

CMBI Credit Commentary

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

- *Asian IG space was quiet that benchmark names were mostly unchanged. BOCAVIs were under better selling given the new issue. SOEs were firm, tightened 2-5bps. LGFVs were stable and SDEXPR was actively traded amid the new issue.*
- **Macau gaming:** *Strong 1Q23 results with adj EBITDA turned positive. From a risk-return perspective, we prefer SJMHOLs, MPELs and STCITYs. See below.*
- **CIFIHG:** *Deloitte resigns over disagreement on independent probe recommendation. CIFIHGs were unchanged to down 1pt this morning.*

❖ Trading desk comments 交易台市场观点

Markets were very quiet yesterday and macro sentiment remained defensive amid the noise of the US debt ceiling. Asian IG space opened unchanged and was stable throughout the day. Chinese SOEs were firmed. HAOHUA, SINOPE and CHGRID tightened 2-3bps under better buying. TMT benchmarks TENCNT/BABA narrowed 1-2bps. In financials, AMCs slightly rebounded. HRINTH/GRWALL rose c0.25pt. We saw two-way flows on Chinese bank T2 like CCB, CINDBK and leasing names such as BOCAVI and CCBL. Chinese properties remained weak, DALWANS down 3.5-4.75pts. KWGPOR lowered 2-3pts after the failure to meet the amortization payment of cUSD119mn. Other HY names such as COGARD, CSCHCN and SINOCE were down 1-2.5pts. IG properties were affected by the weak sentiment. VNKRLE, LNGFOR and CHJMAO were down 0.25-0.5pt. Macau gaming was mixed. SANLTDs rose c0.25pt while other names were unchanged to down 0.5pt. Indian renewables RPVINs/GRNKENS were down c0.25pt.

In LGFVs, we saw balanced two-way flows in the front end among Chinese accounts. Actively traded bonds like CQNANA'24 and SHUGRP'24 were unchanged. SOE Perps continued to be under better selling from Chinese RMs in c24 issues while bids remained resilient from dealers, by whom c26 issues were sought after amid buying flows in belly bullet IG papers. Chinese AT1s were slightly better offered by clients but bids also remained firm, whilst rest of Asia and European names felt softer amid mixed two-way flows. HK Perps were another 1-3pts lower, led by NWDEVL and other FFL issues, amid weakness in both macro and China property space.

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❖ Last Trading Day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
ROADKG 7 PERP	36.7	2.2	ROADKG 7 3/4 PERP	37.0	-7.7
FOSUNI 5.05 01/27/27	64.7	2.0	DALWAN 11 02/13/26	45.9	-4.7
TLINVT 4.45 06/10/23	98.6	1.3	DALWAN 7 1/4 01/29/24	57.0	-4.7
MDLNIJ 3 06/30/25	34.1	1.3	DALWAN 6 7/8 07/23/23	86.9	-4.5
CITLTD 3 1/2 02/17/32	89.7	1.1	NWDEVL 6.15 PERP	87.0	-3.0

❖ Marco News Recap 宏观新闻回顾

Macro – S&P (+0.30%), Dow (+0.14%) and Nasdaq (+0.66%) rebounded yesterday. Markets focused on U.S. debt ceiling talks and the President expressed optimistic view about the results on Monday. According to U.S. Treasury Department, China bought cUSD20bn U.S. treasury bonds in Mar'23 and ended 7-month treasury bonds cut. The U.S. treasury edged up yesterday, the 2/5/10/30 yields reached 3.99%/3.46%/3.50%/3.84%, respectively.

