CMBI Credit Commentary

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

Glenn Ko, CFA 高志和
(852) 3657 6235
glennko@cmbi.com.hk

Cyrena Ng, CPA 吴蒨莹
(852) 3900 0801
cyrenang@cmbi.com.hk

Jerry Wang 王世超
(852) 3761 8919
jerrywang@cmbi.com.hk

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!

- *Flows were active two-way this morning. Asian IG space was stable, recent issued KRKPSCs widened 1-2bps. China Jinmao onshore unit raised RMB3bn (cUSD415mn) via 3-yr MTN with coupon rate of 2.8%. CHJMAOs moved -0.15 to +0.3pt this morning.*

- ***MGMCHI:*** *FV of new 7NC3 USD bond to be 7.0%-7.25%. See below.*

- ***China Economy*** *- China needs further policy easing. See below for comments from CMBI economic research.*

❖ **Trading desk comments 交易台市场观点**

Yesterday, the sentiment in Asia IG space was weak with light flows. In Chinese IGs, BIDU '30/TENCNT '29 were unchanged to 3bps wider. CCAMCL/ORIEAS 29s widened 4bps. HRINTH '47 was 0.9pt higher (15bps tighter). Outside China, LGELECs/LGENSOs widened 2-3bps. HYUELE/HWQCUS 28s widened 1-2bps. KRKPSC 27s/29s widened 2-3bps. The long-end of TOPTBs/PTTGCs were unchanged to 0.3pt lower (unchanged to 10bps wider). UOBSP/OCBCSP 32-34s widened 4-6bps. HSBC/STANLN T2s also widened 1-4bps. In EU AT1s, BNP 8 Perp/ACAFP 6.5 Perp were up 0.1pt. HSBC 6 Perp/INTNED 3.375 Perp were 0.1-0.3pt lower. In HK, AIA 33-34s widened 2-3bps. Chinese properties were mixed. GEMDAL '24 was 0.6pt higher. YUEXIU '26 was up 0.3pt. On the other hand, FUTLAN/FTLNHD 24-26s dropped another 1.0-1.9pts after falling 3.6-6.3pts over the last week. VNKRLE 27/29 were down 0.3-0.8pt. In industrials, HILOHO '24 was 0.9pt higher. In Macau gaming, SANLTDs/STCITYs were down 0.4-0.5pt. In Indonesia, LMRTSP 24/26 were 0.2pt higher. In India, VEDLNs were down 0.2-0.3pt. Elsewhere, GLPSP Perps were 0.6-0.7pt lower after gaining 5.9-6.2pts last Friday. GLPCHI '26 was down 0.3pt.

In LGFVs, the new HNYUZI '27 closed unchanged. The new WHREST '27 was 0.1pt higher while WHREST '24 was up 0.6pt. CPDEV 25/26 and BCDHGR '26 were 0.2pt lower. In Shandong names, JNHITE '24/QDJZWD '25 were down 0.1pt. In the 5-6% LGFVs, GZINFU '26 was up 0.1pt, while SXUCI '26/CDCOMM '27 were down 0.1pt. In SOE perps, CHPWCN 3.08 Perp was 0.1pt higher, SPICPT 3.45 Perp was 0.1pt lower. In the high beta names, CHMDHL '26 was 0.2pt lower. SUNSHG '26 was 0.1pt lower.

