

CMBI Credit Commentary

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

- *Market sentiment was firm this morning. CN IG space was unchanged to 2bps tighter, KR IG space tightened 2-5bps. Long-end AMC, leasing names were well bid. GRWALLs were under better selling after releasing FY23 and 1Q24 results. NWDEVL perps rose 2-3pts, VNKRLEs rose 1-4pts, CHJMAO, COGO were 0.2-1pt higher.*
- **DALWAN:** *Maintain buy on DALWANs. DALWANs rose 0.8-1.2pts post the FY23 results. See below.*
- **China Economy** - *Softening growth calls for additional policy support. CMBI maintains the forecast on China's GDP growth at 4.8% for 2024. See below for comments from CMBI economic research.*

❖ Trading desk comments 交易平台市场观点

On Tuesday, the new CITNAT 27s hovered around RO (CT2+43.5) while 29s tightened 3bps inside RO (CT5+65). In KR/JP, KOROILs/HYMNTRs were traded in active two-way flows and closed unchanged to 1bp tighter. SMBCAC 28-34s were better bid and tightened 2-4bps. In SEA, SIAASP 34s tightened 3bps. SBIIN 28-29s closed 1-2bps tighter. In Chinese IGs, HAOHUA/BABA/TENCNT 30-31s were unchanged to 2bps tighter amid two-way flows. In financials, BOCAVI 28-33s were unchanged to 3bps tighter. HRINTH 24-27s were 5-10bps tighter. BNKEA 27/30, however, widened 1-3bps. EU AT1s were stable amid mixed flows. Scandinavian names such as SEB/NDAFH/SWEDA/DANBNK Perps were under better buying and closed unchanged to 0.1pt higher, and UBS/BNP/STANLN Perps were also unchanged to 0.2pt higher. HSBC Perps, on the other hand, were unchanged to 0.2pt lower. In HK Corp names, AIA 34 tightened 1bp but the recent new CKHH 29/34 widened 1-2bps. NWDEVL Perps were 0.5-1.0pt higher under buying from PBs/HFs, whilst HYSAN Perps were down around 0.2pt. Chinese properties moved higher. FTLNHD/FUTLAN 24-26s were up another 1.5-2.8pts and closed 3-5pts higher WTD. VNKRLE '24 was up 0.7pt, and VNKRLE 25-29s gained 1.8-2.8pts. CHJMAO '29 was 1.9pts higher. DALWAN 24-26s were up 1.1-1.5pts. COGO/YXREIT 26s edged 0.3pt higher. ROADKGs were up 1.0-1.6pts. GRNLGRs, on the other hand, lowered 0.6-1.2pts. Industrials were mixed. FOSUNI '27/CHIOIL '26 were up 0.5-0.7pt. HILOHO '24 declined 1.1pts. Hilong Holding announced that it has engaged a financial advisor to formulate a debt extension plan amid the further delay of its FY23 results. In Macau gaming, MPEL/SANLTD 28-30s were 0.2-0.7pt higher. Indonesian name LPKRIJ 25-26s were up 1.4-1.7pts. Media reported Lippo Karawaci will update the noteholders of its LPKRIJ 8.125 01/22/25 on the potential refinancing plans by Jul '24. MEDCIJ 26-28s moved another 0.4-0.6pt higher. In Indian space, VEDLN 26-28s were up 0.3-0.6pt.

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Elsewhere, GLPCHI '26 increased 2.9pts following media report that Guangdong Holdings is considering to acquire a majority stake in GLP China.

The LGFVs/SOE perps/high-beta spaces were quiet ahead of month end. There were balanced two-way flows in LGFVs, but better selling flows in the low-yielding SOE perps. Shandong names such as JMUDIV '25/JNHTE '24 were 0.1pt higher. In the 5-6% LGFVs, GZGETH '27 was up 0.1pt, but CDCOMM '24 was down 0.1pt. In SOE perps, HUADIA 3.375 Perp/COFCHK 3.1 Perp were down 0.2pt. In the high beta names, FRESHK '27 was 0.1pt lower. HUANEN '31/HNINTL '30 declined 0.3pt.

