

CMBI Credit Commentary

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

- *Markets were two-way amid better sentiment this morning. Asian IG overall tightened, new issue BNKEA 6.75'27 narrowed c15bps. TMTs tightened 3-5bps and TENCNTs were better buying. We also saw active selling flow on Perps callable in 2023.*
- **SJMHOL:** *Weak FY22 results as expected but turned positive EBITDA YTD. We still consider SJMHOLs offer good risk and return profile despite the conviction is lower after the sharp rebound since Nov'22. SJMHOLs were unchanged to +0.25pt by mid-day. See below.*
- **LMRTSP:** *Repurchased USD6mn of USD250mn LMRTSP 7.25 06/19/24; Downgraded to CCC by Fitch. LMRTSPs were unchanged this morning.*

❖ Trading desk comments 交易台市场观点

Asia IG space was relatively silent yesterday amid UST 2Y yields surged to 5.05% overnight, its highest level since 2007. New issues were still active as CICCHK 26 tightened 2bps and HSBC 29s were under better buying from PBs. KBANK 28s were traded in small two-way in the range of T+106-107. Away from new issues, market was in a defensive tone post Powell's hawkish speech on Tuesday night and IG spreads opened 1-3bps wider. The 10y benchmark were traded a bit heavy on RM selling. Longer-tenor China SOEs continued to perform softly HAOHUA/SINOCHE marched another 3-7bps wider, while its front end papers had decent support with all-in yield buyers loaded up again. China TMTs/AMCs also underperformed. TENCNT/BABA 30s/31s were initially traded 5-10bps wider then recovered 2-5bps to close 3-5bps wider. HRINTH widened 2-4bps. China financials were relatively stable. Bank T2 were firm with CCBs tightened 2-5bps. Leasing names outperformed with BOCAVI/ICBCIL tightened 3-9bps across the curve. China property space was unchanged to a touch weaker. COGARDS moved 0.5-1.25pts lower. FUTLANs/FTLNHDs were traded down 0.75-1.25pts. Moody's downgraded Seazen's CFR to B1 from Ba3, and downgraded its senior bonds rating to B2 from B1. SINOCES were flat. Moody's downgraded Sino-Ocean's CFR to Ba3 from Ba2 with outlook remained negative. CENCHIs were down 0.75-1.5pts and CIFIHGs edged 0.5pt lower. Non-property space performed mixed. FSHITZ /HILOHO 24s/25s were traded 0.5-1pt higher whilst EHICAR 26s/CARINC 24s dropped around 2pts. Macau gaming space retraced 1pt off the recent highs. STCITYs/WYNMACs drifted 0.5-1.5pts lower. In Indian space, Adani complex bonds were better supported. VEDLNs were down around 0.5pt and renewables GRNKENS/RPVINs were unchanged to 0.5pt lower. Indonesian names LPKRIJs/LMRTSPs grinded down 0.5pt.

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In the LGFV/ Asia AT1/Perp spaces, activities were more quiet after the volatility in rates overnight. Flows were skewed to better selling in light of the 10-20bps surge in UST yields, led by low-yielding (6% or below) LGFVs that leaked 0.125-0.75pt lower. New JJUCID 24s was priced at 6.68%, opening at around 100.3/100.5. Liquid AT1s/ SOE Perps also underperformed amid risk off sentiment but generally found support while stabilizing a bit before close. New CTIH 6.4 Perp moved 0.375-0.625pt lower then Chinese support re-emerged at 100/100.25. New HSBC 8 Perp pulled back 0.5pt to 101 amid RM/FM better selling despite better buying from PBs. Benchmark AT1s ICBCAS 3.2/BOCOM 3.8 Perps ended 0.25 lower to be quoted at 92.25 and 94.75 respectively, while we also saw some short covering interests there. Meanwhile, HK FFL Perps were marked down 1-1.5pts.

