additional policy easing. We believe China will further loosen its fiscal policy and monetary policy while maintaining GDP growth target at 5% for 2024. Broad deficit ratio and credit growth may mildly rise in 2024. We maintain the GDP growth forecast for 2023 at 5.2% and the forecast for 2024 at 4.9%.

Manufacturing activity dropped to contraction after only one month of expansion. China's PMI in manufacturing came in below expectation and contracted to 49.5% in Oct from 50.2% in Sep. Production index slowed down to 50.9% in Oct from 52.7% in Sep. New order and material purchase volume both ceased their two-month expansion and dropped to 49.5% and 49.8% from 50.5% and 50.7% in Sep, indicating a deterioration on the demand side. Breaking down by sector, new order indexes in equipment manufacturing and consumer goods reached above 50%, while textile, chemical products and steel products remained in the contractionary range. Both export and import indexes continued to worsen while both remained in contraction, indicating soft domestic and foreign demand in Oct. PMI of large, medium and small enterprises all worsened in Oct, while both small and medium enterprises remained in contraction.

Reflation trend softened after the pullback of energy and commodity prices. Ex-factory price index railed back to contraction from 53.5% in Sep to 47.7% in Oct while manufacturing material purchase price worsened from 59.4% in Sep to 52.6% in Oct, indicating the deflation concerns are back on the table, after the easing of energy and commodity prices. Inventory for materials slightly worsened and finished products improved, as the destocking cycle continued with limited improvement. Construction price and service price index moderately dropped. Looking forward, China's CPI and PPI may gradually rebound in the next several quarters along with a mild recovery of aggregate demand.

Non-manufacturing sectors worsened as both construction and service were lower than expected. Non-manufacturing PMI dropped to 50.6% from 51.7% in Sep. PMI in service fell from 50.9% in Sep to 50.1% in Oct. Breaking down by sector, output in railroad & air transportation, postal service and TV & broadcast noticeably expanded while capital market and real estate services fell below 50%. Business sentiment indexes in construction and services both drop around 0.5bps but still remained in highly expansion zone. Construction PMI dropped to 50.1% in Oct from 50.9%. The new order index continued to worsen to 49.2% from 50%.

Employment still struggled as employment index further deteriorated. Employment remained in deep contraction as employment indexes in manufacturing and service continued to drop to 48% and 46.5% in Sep from 48.1% and 46.9% in Sep while employment in construction marginally improved to 46.4% in Oct from 46.3%. The weak employment condition will restrain the recovery momentum of household consumption in China and be a major drag on the economic growth.

China may further loosen fiscal and monetary policies ahead. The recent fiscal stimulus indicates Chinese policymakers' stronger commitment to restoring market confidence and shoring up the economy as the economy dipped again in Oct. Although GDP growth beat expectations in 3Q23, severe challenges are likely to persist into 2024, including property market stress, deflation pressure and global economic uncertainty. The Chinese policymakers may continue to launch supportive policies ahead to boost market confidence and economic growth momentum. The PBOC may launch additional cuts in RRR, deposit rates and LPRs in the next several quarters. Municipal governments may further loosen property policy to stabilize the property sector. In addition, China will

continue to improve ties with the US and other countries to lower geopolitical risks as we expect a Xi-Biden summit in November. We maintain the GDP forecast for 2023 at 5.2% and that for 2024 at 4.9%.

Click [here](#) for full report

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

Issuer/Guarantor	Size (USD mn)	Tenor	Coupon	Priced	Issue Rating (M/S/F)
Xiamen ITG Holding Group	170	364d	6.9%	6.9%	-/-/-

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

Issuer/Guarantor	Currency	Size (USD mn)	Tenor	Pricing	Issue Rating (M/S/F)
No Offshore Asia New Issues Pipeline Today					

➤ **News and market color**

- Regarding onshore primary issuances, there were 76 credit bonds issued yesterday with an amount of RMB52bn. In Oct'23, 1,394 credit bonds were issued with a total amount of RMB1,488bn raised, representing a 2% yoy decrease
- **[AZUPOE]** Azure Power received delisting notice from NYSE
- **[CSCHCN]** Media reported that China South City Holdings has paid 5% principal amortisation on termed-out due-Jun'24 USD bonds with USD346mn outstanding amount
- **[GCLNE]** GCL New Energy completed redemption of all outstanding 10.00% senior notes due 2024
- **[HAIDIL]** Media reported that Haidilao will acquire a hotel management business in Japan from its controlling shareholder to diversify revenue streams
- **[SMCPM]** Media reported that San Miguel will redeem its USD Perp in April 2024 and is going over alternatives to facilitate the decision
- **[VNRKLE]** Vanke said on the SZ exchange's investor interactive platform that recent bond price volatility is due to market sentiment. There is no problem about company's fundamentals and there was false speculation about the company in the overseas market which caused the sharply price movement of its USD bonds

Fixed Income Department

Tel: 852 3657 6235/ 852 3900 0801

fis@cmbi.com.hk

CMB International Global Markets Limited ("CMBIGM") is a wholly owned subsidiary of CMB International Capital Corporation Limited (a wholly owned subsidiary of China Merchants Bank)

Author Certification

The author who is primary responsible for the content of this research report, in whole or in part, certifies that with respect to the securities or issuer that the author covered in this report: (1) all of the views expressed accurately reflect his or her personal views about the subject securities or issuer; and (2) no part of his or her compensation was, is, or will be, directly or indirectly, related to the specific views expressed by that author in this report.