❖ Last Trading Day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
GLPCHI 2.95 03/29/26	84.2	2.9	GRNLGR 7 3/4 06/25/28	9.3	-1.2
FTLNHD 4.8 12/15/24	72.3	2.8	HILOHO 9 3/4 11/18/24	64.3	-1.1
VNKRLE 3.15 05/12/25	66.0	2.8	GRNLGR 6 7/8 07/03/30	8.5	-0.9
VNKRLE 3.975 11/09/27	43.9	2.1	YANTZE 3.2 10/16/49	69.9	-0.8
CHJMAO 4 1/4 07/23/29	69.4	1.9	SINOPC 4 1/4 04/24/43	85.7	-0.8

❖ Marco News Recap 宏观新闻回顾

Macro – S&P (-0.34%), Dow (+0.23%) and Nasdaq (-0.33%) were mixed on Wednesday. US Apr'24 ADP employment was +192k, higher than the expectation of +179k. US Apr'24 Markit manufacturing PMI was 50.0, higher than the expectation of 49.9. UST yield retreated yesterday, 2/5/10/30 yield reached 4.96%/4.64%/4.63%/4.74%.

❖ Desk analyst comments 分析员市场观点

➤ DALWAN: Maintain buy on DALWANs

Security Name	ISIN	o/s amount (USD mn)	Ask Price	YTM (Ask)	Rating (M/S/F)
DALWAN 7 ¼ 12/29/24	XS1023280271	540	90.7	25.6	Ca-/CC
DALWAN 11 01/20/25	XS2577258713	400	87.5	33.4	Ca-/CC
DALWAN 11 02/13/26	XS2586129574	400	78.3	27.7	Ca-/CC

Source: Bloomberg.

On 30 Apr'24, Dalian Wanda Commercial Management (DWCM) released resilient FY23 results. In FY23, DWCM's operating performance continued to improve. Post the completion of [extension of USD600mn DALWAN 7.25'24](#) and signing the [new pre-IPO investment agreement](#) with PAG-led investors in Dec'23, DWCM's liquidity pressure in the near term was considerably relieved. We consider DWCM a survivor of the sector given its solid recurring cash inflows, more manageable debt maturities and headroom for further secured financing from its IPs. We maintain buy on DALWANs.

RMB mn	FY22	FY23	% change	1H22	1H23	% change
Revenue	49,314	52,325	6.1%	24,403	25,452	4.3%
-IP leasing and management	45,118	47,103	4.4%	22,509	23,110	2.7%
-Hotel operation	859	1,529	78.0%	387	789	103.9%
-Other	3,337	3,693	10.7%	1,508	1,554	3.1%
Gross profit	30,680	33,614	9.6%	15,397	16,450	6.8%
SG&A expenses	-6,052	-5,952	-1.7%	-2,707	-2,765	2.1%
EBITDA	26,002	29,384	13.0%	13,046	14,114	8.2%
Profit before tax	18,013	19,460	8.0%	9,370	9,522	1.6%

Gross margin	62.2%	64.2%	63.1%	64.6%
-IP leasing and management	66.9%	69.2%	67.7%	69.4%
-Hotel operation	26.4%	33.7%	20.9%	38.5%
-Other	7.9%	13.6%	4.9%	7.0%
EBITDA margin	52.7%	56.2%	53.5%	55.5%

Source: Company filings.

In FY23, DWCM's revenue increased 6.1% to RMB52.3bn and c90% was from IP leasing and management segment. DWCM's gross margin increased to 64.2% from 62.2% in FY22 and all segments' gross margins were improved with recovery from re-opening after Covid-19 pandemic. Accordingly, DWCM's EBITDA margin increased to 56.2% from 52.7% in FY22 given the higher gross margin and lower SG&A expenses rates.

RMB mn	Dec'22	Dec'23	% change
Cash	21,712	13,432	-38.1%
ST debts (excl. pre-IPO redemption)	29,872	22,980	-23.1%
LT debts	118,009	120,393	2.0%
Total debt (excl pre-IPO redemption)	147,881	143,373	-3.0%
Net debt (excl pre-IPO redemption)	126,169	129,941	3.0%
Net gearing (debts excl pre-IPO redemption)	42.5%	42.6%	
Cash/ST debts (ST debts excl pre-IPO redemption)	0.7x	0.6x	
Adj. liab/assets (liab excl pre-IPO redemption)	42.5%	42.2%	

Source: Company filings.