❖ Last Trading Day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
FSHITZ 3 03/15/25	94.7	0.8	EHICAR 7 09/21/26	70.9	-2.0
HILOHO 9 3/4 11/18/24	52.0	0.7	CARINC 9 3/4 03/31/24	95.0	-2.0
CHNAAR 5 1/2 03/08/24	92.3	0.7	STCITY 6 07/15/25	93.4	-1.4
FSHITZ 4.3 07/27/24	98.3	0.6	CENCHI 7 3/4 05/24/24	34.3	-1.3
HILOHO 9 3/4 11/18/24	51.3	0.6	FIRPAC 4 3/8 09/11/27	93.2	-1.3

❖ Marco News Recap 宏观新闻回顾

Macro – U.S. stock markets were weak yesterday, S&P (+0.14%), Dow (-0.18%) and Nasdaq (+0.40%) were divergent as market were cautious ahead of important NFP data released in Friday. U.S ADP jobs increased 242k in Feb'23, rose from +119k in Jan'23 and higher than forecast of +200k. The U.S. treasury yields edged up yesterday, the 2/5/10/30 yields reached 5.05%/4.34%/3.98%/3.88%, respectively.

❖ Desk analyst comments 分析员市场观点

➤ SJMHOL: Weak FY22 results as expected but turned positive EBITDA YTD

SJM reported weak FY22 results due to the breakdown of COVID started mid 2022 and the stringent quarantine policies in Macau. In FY22, its net gaming revenue fell 36.6% to HKD6.1bn and negative adj property EBITDA widened 113.2% to HKD2.8bn, reflected the significant decline in tourist visitation and gaming revenue. That said, its 4Q22 gaming revenue rebounded 50.4% to HKD1.4bn qoq with the relaxation of quarantine policies. Macau reopening the border and removed quarantine policies in early Jan'23. As per SJM, it turned EBITDA positive YTD even though GLP remained in negative EBITDA. Its YTD recovery is better than the overall Macau level, and the recovery appears to be accelerating. SJM expects GLP to achieve EBITDA breakeven by 3-4Q23 with more hotel rooms and gaming tables. So far, only 1/3, i.e. 504 hotel rooms and 150 gaming tables, out of 250 approved, were opened.

SJM has passed the peak funding requirements. Subsequent to the various funding exercises (CBs to and shareholder loans from STDM, syndicated loans and rights issue) last year, SJM does not need to incur additional debts. It had HKD7bn cash on hand as at Dec'22. 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. This should be adequately covered by its cash on hand and improving operating cash flow.

We like the recovery story and declining capex funding requirements for Macau gaming sector. The USD bonds of Macau gaming sector rebounded 10-40pts since Nov'22. While the conviction is lower as we discussed

before, we still consider the sector offering good carry with bond performance to be supported by their resumption of capital market access, as reflected by Wynn Macau's CBs issued last week which traded 5 pts already. From a risk-return perspective, we prefer **SJMHOLs**, **MPELs** and **STCITYs** more.

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

Issuer/Guarantor	Size (USD mn)	Tenor	Coupon	Yield	Issue Rating (M/S/F)
Bank of East Asia	500	4NC3	6.75%	T+210	Baa2/BBB/-
Turkey	2250	6yr	9.375%	9.5%	B3/-/B

➤ **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 148 credit bonds issued yesterday with an amount of RMB128bn. As for Month-to-date, 589 credit bonds were issued with a total amount of RMB488bn raised, representing a 12.2% yoy increase
- China Feb'23 CPI is +1.0% yoy and -0.5% mom
- **[ADEIN]** Media reported Adani Group has repaid a USD500mn bridge loan due 9 Mar
- **[EXCECP]** Media report that Postal Savings Bank of China signed strategic agreement with Excellence Group to potentially offer RMB10bn (cUSD1.44bn) credit line
- **[FUTLAN]** Moody's downgraded Seazen Group's ratings to B1/B2 and changed outlook to stable
- **[GMRLIN]** GMR Hyderabad International Airport to accept USD99.95mn GMRLIN 5.375 04/10/24 in terms of USD100mn tender offer
- **[LMRTSP]** Fitch downgraded Lippo Malls Indonesia Retail Trust to CCC; The company repurchased USD6mn of LMRTSP 7.25 06/19/24
- **[MPEL]** Melco plans to buy back 2.95% stake from top shareholder Melco Leisure and Entertainment Group for USD169.8mn
- **[ROADKG]** Moody's downgraded Road King's ratings to B1 and changed outlook to stable
- **[SINOCE]** Moody's downgraded Sino-Ocean's ratings to Ba3 and placed negative outlook
- **[VNRKLE]** China Vanke shareholders approve proposal on up to RMB15bn (cUSD2.16bn) non-public issuance of A shares

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