❖ Desk analyst comments 分析员市场观点

➤ Macau gaming: Strong 1Q23 results with adj EBITDA turned positive

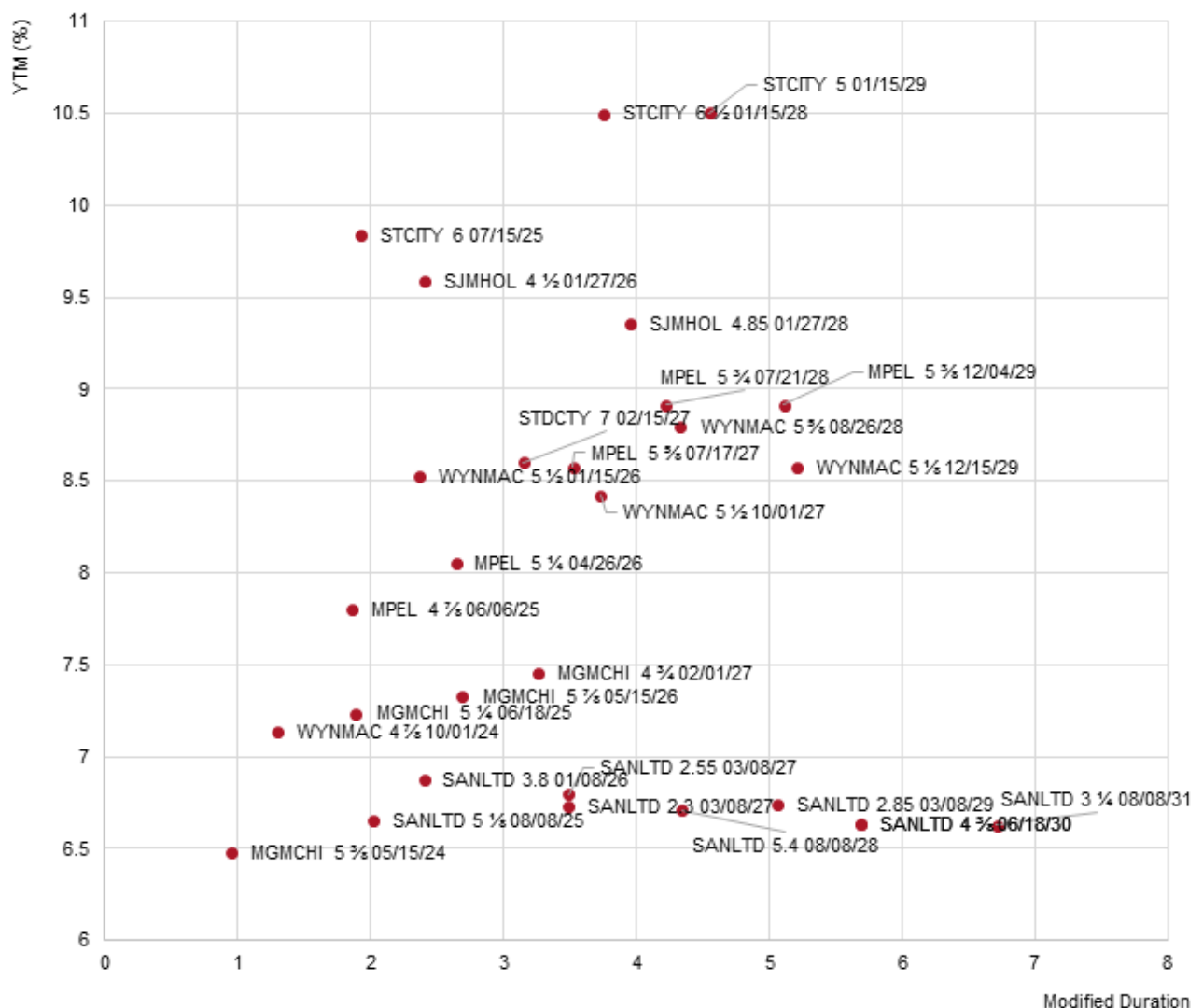
USD mn	SJMHOL	MPEL	STCITY	WYNMAC	SANTLD	MGMCHI
1Q23 Gross Gaming Revenue	495.2	599	19	477.1	-	-
1Q22 Gross Gaming Revenue	323.7	395	-9	216.8	-	-
1Q19 Gross Gaming Revenue	1,327.1	1,176.6	90.4	1,073.4	-	-
% Gross Gaming Revenue of 1Q19	37.3%	50.9%	21.0%	44.4%	-	-
1Q23 adj. Property EBITDA	10.6	190.8	20.6	155.8	-	-
1Q22 adj. Property EBITDA	-52.4	56	-17.3	-5.5	-	-
1Q19 adj. Property EBITDA	132.0	413.5	96.4	386.5	-	-
%adj. Property EBITDA of 1Q19	8.0%	46.1%	21.4%	40.3%	-	-
1Q23 adj. EBITDA	3.9	171	9	126.3	-	-
1Q22 adj. EBITDA	-60.4	41.2	-27	-24	-	-
1Q19 adj. EBITDA	136.9	387.8	84.2	333.9	-	-
%adj. EBITDA of 1Q19	2.9%	44.1%	10.7%	37.8%	-	-
USD bonds details						
o/s amount	1,000	4,100	2,450	5,300	7,151	2,750
YTM	9.4-9.6	7.8-8.9	8.6-10.5	3-8.8	6.6-6.9	6.5-7.5