DWCM's credit profiles remained stable. As of Dec'23, DWCM's net debts (excl. pre-IPO redemption) increased 3.0% to cRMB130bn from RMB126bn in Dec'22 while the proportion of its short-term debts to total debts decreased to 16% from 20% in Dec'22. Although DWCM's cash decreased 38% to RMB13.4bn, we take comfort that the overall LTV of its IPs is c30%, we estimate headroom for additional secured financing to be cRMB90bn assuming a LTV of 50%. Besides, DWCM had wealth management products and financial assets held for trading totaled RMB70bn in Dec'23, increased from RMB49bn in Dec'22. These financial assets could be another potential liquidity source for DWCM.

DWCM's debts maturities are manageable, its total o/s USD bonds is USD1.34bn with maturities distributed from 2024 to 2026. In Dec'23, DWCM completed the consent solicitation of USD600mn DALWAN 7.25'24 to extend the bond maturity by 11 months and scheduled four installments to fully redeem the bond in 2024. The first 10% installment has been paid in Jan'24 and the next payment would be 20% installment in May'24. On the other hand, DWCM signed new investment agreement with PAG-led investors in Dec'23. The PAG-led investors reinvested cRMB32bn pre-IPO investment redemption, DWCM's near-term liquidity pressure was largely mitigated, and bought in incremental investment of cRMB28bn (cUSD3.9bn). We take additional comfort that DWCM sold 14 Wanda Plaza sold since May'23. The proceeds from these sales to DWCM totaled RMB4-5bn.

We expect Zhuhai Wanda Commercial Management (ZWCM) to be deconsolidated from DWCM after DWCM's ownership in ZWCM diluted to 40% in 1Q24. 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 on-going basis, the deconsolidation of ZWCM should have limited impact as ZWCM only accounted for 3.8% of DWCM as at Dec'23.

➤ **China Economy - Softening growth calls for additional policy support**

China's economic activities softened in Apr as PMIs in both manufacturing and service declined. Demand weakened as businesses continued to reduce inventory. Deflation pressure mildly alleviated as purchasing material prices rebounded amid a pick-up in commodities prices. Employment remained subdued as consumer confidence was still weak. The economy still faced severe challenges as property market continued to slump and deflation pressure remained. The politburo vowed to step up support to economy at the recent meeting as top leaders indicated to deal with excessive housing inventories and flexibly use interest rates and RRR to boost the demand. Policymakers may further lift home purchase restrictions in higher-tier cities with targeted cuts in mortgage rates and down-payment ratios especially for first-home and second-home buyers. Meanwhile, local governments may be encouraged to buy commercial houses and turn them into affordable houses to reduce excessive inventories in the market. In addition, the policymakers may provide moderate fiscal subsidies to business equipment upgrade and consumer trade-in programs. We expect China's economy may gradually improve in 2024 thanks to less property shrinkage, moderate recovery of consumption and noticeable improvement of exports. We maintain our forecast on China's GDP growth at 4.8% for 2024.

Manufacturing activities continued to expand but moderated. China's manufacturing PMI in Apr slowed down to 50.4% from 50.8% in Mar. Production index further expanded to 52.9% from 52.2%, the highest level since Mar 2023. Demand softened as new order and export order index moderated to 51.1% and 50.6% from 53% and 51.3% while existing order declined to 45.6%. Corporate procurement remained in expansion but decelerated as material purchase volume dipped to 50.5%. Manufacturers continued to reduce inventory as raw materials inventory remained flat at 48.1% while finished goods inventory edged down to 47.3% from 48.9% in Mar. Breaking down by sector, business sentiment indexes in rubber & plastic products, transportation equipment other than vehicle and computer & electronic equipment reached above 55% in high prosperity interval.