CMBI Fixed Income
fis@cmbi.com.hk

❖ Last Trading Day's Top Movers

Top Performers	Price	Change
HRINT 4 1/2 04/26/25	**98.5**	**1.6**
HRINT 3.8 04/27/25	**97.8**	**1.5**
HILOHO 9 3/4 11/18/24	**60.5**	**0.9**
HRINTH 4.95 11/07/47	**78.7**	**0.9**
CENEXP 1.352 04/28/26	**93.0**	**0.8**

Top Underperformers	Price	Change
FTLNHD 4 1/2 05/02/26	**60.6**	**-1.9**
FUTLAN 4.45 07/13/25	**72.1**	**-1.8**
FTLNHD 4 5/8 10/15/25	**69.1**	**-1.7**
HAOHUA 3.7 09/22/50	**74.3**	**-1.1**
FTLNHD 4.8 12/15/24	**85.5**	**-1.0**

❖ Marco News Recap 宏观新闻回顾

Macro – S&P (+0.77%), Dow (+0.49%) and Nasdaq (+0.95%) were strong on Monday and S&P, Nasdaq reached historical high level. UST yield rallied higher yesterday, 2/5/10/30 yield was 4.75%/4.30%/4.28%/4.40%.

❖ Desk analyst comments 分析员市场观点

➢ MGMCHI: FV of new 7NC3 USD bond to be 7.0%-7.25%

We consider the FV of MGM China (M/S/F issuer rating: B1/B+/BB-) proposed USD500mn 7NC3 senior unsecured bonds (M/S/F issue rating: B1/B+/BB-) to be 7.0%-7.25% compared to the IPG of 7.25%-7.5% (revised price guidance of 7.25%-7.375%), in view of the c60bps yield pick-up of MGMCHI over the bonds of its US parent MGM and the yield of WYNMAC'29 (M/S/F issue rating: B1/BB-/BB-) which has similar credit ratings with MGMCHIs.

	MGM 6.5 04/15/32	WYNMAC 5.125 15/12/29
YTM	6.6	7.2
Maturity	15 Apr'32	15 Dec'29
Rating (M/S/F)	B1/BB-/BB-	B1/BB-/BB-

Source: Bloomberg.

MGM China planned to use the proceeds of issuance for repayment of the revolving credit facilities and for general corporate uses. In 1Q24, MGM China's adj. EBITDA increased 77.3% yoy to USD320mn and adj. EBITDA margin reached the highest level post pandemic of 30.3%, thanks to the sustained recovery of mass market and effective cost control. As of Mar'24, the company had cash and cash equivalents of USD622mn and net debts of USD2,422mn. On a pro-forma basis, MGM China's net debts would be USD2,445mn after the new issuance and repayment of USD750mn MGMCHI'24 which was funded by the revolving credit facilities in May'24. We consider MGM China's credit profiles were stable while MGMCHIs' valuation are less appealing in the sector.

As discussed before, we prefer MPEL, STCITY/STDCTY and SJM within the sector for their better risk-return profiles despite their out-performance YTD. We also like long-dated WYNMACs which offer c100bps yield pick-up over the bonds of its US parent. Meanwhile, we are neutral of SANLTDs and MGMCHIs on valuation.

	Ask YTM (%)	Mod Duration	Ask price
MGMCHI	6.0-6.5	0.9-2.4	95.8-99.3
MPEL	**6.6-7.6**	**0.9-4.6**	**90.9-100.4**
SANLTD	5.4-5.9	1.1-6.1	84.9-99.6
SJMHOL	**7.2-7.5**	**1.5-3.2**	**91.6-95.9**
STCITY/STDCTY	**6.7-8.0**	**1.0-3.9**	**88.6-100.4**
WYNMAC	3.3-7.2	0.3-4.6	90.8-105.4

Source: Bloomberg.

➢ China Economy - China needs further policy easing

China's May data once again signalled a weakening economy in 2Q as property sales further dipped while fixed asset investment and industrial output moderated, both missing market expectations. New housing sales further deteriorated especially in lower tier cities as it may take some time for the latest easing policies to take effect. FAI encountered headwinds from property and infrastructure investments due to property slump and fiscal strain in local governments. Retail sales modestly rebounded driven by consumer staples and home appliance. The continuous property slump and persisted deflation pressure remained the major drags from the demand side while manufacturing investment and industrial production from the supply side showed robust resilience. The PBOC may further cut LPRs by 10-20 bps to relieve debt service burden of consumers and private business. The central bank may also reduce deposit rates to protect banks' NIMs. Meanwhile, the central government may accelerate its bond issuance and fiscal expansion to boost aggregate demand.

