

## CMBI Credit Commentary

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

- *China IG space was active this morning. BABA/TENCNT/SINOCH tightened 1-2bps. HRINTHs opened 1-2pts higher then retreated due to profit taking. LGFV/SOE perp were relatively quiet and skewed to selling.*
- **UPLIN:** *Weaker demand and intense price competition drag on 1QFY24 profitability. UPL revised FY24 revenue and EBITDA guidance downward to +1-5% and +3-7% respectively. Maintain buy on UPLIN 5.25 Perp. See below.*
- **DALWAN:** *Media reported that bondholders of DALWAN 7.25 01/29/24 have received coupon of notes; Fitch upgraded Wanda Commercial and Wanda HK to CC post the coupon payment. DALWANs rose 0.5-1.5pts this morning.*

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#### ❖ Trading desk comments 交易台市场观点

Yesterday, UST 10y yields grinded higher towards 4.18%, followed the higher-than-expected ADP data. The new HTSC 26s, priced at CT2+42.5, opened 13bps wider at T+55 and stabilized at T+50 area (7bps wider than RO). In China SOEs, HAOHUA 30s tightened 3bps to T+167 with some RM buying. TMT benchmarks were also under better buying. BABA 31s and TENCNT 29s/30s closed unchanged to 2bps tighter. Whilst the high beta TMTs such as WB/XIAOMI/MEITUA 30s were unchanged to 5bps wider. In financials, leasing papers were sought-after. In AMCs, HRINTH curve was quoted 0.125-0.25pt higher amid balanced two-way flows. GRWALLs remained largely stable, despite Fitch's one notch downgrade to A-. In HK space, HKAA/HKINTL/HKLSP/CKHH 28s/33s tightened 2-3bps. Chinese properties remained sluggish. LNGFORs/DALWANs declined 1-1.75pts. Fitch upgraded DALWAN to 'CC' after it cured the missed 20 Jul USD coupon within the grace period. ROADKGs/FTLNHDs/FTUTLANs lowered 1.5-2.5pts. COGARDs were marked down another 0.75-1.5pts. In industrials, FOSUNIs moved 0.5pt lower. In Macau gaming space, MPELs/WYNMACs edged down 0.5pt. SANLTDs were traded 1-1.75pts lower. In Indian space, VEDLNs gained 2.25-4.75pts, despite S&P revised VRL's outlook to negative from stable. Media reported Vedanta promoter entity Twin Star proposed to sell its 4.3% stakes in Vedanta Ltd (VEDL), to raise up to USD501mn. Indonesian SOEs PERTIJs/PLNIJs were marked down 1.25-2.25pts.

The LGFV/Perp spaces had a quite constructive session in terms of flows despite against the backdrop of weak macro. There were Chinese AMs deploying inflows/cash mainly in the front-end of SOE perps (c23 and c24 papers) and 23/24 LGFVs, which also highlighted the prevailing defensive carry theme amid uncertainties over the rates outlook. Since AM buyers were

generally less affected by the elevated funding costs, most of the prints were traded around 6.1%-6.2% and up to ~6.4% for some technically weaker LGFV names. As a result, these selected LGFVs edged 0.1-0.15pt higher, where sellers would then seize the window to offload in the PM session as rates continued to creep up and thus discouraged buyers slightly. Overall, flows were largely two-way mixed, as there is no strong directional conviction among market participants amid rates/macro volatilities. SOE perps such as CHMETL/RLCONS Perps were better bid by RMs.

#### ❖ Last Trading Day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
VEDLN 6 1/8 08/09/24	71.7	4.8	ROADKG 5.2 01/12/26	41.1	-2.4
VEDLN 8.95 03/11/25	70.3	3.9	FUTLAN 6 08/12/24	62.2	-2.2
VEDLN 13 7/8 01/21/24	93.6	3.6	PLNIJ 6.15 05/21/48	95.4	-2.2
VEDLN 9 1/4 04/23/26	64.0	2.3	PLNIJ 5 1/4 05/15/47	85.7	-2.1
APLNIJ 5.95 06/02/24	63.6	1.5	FUTLAN 4.45 07/13/25	42.5	-2.1

#### ❖ Marco News Recap 宏观新闻回顾

**Macro** – S&P (-0.25%), Dow (-0.19%) and Nasdaq (-0.10%) were weak yesterday. US latest jobless claim was +227k, same with market expectation. US Jul Markit service PMI was 52.3, down from 54.4 in Jun and lower than expectation of 52.4. Euro-zone Jun PPI was -3.4% yoy, lower than expectation of -3.1% yoy. The US treasury yields rallied higher yesterday, the 2/5/10/30 yield reached at 4.90%/4.30%/4.20%/4.32%, respectively.