Deflationary pressure eased due to rising prices for raw materials. Ex-factory price index rose to 49.1% in Apr from 47.4%, while manufacturing material purchase price increased to 54% from 50.5% amid recent rally of commodities price. Ex-factory price may continue to rebound as PPI may see positive MoM growth in upcoming months. Service price index stayed in contraction but increased to 49.5%, while construction price edged up to 48.7% from 48.4%. Looking forward, China's CPI may stay within the lower positive range while PPI gradually narrow its YoY decline due to base effect, surging commodities price and improving export activities.

Service index missed while construction remained robust. Non-manufacturing PMI dropped to 51.2% in Apr from 53%, lower than market expectation. PMI in service notably declined to 50.3% in Apr from 52.4%. New order index moderated to 46.5% from 47.2%. Breaking down by sector, activities in rail transport, road transport, postal services and TV & broadcast reached above 55% while real estate and capital market services continued to contract. Construction PMI remained in strong expansion at 56.3%, as construction activities continued to resume. Business sentiment indexes in construction and services both slightly moderated.

Employment remained subdued. Employment indexes in manufacturing inched down to 48% from 48.1% while employment in service and construction both improved from 46.8% and 45.7% to 47.4% and 46.1%, although they remained in contraction. The employment condition showed no signs of alleviation as recent momentum in manufacturing required less labor intensity due to technology upgrade and advancement.

April PMI showed a mixed image as the politburo vowed to step up support for economy. PMI points to a continued momentum in manufacturing activities with improving demand and relieving deflation pressure while service sector has slowed down ahead of labor day holidays. The economy still faced severe challenges as property market continued to slump and deflation pressure remained. The politburo held a meeting on Tuesday (30 Apr) and vowed to step up support for economy ahead. Top leaders said to increase support to property sector with a focus on dealing with housing inventories. The politburo also said to flexibly use policy tools such as interest rates and RRR to reduce the overall cost of social financing. Policymakers may further lift home purchase restrictions in higher-tier cities with targeted cuts in mortgage rates and down-payment ratios especially

for first-home and second-home buyers. To protect banks' NIMs, the central bank may guide banks to further reduce deposit rates before possible mortgage rate cuts. Meanwhile, local governments may be encouraged to buy commercial houses and turn them into affordable houses to reduce excessive inventories in the market. In addition, the policymakers may provide moderate fiscal subsidies to business equipment upgrade and consumer trade-in programs. We expect China's economy may gradually improve in 2024 thanks to less property shrinkage, moderate recovery of consumption and noticeable improvement of exports. We maintain our forecast on China's GDP growth at 4.8% for 2024, which is higher than the 2Y CAGR of 4.1% in 2022-2023.

Click [here](#) for full report

➤ **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)
No Offshore Asia New Issues Pipeline Today					

➤ **News and market color**

- Onshore primary issuances suspend during the Labor Holidays.
- Macau gross gaming revenue in Apr'24 rose 26% yoy to USD2.3bn, reaching c79% of pre-pandemic level. The cumulative GGR in 4M24 increased 53.7% yoy to USD9.4bn
- **[ADROIJ]** Adaro Energy 1Q24 revenue down 22% yoy to USD1.44bn and EBITDA down 17% yoy to USD604mn
- **[CPDEV]** Fitch affirmed Beijing Capital Group at BBB- and changed outlook to negative
- **[DAFAPG]** Media reported that DaFa Properties communicated with certain holders of offshore senior notes to facilitate formulation of holistic solution
- **[INDYIJ]** Indika Energy accepted USD309.8mn INDYIJ 8.25 10/22/25 as of early tender deadline
- **[MEDCIJ]** Medco Energy 1Q24 revenue down 0.3% yoy to USD556mn and EBITDA rose 0.6% yoy to USD328mn
- **[MGMCHI]** MGM China 1Q24 revenue increased 71% yoy to USD1.1bn and adjusted EBITDA increased 78% yoy to USD301mn
- **[MITSCO]** Mitsui & Co completed the JPY109bn (cUSD691mn) sale of PT Paiton Energy 45.5% stake

- **[VEDLN]** Media reported that Vedanta Group intends to invest USD 20bn over four years across sectors and will only divest its steel business at appropriate price

[VNKRL] Media reported that China Vanke plans to exit non-core business, sell assets and cut debts to boost liquidity

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