New housing sales remained weak. The gross floor area (GFA) sold for commercial buildings edged down to -20.3% (all in YoY terms unless otherwise specified) in 5M24 from -20.2% in 4M24, while the GFA started continued to tick up from -24.6% to -24.2%. GFA completed also remained at a historic low. Property development investment further declined 10.1% in 5M24 after dropping 9.8% in 4M24. According to the high-frequency data, the recovery ratio of new housing sales in 30 major cities compared to the same period in 2018 & 2019 further plummeted to 41.2% in the first half of June from 47.2% in May. Tier-1 cities saw a rebound from 67.8% in May to 74% in first half of June while tier-2 and -3 cities further worsened. The recovery ratio of second-hand housing sales in 10 selective cities compared to 2019 notably rebounded to 96.6% in first half of June from 82.3% in May. The impact of policy easing was first felt in the second-hand housing market, and we expect will later transmit into the new housing market, leading to a possible gradual narrowing in its YoY decline. Prices in both new and second-hand housing hit a new low in May within this cycle. Funding source for property development continued to dwindle as cash deposits and mortgage funds stayed depressed. Looking forward, the GFA sold for commercial buildings is expected to drop 12.5% in 2024 after decreasing 8.5% in 2023.

Retail sales modestly rebounded driven by consumer staples and home appliance. Retail sales growth rose to 3.7% in May from 2.3% in Apr thanks to consumer staples and home appliance as auto remained the major drag. Catering service, food and beverage continued to rebound from 4.4%, 8.5% and 6.4% to 5%, 9.3% and 6.5%, while clothing and cosmetics notably accelerated to 4.4% and 18.7% from -2% and -2.7% in Apr. Gold, silver & jewellery sharply declined by 11% in May as gold price pulled back. Telecom equipment, home appliance and furniture also registered robust growth in May at 16.6%, 12.9% and 4.8% thanks to the trade-in programs and online promotions. Auto sales remained subdued at -4.4% in May compared to -5.6% in Apr, as rounds of price wars have caused consumers to postpone their purchase in anticipation of further price cuts. Looking forward, consumption may mildly improve in 2024 especially in recreational, small-scale and self-satisfaction consumption. We expect retail sales to grow 5.3% in 2024 after rising 7.2% in 2023.

Industrial output edged down while service activity improved. VAIO growth moderated to 5.6% in May from 6.7%, lower than market expectation of 6%. Mining industries improved while manufacturing and public utility slowed down. Chemical products, non-ferrous metal, transport equip excluding auto, and computer, telecom & electronic equipment extended their rapid growth above 9%; while auto, general equip and electrical equip notably slowed down to 7.6%, 2.4% and 3.9% from 16.3%, 3.7% and 5.8% in Apr. The YoY growth of service output index climbed to 4.8% in May from 3.7% in Apr as we saw the tourist flow and revenue in the Labor Day holiday rose by 7.7% and 12.8%. Looking forward, service and industrial output may moderately improve in 2024 thanks to a recovery in service consumption, an end of the de-stocking cycle and improvement in exports.

FAI growth moderated, encountering headwinds from property and infrastructure investments. FAI inched down to 3.5% in May from 3.6%, missing market expectations of 4.2%. Property investments further dipped 11% from dropping 10.5% in Apr. Infrastructure investments notably slowed down to 3.8% in May from 5.9% as fiscal strain persisted in local governments, especially the 12 heavily-indebted provinces. As issuance of government bonds accelerated and accumulation of fiscal reserves notably increased, we expect the infrastructure investment to pick up in the next several months. Investments in manufacturing stayed almost flat, edging up to 9.4% from 9.3%, thanks to the continuous policy support on industrial upgrades and manufacturing advancement, even though the eroding profit margin and capacity utilization rate may weigh on future investments. Recent resilience in manufacturing investment data has also raised doubts, given its previous volatility. Investments in transport equipment other than vehicles, non-ferrous metal, metal products and computer & electronics stayed elevated. Looking forward, we expect FAI to accelerate from 3% in 2023 to 4.2% in 2024, with growth in manufacturing, infrastructure, and property development respectively at 7.5%, 8% and -9% in 2024.

