

CMBI Credit Commentary

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

The Asset Asian G3 Bond Benchmark Review 2023

We hope you found our commentaries and ideas helpful. We seek to elevate our efforts and value-add further in the coming year. We highly appreciate your support to us in Sell-Side Analysts of the polls of "[The Asset Asian G3 Bond Benchmark Review 2024](#)". Thank you for your support!

- *New issue CCB'27 widened 1bps, MATSEL'34 tightened 3bps this morning. Light flows in Asian IG space, front-end China SOE/TMT were under better selling.*
- *VNKRLE: Profit warning for the upcoming 1H24 results. Maintain neutral view on VNKRLE. VNKRLEs down 1-1.5pts post profit warning. See below.*
- *SHUION: Media reported that Shui On Land got RMB4bn loan from CMB. The facility is backed by Shanghai Xintiandi project. SHUIONs rebounded 2-2.5pt post the news.*

❖ Trading desk comments 交易台市场观点

Yesterday, the new CHINAM Floater 27s widened 2bps from RO (SOFR+54). ANZ Floater 27s closed 3bps tighter from RO (SOFR+68) despite heavy profit taking flows. KRA'27 tightened 6bps from RO (T+85). HYUELE 27/29/31 were 2-4bps tighter. LGENSOS/HYNMTRs widened 1-3bps. In Chinese IGs, the long end of CHGRIDs/CITLTDs/BABAs were 0.4-0.9pt lower. HAOHUA '30/BABA '27/TENCNT '30 tightened 2bps. WB/LENOVO 30s were 1-2bps tighter. In financials, HRINTH 25-27s were 0.3-0.5pt higher (18-25bps tighter). CCAMCL '27 tightened 2bp. CCAMCL/ORIEAS 29s were unchanged to 2bps wider. CCAMCL was reported to raise new bonds of USD1bn. In AT1s, CINDBK/ BBLTB/ KBANK Perps were 0.1-0.2pt higher. In EU AT1s, BACR/SOCGEN Perps were 0.1-0.3pt higher. In HK, CKHH/AIA 34s tightened 3-6bps. NWDEVL Perps were 1.3-2.5pts higher, NWDEVL 27-30s were up 0.3-1.0pt. CSIPRO '25/LIHHK '26 were 0.8-0.9pt higher. Chinese properties were firm. SHUION 24/25/26 moved 2.3-2.7pts higher following media report on Shui On's secured loans of RMB6-7bn against Shanghai Xintiandi and Wuhan Tiandi. GEMDAL '24 was 0.8pt higher. LNGFOR 27-32s were up 0.3-0.6pt. Outside properties, EHICAR '26 was up 0.3pt. In Macau gaming, STCITYs/MPLEs were up 0.2-0.5pt. In India, UPLIN 28/30/Perp rose another 0.5-1.0pt after gaining 1.2-1.9pts on Mon. ADANEMs/ADGREGs were 0.2-0.8pt higher. GRNKENS were up 0.2-0.4pt following media report that Greenko will deploy NaBFID loans to prepay over USD1bn USD bonds maturing in 2025. In Indonesia, MDLNIJ 25/27 were down 0.4-0.7pt. GARUDA '31 was 0.4pt higher.

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In LGFVs, the high-yielding names were under better buying. LIANYU '25 rose 0.3pt. JIMOTM '26 was 0.2pt higher. KNMIDI '25/KMRLGP '24 were up 0.1pt. CPDEV 26/ Perp and BCDHGR '26 were 0.1pt higher. There were deployment buying interests in the quality LGFVs and high beta IG names. CDCOMM '27/GZINFU '26 were 0.1pt higher. In the high beta names, HXCEME/ GRPCIN 26s closed 0.1-0.3pt higher. ZHONAN '26 was up 0.1pt. In SOE perps, CHPWCN 4.25 Perp was up 0.2pt, CHPWCN 3.45 Perp/SPICPT 3.45 Perp were down 0.1pt.

❖ Last Trading Day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
SHUION 6.15 08/24/24	96.4	2.7	TAISEM 2 1/4 04/23/31	84.9	-1.4
SHUION 5 1/2 06/29/26	72.7	2.5	CITLTD 5.07 04/18/48	90.0	-0.9
NWDEVL 4 1/8 PERP	63.7	2.5	MDLNIJ 5 06/30/25	49.6	-0.7
SHUION 5 1/2 03/03/25	83.2	2.3	MDLNIJ 5 04/30/27	39.4	-0.5
NWDEVL 5 1/4 PERP	84.3	1.7	BABA 4.4 12/06/57	80.8	-0.5

❖ Marco News Recap 宏观新闻回顾

Macro – S&P (+0.07%), Dow (-0.13%) and Nasdaq (+0.14%) were stable on Tuesday. China Jun'24 CPI/PPI was +0.2%/-0.8% yoy, compared with expectation of +0.4%/-0.8% yoy. UST yields rallied higher yesterday, 2/5/10/30 yield reached 4.62%/4.24%/4.30%/4.49%.

