

CMBI Credit Commentary

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

- *Asian IG space was weak this morning. The recent new issues are under better selling. EU AT1s were actively bid while prices were unchanged. New LGFV HKIQCL '27 was stable, CNH LGFVs were heavy.*
- **DALWAN:** *Weaker 1H24 results due to non-recurring losses. Maintain buy on DALWANs. See comments below.*
- **VNKRLE:** *S&P downgraded China Vanke Co. to BB- from BB+ with negative rating outlook. Vanke's SCPG sold 48% stake in Shanghai Songjiang Incity to JV partner GIC. VNKRLEs moved -0.4 to +0.1pt this morning.*

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❖ Trading desk comments 交易台市场观点

Asia IG space was quiet last Friday amid the typhoon in HK. The flows were mixed ahead of the US jobs data. The new KHFC 4.125 '28 tightened 2bps from RO (CT3+63/CT5+70). The new GFFHBV Float '27 widened 5bps from RO (SOFR+67). In JP, the new MYLIFE 5.8 '54 rose another 0.3pt to 100.7 on RM buying. RAKUTNs were 0.1-0.3pt lower. In Chinese IGs, HAOHUA '28/TENCNT '29 were 1bp wider. JD 26/30 were unchanged to 2bps tighter post Moody's one-notch upgrade. ZHOSHK '28 widened 5bps following Moody's outlook revised to negative. In financials, Guotai Junan announced the "acquisition" of Haitong on last Thu night. See our comments on [6 Sep '24](#). GTJAs/HAISECs/HTISECs/UNFILEs closed unchanged to 2bps tighter. In AT1s, the new INTNED 7.25 Perp rose 0.6pt from RO at par. The new UBS 6.85 Perp hovered unchanged around RO at par. The new HSBC 6.875 Perp/HSBC 6.95 Perp retraced 0.1-0.2pt to 100.5 after gaining 0.5-0.6pt on last Thu. In HK, HYSANs were unchanged to 0.2pt lower. Moody's downgraded Hysan one notch to Baa2 with outlook stable. NWDEVLs were 0.1-0.3pt lower, closed 3.2-6.3pts lower WoW. LIHHK 25/26 were 0.2-0.4pt higher. In Chinese properties, VNKRLE '25/27/29 declined 0.2-1.0pt post S&P's two-notches downgrade with outlook negative. VNKRLEs closed 3.0-3.3pts lower WoW. SHUION'25 and '26 were 0.5pt and 1.6pts lower, respectively. LNGFOR '27/GRNCH '25 declined 0.6-0.7pt. FTLNHD/FUTL AN 25-26s were 0.2-0.5pt lower. On the other hand, PINGRE '25/COGO '26/DALWAN '26 were 0.6pt higher. In industrials, EHICAR '26/27 declined 0.3-0.6pt, closed 2.1-2.5pts lower WoW. WESCHI/CHIOIL '26s were down 0.3-0.4pt, closed 3.4-4.8pts lower WoW. In Macau gaming, STCITY '28/STDCTY '27/MPEL '27 were down 0.2-0.6pt. In India, UPLIN 28/30 were 0.5-0.6pt lower. Elsewhere, the new SMCGL 8.75 Perp was 0.3pt higher from RO at par. The other SMCGL Perps were unchanged. See our comments on [6 Sep '24](#). GLPCHI '26/GLPSP 4.6 Perp were 0.4-0.5pt higher.

In LGFVs, the new HKIQCL '27 closed 0.1pt lower from RO at par. CDCOMM '27/HZFYCT '26 were down 0.1-0.2pt. On the other hand, CPDEV 25/26 were 0.1-0.3pt higher. QDJZWD 25-27s were up 0.1-0.2pt. In SOE perps, COFCHK 3.1 Perp/CCBINT 3.329 Perp were 0.1pt higher, CHPWCN 4.25 Perp was 0.2pt lower.

❖ Last Trading Day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
CHGDNU 4.8 09/11/48	95.1	1.0	SHUION 5 1/2 06/29/26	69.1	-1.6
INDON 3.2 09/23/61	68.9	0.8	VNKRLE 3.15 05/12/25	82.5	-1.0
INDON 4.3 03/31/52	89.8	0.8	LNGFOR 4 1/2 01/16/28	74.5	-0.7
COGO 2.45 02/09/26	93.2	0.6	STCITY 6 1/2 01/15/28	95.6	-0.6
PINGRE 3 1/4 06/23/25	95.0	0.6	UPLLIN 4 5/8 06/16/30	83.1	-0.6

❖ Marco News Recap 宏观新闻回顾

Macro – S&P (-1.73%), Dow (-1.01%) and Nasdaq (-2.55%) were weak on last Friday. US Aug'24 NFP was +142k, lower than the expectation of 164k. US Aug'24 unemployment rate was 4.2%, in line with the expectation. China Aug'24 CPI/PPI was +0.6%/-1.8% yoy, lower than the expectation of +0.7/-1.4% yoy. UST yield retreated on Friday that 2/5/10/30 yield reached 3.66%/3.50%/3.72%/4.03%.

