

## CMBI Credit Commentary

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

- *Asian IG space widened up to 2bps under profit takings this morning. KR space and China TMT were better sold. China properties were weak while LGFVs were stable, VNKRL dropped up to 4pts. NWDEVL Perps rose c2pts and other NWDEVLs rose 0.3-1.6pts after the announcement of sale. See below.*
- **Macau Gaming:** *GGR growth remains strong in Feb'24. Prefer MPEL, SJM and STCITY/STDCTY in the sector. See below.*
- **China Economy - PMI showed demand-side weakness.** *CMBI maintains the forecast on GDP growth for 2024 at 4.8%. See below for comments from CMBI economic research.*

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#### ❖ Trading desk comments 交易台市场观点

Last Friday, Asia IG space was mixed. KR names such as HYUCAP/HYUELE 26-29s were largely unchanged to 2bps tighter. SHINFN 30s tightened 5bps under buying from RMs. In JP space, SMBCAC/SUMITR/MIZUHO 27-33s were unchanged to 2bps wider. In Chinese IGs, BABA/TENCNT were unchanged to 1bp tighter and HAOHUA 29-30s tightened 1bp. The high beta TMTs such as MEITUA '30/LENOVO '32 were unchanged to 2bps tighter. In financials, Chinese AMCs/bank T2s were traded in mixed two-way flows. CCAMCL/ ORIEAS 30s were under better buying and closed unchanged to 1bp tighter, whereas ORIEAS 27s and CCAMCL Perp widened 3-6bps under profit taking. CCB 30/32 tightened 1-2bps, whilst CINDBKs/BCHINAs were 1-2bps wider under profit taking. Chinese AT1s ICBCAS 3.58 Perp/BOCOHK 3.725 Perp were up 0.1pt. EU AT1s such as BACR 8 Perp/INTNED 8 Perp/UBS 9.25 Perp lowered around 0.2-0.3pt, under better selling from RMs versus buying from mostly PBs. HK names were firm. NWDEVL Perps closed 1.1-1.4pts higher after announcement of the sale of D-Park mall and car parks for HKD4.02bn. LASUDE '26/PCPDC '26 were up 0.9-1.4pts. Chinese properties were mixed. GEMDAL '24 was 1.2pts higher. FUTLAN/FTLNHD 24-26s were up 0.6-0.9pt. CHJMAOs were traded in mixed two-way flows, closed unchanged to 0.5pt higher. However, VNKRL 25-27s were 0.6-1.4pts lower. RDHGCL '24 was down another 0.8pt. Outside properties, WESCHI '26 was up 3.3pts and closed c4pts higher WoW. EHICAR/HILOHO 24s were up 0.5-0.8pt. On the other hand, SFHOLD '30 was 1.7pts lower. Macau gaming names such as MPEL/SANLTD 25-30s were up 0.2-0.7pt. Indonesian name APLNIJ '24 was down 1.7pts. Media reported that Agung Podomoro appointed Kroll to assess options for o/s cUSD132mn APLNIJ 5.95 '24. Elsewhere, GLPCHI '26 was another 1.9pts higher and closed around 2pts higher WoW.

In LGFVs, JJUCID priced a USD158mn 364-day bond at par to yield 6.35%. SXFIAM priced a USD200mn 3-yr bond at 99.458 to yield 6%. The new JJUCID '25 edged 0.1pt higher above par whilst SXFIAM '27 was 0.1pt lower from RO. The flows were skewed to better buying across the quality LGFVs/SOE perps. In the 5-6% LGFVs, HZCONI/YWSOAO 25s and GZINFU/GZDZCD 24-26s were 0.1-0.3pt higher. Shandong names SHUGRP '24/HKIQCL '25/SHGUOH '26 were up 0.1-0.2pt. The insurance names GRPCIN/ZHONAN 25-26s were up 0.1-0.2pt. In SOE perps, CHSCOI 3.4 Perp was up 0.1pt, whereas HUADIA 3.375 Perp/CHPWCN 3.45 Perp were down 0.1pt.