#### ❖ Desk analyst comments 分析员市场观点

- **UPLIN: Weaker demand and intense price competition drag on 1QFY24 profitability. Maintain buy on UPLIN 5.25 Perp**

UPL reported 1QFY24 (Apr-Jun'23) financial results. Its revenue dropped 17% yoy to INR89.6bn (cUSD1.1bn) and EBITDA fell 32% yoy to INR15.9bn (cUSD193mn). The net profit declined 81% yoy to INR1.7bn (cUSD20mn). These were due to weaker demand from distributors which prioritized destocking amid high channel inventories. Aggressive price competition from Chinese post patent exporters also brought pricing pressure. At Jun'23, UPL's net debt was USD3.2bn, down USD160mn compared to that of Jun'22. The cash level was at USD474mn, slightly increased from USD461mn at Jun'22.

UPL expects to see demand recovery in 2HFY24. It plans to reduce cost by USD100mn in the next 24 months, 50% of the cost cut to be realized in FY24. At the same time, it revised the revenue and EBITDA guidance downward from +6-10% and +8-12% to +1-5% and +3-7%, respectively.

UPLIN 5.25 Perp was one of our picks in our 2023 Outlook in view of the coupon reset. If the perp will not be called on 27 Feb'25, the first call date, the coupon will be reset to 5yUST+3.865%, i.e. 8.2% based on current 5yr UST, from 5.25%. We continue to see a high likelihood for the perp to be called on the first call date given the notable increase in coupon potentially. With the cash level of USD474mn at Jun'23, improving cash flow expected from 2HFY24, as well as bank loan refinancing performed during FY23, we expect it will refinance the perp on the first call date via its access to bank funding and capital markets. At 81.8, UPLIN 5.25 Perp (callable on 02/27/25) is trading at YTC of 19.3%, higher than UPLIN'28 and UPLIN'30 with YTM of 7.2% and 7.5%

respectively. While the cash price of UPLLIN 5.25 perp is 10pt from the level we initiated the recommendation, we still consider the current YTC of 19.3% attractive for c1.6 years to call.

	Ask px	YTC/YTM (ask, %)	Amt o/s (USD mn)
UPLLIN 5.25 Perp (callable 02/27/25)	81.8	19.3	400
UPLLIN 4.5 03/08/28	89.6	7.2	300
UPLLIN 4.625 06/16/30	85.0	7.5	500

Source: Bloomberg.

#### ➤ 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

- Regarding onshore primary issuances, there were 74 credit bonds issued yesterday with an amount of RMB54bn. As for Month-to-date, 218 credit bonds were issued with a total amount of RMB155bn raised, representing a 34.4% yoy decrease
- Media reported that PBOC will meet the reasonable funding needs of developers and expand a mechanism to help private sector companies issue bonds
- [APLNIJ]** Agung Podomoro Land unit settled USD168.04mn purchase offer for APLNIJ 5.95 06/02/24; USD131.96mn remains outstanding
- [AZUPOE]** Azure Power said it was not able to file its annual report on Form 20-F for the year ended 31 Mar'23 within the initial prescribed time period
- [COGARD]** Moody's downgraded Country Garden to B1 from Ba3 and maintained negative outlook
- [DALWAN]** Media reported that bondholders of DALWAN 7.25 01/29/24 have received coupon of notes; Fitch upgraded Wanda Commercial and Wanda HK to CC after the coupon payment
- [GRWALL]** Fitch downgraded China Great Wall Asset to A- from A and kept the ratings on RWN
- [VEDLN]** S&P affirmed Vedanta Resources' B- ratings and revised outlook to negative on increased funding risks

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