❖ Desk analyst comments 分析员市场观点

➤ VNKRL: Profit warning for the upcoming 1H24 results

Security Name	ISIN	Amt Out (USD mn)	Ask Price	YTM (Ask)	Rating (M/S/F)
VNKRL 3.15 05/12/25	XS2078641888	423	87.0	20.8	B1/BB/B+
VNKRL 3.975 11/09/27	XS1713193586	1,000	63.9	19.1	B1/BB/B+
VNKRL 3 ½ 11/12/29	XS2078642183	300	56.5	15.9	B1/BB/B+

Source: Bloomberg.

On 9 Jul'24, China Vanke issued a profit warning with expected net losses attributable to shareholders of RMB7-9bn in 1H24, turned from a net profit of RMB9.9bn in 1H23. The weak performance, largely expected, was mainly due to decline in gross profit of property development segment as a majority of settled projects' lands were acquired before 2022 at higher costs while the project sales were weak in 1H24. Besides, Vanke made impairment provision for certain projects and recorded losses from financial investments and asset disposals. We do not expect China Vanke's operating performance to significantly improve in 2H24 and report net profit attributable to shareholders in FY24 as the nationwide real estate market remains weak.

In 1H24, Vanke reported contracted sales of RMB127.3bn, decreased 37.6% yoy from RMB203.9bn in 1H23. During 1H24, it collected cash of RMB118.6bn from property development, the cash collection ratio was lower than c100% in 1H23.

China Vanke does not have offshore bond maturity in 2H24. In 1H24, the company repaid offshore bonds totaled cUSD1.4bn (incl dim sum bonds of cRMB1.4bn), and other interest-bearing debts totaled cRMB50bn. However, its onshore bond maturity or redemption are more lumpy. In 2H24, Vanke has onshore bond maturities (incl. put) totaled RMB4.3bn (cUSD590mn). In 2025 and 2026, the maturities and put of onshore bonds will be RMB32.6bn (USD4.4bn) and RMB12.4bn (USD1.7bn) in addition to USD bonds of USD423mn maturing in May'25. We take some comfort that Vanke remained accessible to external funds that it borrowed

cRMB60bn from financial institutions in 1H24. However, we are concerned on the refinancing of the onshore bonds without a significant improvement in operating performance, and how the attitude of onshore bondholders on refinancing will affect the full repayments of offshore bonds.

VNKRLEs down 1-1.5pts post the profit warning, we maintain neutral view on VNKRLES. Among Chinese developers, we prefer those focus in tier1/2 cities and have matured IPs and manageable near-term debts, e.g. **Greentown, Jinmao, Longfor, Seazen** and **Yanlord**.

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

Issuer/Guarantor	Size (USD mn)	Tenor	Coupon	Priced	Issue Rating (M/S/F)
China Construction Bank Hong Kong Branch	1000	3yr	5.905%	SOFR+55	A1/-/-
Hangzhou Shangcheng District Urban Construction & Comprehensive Development	200	3yr	6.05%	6.05%	-/-/BBB-
Panasonic Holdings Corp	500	10yr	5.302%	T+100	Baa1/A/-

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

Issuer/Guarantor	Currency	Size (USD mn)	Tenor	Pricing	Issue Rating (M/S/F)
Korea Ocean Business Corp	USD	-	5yr	SOFR+90	Aa2/-/-
Mitsubishi Corporation	USD	-	10yr	T+120	A2/A/-
Neijiang Road and Bridge Group	USD	-	3yr	7.5%	-/-/-

➤ **News and market color**

- **[CCAMCL]** Media reported that China Cinda HK plans to issue USD1bn bond with 3-5 year tenor as early as next week
- **[GEMDAL]** Gemdale forecasts RMB3-3.6bn net loss for 1H24
- **[LENOVO]** Lenovo 2Q24 global PC shipments increased 3.7% yoy to 14.7mn units
- **[RSMACA]** Red Star Macalline forecasts RMB1.02-1.38bn net loss for 1H24
- **[SHUION]** Media reported that Shui On Land got RMB4bn loan from CMB. The facility is backed by Shanghai Xintiandi project
- **[SOFTBK]** SoftBank Group completed early redemption of USD1.35bn SOFTBK 4.75 09/19/24

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