#### ❖ Last Trading Day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
WESCHI 4.95 07/08/26	82.5	3.3	AGILE 5 3/4 01/02/25	16.8	-2.8
GLPCHI 2.95 03/29/26	81.1	1.9	SFHOLD 2 7/8 02/20/30	86.4	-1.7
NWDEVL 6.15 PERP	83.2	1.4	APLNIJ 5.95 06/02/24	91.0	-1.7
LASUDE 5 07/28/26	68.7	1.4	VNKRLE 3.15 05/12/25	73.4	-1.4
NWDEVL 6 1/4 PERP	56.2	1.3	RDHGCL 7.8 03/20/24	51.5	-0.8

#### ❖ Marco News Recap 宏观新闻回顾

**Macro** – S&P (+0.80%), Dow (+0.23%) and Nasdaq (+1.14%) rallied higher on last Friday. US Feb'24 ISM manufacturing PMI was 47.8, higher than the expectation of 49.5. US Feb'24 The University of Michigan Consumer Sentiment lowered to 76.9 from 79.0 in Jan'24, and was lower than the expectation of 79.6. UST yields retraced on Friday, 2/5/10/30 yield reached 4.54%/4.17%/4.19%/4.33%.

#### ❖ Desk analyst comments 分析员市场观点

##### ➤ NWDEVL: Sale of D-Park for HKD4bn

Last Fri, NWD announced the sale of its entire interests in the D-Park Mall and parking spaces to Chinachem for a cash consideration of HKD4.02bn. The sale covers retail space of 630k sq ft and 1,000 car park space, translating into AV of cHKD4,000/sq ft assuming car park is valued at HKD1.5mn per unit. NWD expects the transaction to be completed by Apr'24.

During the investors' call on 29 Feb'24, NWD raised the target of non-core asset disposals to HKD8bn from HKD6bn for FYE24 (ended Jun'24) and mentioned that the discussions of non-core asset disposals are in advanced stages. We expect the conclusions of more non-core asset disposals over the coming 2-3 months. The completion of non-core asset disposals will help bring NWD's net gearing 3.4 pct pts lower on a proforma basis. Please see more detailed discussions of NWD 1HFY24 results [in our daily last Friday](#).

Additionally, we expect NWD to use part of the proceeds for further repurchases or tender offers of its bonds and perps, though the scale should be smaller than that in Dec'23 after the sale of NWS stakes. In Dec'23, NWD repurchased USD bonds and perps totaled cUSD630mn via tender offer and open market repurchases. It also repaid USD310mn NWDEVL 4.75 12/05/23. The potential repurchases and tender offers should offer technical support for the performance of NWDELS in the near-term.

As discussed in our comments last Fri, NWD has a manageable public bond maturity profile and has so far demonstrated its ability to continue to access bank financing. Its next USD bond maturity will be in Jan'27. It has HKD bonds totaled HKD1.1bn due Mar'24. After these, the next HKD bond maturity will be in Mar'26. For

NWDEVLs, we continue to prefer perps with high coupon step-up, i.e. NWDEVL 6.15 Perp, NWDEVL 5.25 Perp and NWDEVL 4.125 Perp as we see a strong incentive for NWD to call or early redeem these perps. NWDEVL Perps rose c2pts and other NWDEVLs rose 0.3-1.6pts after the announcement of sale of D-Park interests.

➤ **Macau Gaming: GGR growth remain strong in Feb'24**

MOP mn	2022	2023	2024	Cumulative GGR 2024	Cumulative GGR 2024 growth rate	% of 2019 GGR
Jan	6,344	11,580	19,337	19,337	67%	78%
Feb	7,759	10,324	18,486	37,823	73%	75%
Mar	3,672	12,738	-	-	-	-
Apr	2,677	14,722	-	-	-	-
May	3,341	15,565	-	-	-	-
Jun	2,477	15,207	-	-	-	-
Jul	398	16,662	-	-	-	-
Aug	2,189	17,213	-	-	-	-
Sep	2,962	14,937	-	-	-	-
Oct	3,899	19,501	-	-	-	-
Nov	2,999	16,043	-	-	-	-
Dec	3,482	18,564	-	-	-	-

Source: Macau DSEC.