The weakening economy in 2Q calls for further policy support in 2H24. The weaker-than-expected economic data in April and May signalled slowing growth momentum in 2Q. The continuous property slump and persisted deflation pressure became the major drags from the demand side as we have seen in durable goods sales such as autos as well as weak credit demand in May, while manufacturing investments, industrial production and exports showed robust resilience. The PBOC may further cut LPRs by 10-20 bps to relieve debt service burden of consumers and private business. The central bank may also reduce deposit rates to protect banks' NIMs. Meanwhile, the central government may accelerate its bond issuance and fiscal expenditure to boost aggregate demand.

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)
BOC Hungarian Branch	USD	-	3yr	SOFR+100	A1/-/A
BOC Panama Branch	USD	-	2yr	SOFR+95	A1/-/A
Changchun Urban Development	USD	-	-	-	-/-/BBB
Continuum Green Energy	USD	-	9NC3	7.625%	Ba1/-/BB+
Guotai Junan Holdings	USD	-	3yr	SOFR+115	Baa1/-/-
Hyundai Capital America	USD	-	2/3/5/7yr	T+105/115/135/145	A3/BBB+/A-
Hyundai Capital America	USD	-	3yr	SOFR Equiv	A3/BBB+/A-
MGM China	USD	500	7NC3	-	B1/B+/BB-

➢ News and market color

- Regarding onshore primary issuances, there were 96 credit bonds issued yesterday with an amount of RMB80bn. As for month-to-date, 877 credit bonds were issued with a total amount of RMB881bn raised, representing a 16% yoy decrease

- **[CHJMAO]** China Jinmao unit raised RMB3bn via onshore MTN issuance

- **[CISIFG]** China Industrial Securities International Financial signed up to USD65mn one-year revolving loan facility letter

- **[FRESHK]** Far East Horizon redeemed USD249.1mn due-2026 CBs
- **[GEMDAL]** Media reported that Gemdale noteholders received payment for RMB1.5bn 21JindiMTN005 notes due 15 Jun'24
- **[GRNLGR]** Greenland Holding announces increased nominal amount of 6.25% due-2028 notes due to USD0.96mn PIK interest
- **[MGMCHI]** Media reported that MGM China is considering investing in planned casino resort in Thailand

Fixed Income Department
Tel: 852 3657 6235/ 852 3900 0801
fis@cmbi.com.hk
CMB International Global Markets Limited ("CMBIGM") is a wholly owned subsidiary of CMB International Capital Corporation Limited (a wholly owned subsidiary of China Merchants Bank)

Author Certification

The author who is primary responsible for the content of this research report, in whole or in part, certifies that with respect to the securities or issuer that the author covered in this report: (1) all of the views expressed accurately reflect his or her personal views about the subject securities or issuer; and (2) no part of his or her compensation was, is, or will be, directly or indirectly, related to the specific views expressed by that author in this report.
Besides, the author confirms that neither the author nor his/her associates (as defined in the code of conduct issued by The Hong Kong Securities and Futures Commission) (1) have dealt in or traded in the stock(s) covered in this research report within 30 calendar days prior to the date of issue of this report; (2) will deal in or trade in the stock(s) covered in this research report 3 business days after the date of issue of this report; (3) serve as an officer of any of the Hong Kong listed companies covered in this report; and (4) have any financial interests in the Hong Kong listed companies covered in this report.