Besides, the author confirms that neither the author nor his/her associates (as defined in the code of conduct issued by The Hong Kong Securities and Futures Commission) (1) have dealt in or traded in the stock(s) covered in this research report within 30 calendar days prior to the date of issue of this report; (2) will deal in or trade in the stock(s) covered in this research report 3 business days after the date of issue of this report; (3) serve as an officer of any of the Hong Kong listed companies covered in this report; and (4) have any financial interests in the Hong Kong listed companies covered in this report.

Important Disclosures

CMBIGM or its affiliate(s) have investment banking relationship with the issuers covered in this report in preceding 12 months.

There are risks involved in transacting in any securities. The information contained in this report may not be suitable for the purposes of all investors. CMBIGM does not provide individually tailored investment advice. This report has been prepared without regard to the individual investment objectives, financial position or special requirements. Past performance has no indication of future performance, and actual events may differ materially from that which is contained in the report. The value of, and returns from, any investments are uncertain and are not guaranteed and may fluctuate as a result of their dependence on the performance of underlying assets or other variable market factors. CMBIGM recommends that investors should independently evaluate particular investments and strategies, and encourages investors to consult with a professional financial advisor in order to make their own investment decisions.

This report or any information contained herein, have been prepared by the CMBIGM, solely for the purpose of supplying information to the clients of CMBIGM and/or its affiliate(s) to whom it is distributed. This report is not and should not be construed as an offer or solicitation to buy or sell any security or any interest in securities or enter into any transaction. Neither CMBIGM nor any of its affiliates, shareholders, agents, consultants, directors, officers or employees shall be liable for any loss, damage or expense whatsoever, whether direct or consequential, incurred in relying on the information contained in this report. Anyone making use of the information contained in this report does so entirely at their own risk.

The information and contents contained in this report are based on the analyses and interpretations of information believed to be publicly available and reliable. CMBIGM has exerted every effort in its capacity to ensure, but not to guarantee, their accuracy, completeness, timeliness or correctness. CMBIGM provides the information, advices and forecasts on an "AS IS" basis. The information and contents are subject to change without notice. CMBIGM may issue other publications having information and/or conclusions different from this report. These publications reflect different assumption, point-of-view and analytical methods when compiling. CMBIGM may make investment decisions or take proprietary positions that are inconsistent with the recommendations or views in this report.

CMBIGM may have a position, make markets or act as principal or engage in transactions in securities of companies referred to in this report for itself and/or on behalf of its clients from time to time. Investors should assume that CMBIGM does or seeks to have investment banking or other business relationships with the companies in this report. As a result, recipients should be aware that CMBIGM may have a conflict of interest that could affect the objectivity of this report and CMBIGM will not assume any responsibility in respect thereof. This report is for the use of intended recipients only and this publication, may not be reproduced, reprinted, sold, redistributed or published in whole or in part for any purpose without prior written consent of CMBIGM.

Additional information on recommended securities is available upon request.

Disclaimer:

CMBIGM or its affiliate(s) have investment banking relationship with the issuers covered in this report in preceding 12 months

For recipients of this document in the United Kingdom

This report has been provided only to persons (I) falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended from time to time) ("The Order") or (II) are persons falling within Article 49(2) (a) to (d) ("High Net Worth Companies, Unincorporated Associations, etc.") of the Order, and may not be provided to any other person without the prior written consent of CMBIGM.

For recipients of this document in the United States

CMBIGM is not a registered broker-dealer in the United States. As a result, CMBIGM is not subject to U.S. rules regarding the preparation of research reports and the independence of research analysts. The research analyst who is primary responsible for the content of this research report is not registered or qualified as a research analyst with the Financial Industry Regulatory Authority ("FINRA"). The analyst is not subject to applicable restrictions under FINRA Rules intended to ensure that the analyst is not affected by potential conflicts of interest that could bear upon the reliability of the research report. This report is intended for distribution in the United States solely to "major US institutional investors", as defined in Rule 15a-6 under the US, Securities Exchange Act of 1934, as amended, and may not be furnished to any other person in the United States. Each major US institutional investor that receives a copy of this report by its acceptance hereof represents and agrees that it shall not distribute or provide this report to any other person. Any U.S. recipient of this report wishing to effect any transaction to buy or sell securities based on the information provided in this report should do so only through a U.S.-registered broker-dealer.

For recipients of this document in Singapore

This report is distributed in Singapore by CMBI (Singapore) Pte. Limited (CMBISG) (Company Regn. No. 201731928D), an Exempt Financial Adviser as defined in the Financial Advisers Act (Cap. 110) of Singapore and regulated by the Monetary Authority of Singapore. CMBISG may distribute reports produced by its respective foreign entities, affiliates or other foreign research houses pursuant to an arrangement under Regulation 32C of the Financial Advisers Regulations. Where the report is distributed in Singapore to a person who is not an Accredited Investor, Expert Investor or an Institutional Investor, as defined in the Securities and Futures Act (Cap. 289) of Singapore, CMBISG accepts legal responsibility for the contents of the report to such persons only to the extent required by law. Singapore recipients should contact CMBISG at +65 6350 4400 for matters arising from, or in connection with the report.