SJM posted a strong recovery in 1Q23 after Macau and Mainland China removed the stringent COVID quarantine policies. In 1Q23, SJM's gaming revenue rebounded 53% yoy to HKD3.9bn while its adj EBITDA turned to positive HKD31mn from negative HK433mn, reversed the negative adj EBITDA trend since 1Q20. SJM closed 5 satellite casinos which had a combined adj EBITDA of negative cHKD170mn in 1Q23. Excluding the losses of these 5 satellite casinos, SJM's adj EBITDA would be cHKD200mn on a pro-forma basis. GLP showed sequential improvement in operating performance as the premise continues to be ramped up. In 1Q23, the negative adj property EBITDA of GLP narrowed to HKD230mn from HKD259mn in 4Q22. SJM maintains the guidance of adj EBITDA breakeven for GLP by 4Q23.

As at Mar'23, SJM had cash on hand of HKD4.8bn and undrawn loan facility of HKD3.3bn. Its capital commitment for the coming 10-year concession period is cHKD14bn or cHKD1.4bn p.a., including opex of cHKD6bn and cHKD2bn refurbishment of Hotel Grand Lisboa to be funded with shareholder's loans obtained. Excluding the remaining capex of cHKD1bn for GLP, its ongoing capex to be funded will be cHKD500mn p.a. The capex should be adequately covered by its cash on hand and improving operating cash flow. Subsequent to the various funding exercises (CBs to and shareholder loans from STDM, syndicated loans and rights issue) last year, SJM has no plan for fund raising in the near-term.

We like the recovery story and declining capex funding requirements for the Macau gaming sector. Indeed, other Macau gaming operators also show strong recovery in 1Q23 results. As shown in the table above, gross gaming revenue for operators rebound sharply. For operators such as MPEL/STCITY and WYNNMAC which provided more detailed figures, we can see their adj EBITDA either rebounded substantially or turned positive in 1Q23. Indeed, S&P revised the rating outlook of MPEL and STCITY to stable from negative in view of their sharp improvement in operating performance. We expect more positive rating actions to come.

As discussed before, we still consider the Macau gaming bonds offering good carry with bond performance to be supported by their resumption of capital market access, improving credit fundamental and potential positive rating actions. From a risk-return perspective, we prefer **SJMHOLS**, **MPELs** and **STCITYs**.



Source: Bloomberg.

➤ Offshore Asia New Issues (Priced)

Issuer/Guarantor	Size (USD mn)	Tenor	Coupon	Yield	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+160	-/A-/A-
Shandong Hi-Speed	USD	-	3yr	5.7%	A3/-/A
Singapore Technologies Engineering	USD	-	3yr	T+75	Aaa/-/-

➤ News and market color

- Regarding onshore primary issuances, there were 28 credit bonds issued yesterday with an amount of RMB26bn. As for Month-to-date, 266 credit bonds were issued with a total amount of RMB304bn raised, representing a 20.8% yoy increase
- [ADANIG]** Media reported that Adani Green Energy looks to raise up to USD500-700m via qualified institutional placement or alternative modes
- [BABA]** Media reported that Alibaba plans to make massive investments to attract more users for shopping application Taobao; its cloud business offers discounts of up to 40% to attract overseas partner
- [CIFIHG]** CIFI's auditor Deloitte resigns over disagreement on independent probe recommendation, Prism named as replacement
- [KWGPRO]** KWG Group suspends trading of senior notes due 2023-2027 until further notice
- [MPEL]** S&P revised outlook of Melco Resorts to stable from negative; BB- ratings affirmed
- [RDHGCL]** Fitch withdrawn Radiance Group Co.'s B+ ratings
- [RONXIN]** Media reported that Ronshine got sufficient consents for 42-month extensions on two domestic bond tranches
- [SMCPM]** San Miguel 1Q23 revenue up 9% yoy to USD6.2bn and EBITDA rose 13% yoy to USD907mn
- [STCITY]** S&P revised outlook of Studio City to stable from negative; B+ ratings affirmed
- [YANGOG]** Yango parent Fujian Sunshine is under CSRC investigation due to violation of information disclosure regulations

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