In Feb'24, the gross gaming revenue (GGR) in Macau rose 79% yoy to MOP18.49bn, the GGR growth rate increased from 67% yoy in Jan'24. The 2024 cumulative GGR reached c75% of pre-pandemic level in 2019, slightly down from 78% in Jan'24 but higher than 63% for the full year of 2023. Macau government expects the tourist arrivals to reach c33mn in 2024, c84% of 2019. This should support the GGR recovery momentum to continue in the near-term.

Sands China has released FY23 results that its net revenue rose 307.1% yoy to USD6.53bn and adj. property EBITDA was USD2.23bn, compared to a negative adj. property EBITDA of USD323mn in 2023. The other Macau gaming operators will publish their FY23 results over the coming weeks. We expect to see a significant yoy improvement of their performance and operating cash flow, as well as notable net debt reduction. In view of the higher cash price and coupon step-down after upgrade, we consider the valuation of SANLTDs less appealing within the sector. As discussed in the our previous comments, we prefer MPEL, SJM and STCITY/STDCTY for better risk-return profile. We also like MGMCHIs, WYNMACs for 20-45bps and c60bps yield pick-up over the bonds of their US parents.

	Ask YTM (%)	Mod Duration	Ask price
MGMCHI	6.07-6.62	0.2-2.7	95.1-99.8
<b>MPEL</b>	<b>6.59-7.11</b>	<b>1.2-4.8</b>	<b>91.9-97.9</b>
SANLTD	5.88-6.05	1.4-6.3	83.6-98.7
<b>SJMHOL</b>	<b>6.96-7.46</b>	<b>1.8-3.5</b>	<b>91.3-95.7</b>
<b>STCITY/STDCTY</b>	<b>6.81-7.79</b>	<b>1.3-4.2</b>	<b>88.8-100.3</b>
WYNMAC	3.08-7.06	0.6-4.8	90.9-106.6

Source: Bloomberg.

➤ **China Economy - PMI showed demand-side weakness**

China's manufacturing PMI inched down to 49.1% in Feb, and remained in contraction in 10 out of the past 11 months. New order and export order continued to deteriorate as both overseas and domestic demand remained

dismal. Businesses remained reluctant to increase procurement and inventory amid weak confidence. Service PMI continued to expand thanks to Chinese New Year (CNY) holiday; while construction slowed down due to the suspension of infrastructure investments in debt-laden provinces. Ex-factory price indexes in manufacturing subtly rebounded, indicating a narrowing PPI decline in Feb. The PMI indicated that demand remained weak, and China needs demand-side stimulus to stabilize the housing market, boost consumption and defy deflation. The country has shown tentative signs of policy shift towards demand-side stimulus recently. However, we need more time to observe the policy dynamics. We maintain the forecast on GDP growth for 2024 at 4.8%.

**Manufacturing activities remained dreary.** China's manufacturing PMI in Feb edged down to 49.1% in Feb from 49.2% in Jan, remaining in contraction in 10 out of the past 11 months. Production index dropped to 49.8% from 51.3% due to the CNY holiday and weak demand. New order stayed in contraction, while export order and existing order contracted at a faster pace, showing minimal demand-side improvement. Material purchase volume and import order continued to drop to 48% and 46.4% from 49.2% and 46.7%, indicating corporates remained reluctant to increase procurement and inventory, likely due to a pessimistic economic outlook. Both raw materials inventory and finished goods inventory edged down from 47.6% and 49.4% to 47.4% and 47.9% in Feb, as enterprises carried on their de-stocking cycle. Breaking down by sector, business sentiment indexes in wood processing and furniture, transportation equipment and electrical machinery reached above 58% in high prosperity interval. PMI of medium and small enterprises continued to contract while large enterprises stayed unchanged in expansion.