Important Disclosures

There are risks involved in transacting in any securities. The information contained in this report may not be suitable for the purposes of all investors. CMBIGM does not provide individually tailored investment advice. This report has been prepared without regard to the individual investment objectives, financial position or special requirements. Past performance has no indication of future performance, and actual events may differ materially from that which is contained in the report. The value of, and returns from, any investments are uncertain and are not guaranteed and may fluctuate as a result of their dependence on the performance of underlying assets or other variable market factors. CMBIGM recommends that investors should independently evaluate particular investments and strategies, and encourages investors to consult with a professional financial advisor in order to make their own investment decisions.
This report or any information contained herein, have been prepared by the CMBIGM, solely for the purpose of supplying information to the clients of CMBIGM and/or its affiliate(s) to whom it is distributed. This report is not and should not be construed as an offer or solicitation to buy or sell any security or any interest in securities or enter into any transaction. Neither CMBIGM nor any of its affiliates, shareholders, agents, consultants, directors, officers or employees shall be liable for any loss, damage or expense whatsoever, whether direct or consequential, incurred in relying on the information contained in this report. Anyone making use of the information contained in this report does so entirely at their own risk.
The information and contents contained in this report are based on the analyses and interpretations of information believed to be publicly available and reliable. CMBIGM has exerted every effort in its capacity to ensure, but not to guarantee, their accuracy, completeness, timeliness or correctness. CMBIGM provides the information, advices and forecasts on an "AS IS" basis. The information and contents are subject to change without notice. CMBIGM may issue other publications having information and/ or conclusions different from this report. These publications reflect different assumption, point-of-view and analytical methods when compiling. CMBIGM may make investment decisions or take proprietary positions that are inconsistent with the recommendations or views in this report.
CMBIGM may have a position, make markets or act as principal or engage in transactions in securities of companies referred to in this report for itself and/or on behalf of its clients from time to time. Investors should assume that CMBIGM does or seeks to have investment banking or other business relationships with the companies in this report. As a result, recipients should be aware that CMBIGM may have a conflict of interest that could affect the objectivity of this report and CMBIGM will not assume any responsibility in respect thereof. This report is for the use of intended recipients only and this publication, may not be reproduced, reprinted, sold, redistributed or published in whole or in part for any purpose without prior written consent of CMBIGM.
Additional information on recommended securities is available upon request.

Disclaimer:
For recipients of this document in the United Kingdom
This report has been provided only to persons (I)falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended from time to time)("The Order") or (II) are persons falling within Article 49(2) (a) to (d) ("High Net Worth Companies, Unincorporated Associations, etc.,) of the Order, and may not be provided to any other person without the prior written consent of CMBIGM.
For recipients of this document in the United States
CMBIGM is not a registered broker-dealer in the United States. As a result, CMBIGM is not subject to U.S. rules regarding the preparation of research reports and the independence of research analysts. The research analyst who is primary responsible for the content of this research report is not registered or qualified as a research analyst with the Financial Industry Regulatory Authority ("FINRA"). The analyst is not subject to applicable restrictions under FINRA Rules intended to ensure that the analyst is not affected by potential conflicts of interest that could bear upon the reliability of the research report. This report is intended for distribution in the United States solely to "major US institutional investors", as defined in Rule 15a-6under the US, Securities Exchange Act of 1934, as amended, and may not be furnished to any other person in the United States. Each major US institutional investor that receives a copy of this report by its acceptance hereof represents and agrees that it shall not distribute or provide this report to any other person. Any U.S. recipient of this report wishing to effect any transaction to buy or sell securities based on the information provided in this report should do so only through a U.S.-registered broker-dealer.
For recipients of this document in Singapore
This report is distributed in Singapore by CMBI (Singapore) Pte. Limited (CMBISG) (Company Regn. No. 201731928D), an Exempt Financial Adviser as defined in the Financial Advisers Act (Cap. 110) of Singapore and regulated by the Monetary Authority of Singapore. CMBISG may distribute reports produced by its respective