**Deflation pressure slightly eased.** Ex-factory price index moderately rebounded to 48.1% in Feb from 47% in Jan, while manufacturing material purchase price eased to 50.1% from 50.4%, indicating the decline of PPI is likely to narrow in Feb. Service price index stayed in contraction and inched down to 48.4%, while construction price declined to 48.9% from 50.4%. Looking forward, China's CPI may return to positive in 2Q24, while PPI may gradually narrow its decline due to base effect and the end of the de-stocking cycle.

**Service sector continued to expand while construction moderated.** Non-manufacturing PMI accelerated to 51.4% from 50.7%. PMI in service expanded to 51% from 50.1% thanks to CNY holiday. New order index dropped to 46.7% from 47.7%, pointing to a weak Mar service PMI. Breaking down by sector, activities in catering services, land & air transportation and money market service, and recreational services reached above 55%, while real estate and resident series remained in contraction. Construction PMI slowed down to 53.5% from 53.9%, in-line with deceleration of government bond issuance and suspension of infrastructure investment in 12 debt-laden provinces. Business sentiment indexes in construction and services both dropped but remained in expansion zones.

**Employment further crumbled due to weak manufacturing and construction activities during CNY.** Employment indexes in manufacturing continued to drop from 47.6% to 47.4%, deteriorating for the third consecutive months. Employment in construction dropped to contraction from 50.1% to 47.6% while service moderately rebounded from 46.4% to 46.9%. The employment condition remained acute, weighing on future economic recovery momentum from the household sector.

**The major challenges for China's economy require demand-side stimulus.** The major challenges for the economy are slumping property market, weak consumption and continuous deflation. The recent policies have shown tentative signs of a shift of policymakers' focus from the supply side to the demand side. But we need more time to observe the magnitude of the possible policy changes especially in mortgage rates and fiscal stimulus on consumption. We maintain our forecast of additional RRR cuts by 50 bps in total and LPR cut by 10 bps in the remaining of the year and broad fiscal deficit at 7.1% of GDP, with possible upside surprise on policy support

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## ➤ 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)
Adani Green Energy	USD	409	18yr	7.125%	Ba1/-/BBB-
Commonwealth Bank of Australia	USD	-	10yr	T+195	Baa1/BBB+/A-

## ➤ News and market color

- Regarding onshore primary issuances, there were 82 credit bonds issued on last Friday with an amount of RMB67bn. As for Month-to-date, 82 credit bonds were issued with a total amount of RMB67bn raised, representing a 6% yoy decrease
- **[ADANIG]** Media reported that Adani Energy is in talks to raise up to USD500mn via private bond placement
- **[CHJMAO]** China Jinmao announced it expects to record cRMB6.7bn loss in FY23. China Jinmao's controlling shareholder Sinochem Hong Kong will spend up to HKD200mn to repurchase its shares from open market after its FY23 results released. Sinochem HK currently holds 37% shareholding of the company
- **[GEMDAL]** Gemdale remitted funds to pay RMB2bn onshore bonds due March
- **[GLPCHI]** GLP China announced that it scheduled the redemption of its RMB1.7bn onshore bonds on 8 Mar
- **[GRNKEN]** Fitch affirmed Greenko Energy BB ratings and revised outlook to negative
- **[SHIMAO]** Media reported that Shimao Group could face liquidation lawsuit from Deutsche Bank
- **[SOFTBK]** Softbank Group is seeking to raise JPY550bn (cUSD3.66bn) via 7-year unsecured straight bond issue
- **[VEDLN]** Media reported that Vedanta Resources seeks to deleverage up to USD 3bn debt over next three years
- **[VNKRLE]** China Vanke plans to spin off and list an REIT on Shenzhen Stock Exchange

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