❖ Desk analyst comments 分析员市场观点

➤ DALWAN: Weaker 1H24 results due to non-recurring losses

Security Name	ISIN	o/s amount (USD mn)	Ask Price	YTM (Ask)	Rating (M/S/F)
DALWAN 7 ¼ 12/29/24	XS1023280271	420	98.2	13.3	Ca-/CC
DALWAN 11 01/20/25	XS2577258713	400	95.6	23.4	Ca-/CC
DALWAN 11 02/13/26	XS2586129574	400	88.0	21.3	Ca-/CC

Source: Bloomberg.

Dalian Wanda Commercial Management (DWCM) released weaker 1H24 results, reflected the significant increase in credit impairment losses, reversal of investment income from the disposal losses of long-term equity investment and cut in government subsidies. Nonetheless, we take comfort from its 13.7% growth in recurring EBITDA, reflecting the resilience of its property investment portfolio and lower selling expenses. We maintain buy on DALWANs in view of its solid recurring cash inflows, liquidity headroom from further secured financing from its IPs, as well as asset disposals. We note the progress in shareholding change at Zhuhai Wanda level. This will resolve the pre-IPO redemption issue and significantly reduce DWCM's short-term debts. DALWANs were unchanged to 0.75pt lower post 1H24 results.

RMB mn	1H23	1H24	% change
Revenue	25,452	26,850	5.5%
-IP leasing and management	23,110	24,353	5.4%
-Hotel operation	789	644	-18.4%
-Other	1,554	1,853	19.2%
Gross profit	16,450	17,618	7.1%
SG&A expenses	-2,765	-2,322	-16.0%
Recurring EBITDA	14,114	16,041	13.7%
Other income (Incl. government subsidy)	1146	111	-90.3%

Investment income	1,372	-32	-102.3%
Credit impairment loss	-73	984	1,444.2%
Profit before tax	9,522	7,132	-25.1%
Net profit	6,824	4,728	-30.7%

Gross margin	64.6%	65.6%
EBITDA margin	55.5%	59.7%

Source: Company filings.

In 1H24, DWCM's revenue rose 5.5% yoy to RMB26.9bn and c91% revenue was from IP leasing and management segment. DWCM's gross margin increased to 65.6% from 64.6% in 1H23, higher than pre-pandemic level of 58%. In 1H24, DWCM's SG&A expenses decreased 16.0% yoy to RMB2.3bn and its SG&A expense rate declined to 8.6% from 10.9% in 1H23. As a result, DWCM's recurring EBITDA margin improved to 59.7% from 55.5% in 1H23. We expect its operating performance to remain resilience in 2H24 with more government measures in stimulate domestic consumption.

RMB mn	Dec'23	1H24	% change
Cash	13,432	11,577	-13.8%
ST debts (excl. pre-IPO redemption)	22,980	29,601	28.8%
LT debts	120,393	113,784	-5.5%
Total debt (excl pre-IPO redemption)	143,373	143,385	0.0%
Net debt (excl pre-IPO redemption)	129,941	131,808	1.4%
Net gearing (debts excl pre-IPO redemption)	42.6%	42.5%	
Cash/ST debts (ST debts excl pre-IPO redemption)	0.6x	0.4x	
Adj. liab/assets (liab excl pre-IPO redemption)	42.2%	42.5%	

Source: Company filings.

As of Jun'24, DWCM's net debts (excl. pre-IPO redemption) edged up 1.4% to cRMB132bn from RMB130bn in Dec'23. DWCM's short-term debts increased 28.8% yoy to RMB29.6bn and cash to short-term debts dropped to 0.4x from 0.6x. We expect DWCM to conduct more asset disposal in 2H24 to address debt maturities.

DWCM's coming bond maturities are USD180mn installment of extended DALWAN 7.25'24 on 30 Sep'24 and RMB3.1bn onshore bond maturities in 4Q24. We take some comfort that DWCM had cRMB70bn unpledged IPs which would provide cRMB21-35bn liquidity headroom assuming a LTV of 30-50%. Besides, DWCM had wealth management products and financial assets held for trading totaled RMB85.9bn in Jun'24. These financial assets could be another potential liquidity source for DWCM.

As of Jun'24, the PAG-led cRMB32bn reinvestment and cRMB28bn incremental investment had yet to be completed. On 2 Sep'24, DWCM transferred 60% shares of Newland Commercial Management (NCM), the holding company of Zhuhai Wanda Commercial Management (ZWCM), to PAG-led investors. The PAG-led investors subscribed the 60% shares of NCM for cRMB24.3bn and a PAG's partner took over the chairman of the board of NCM from Dalian Wanda's staff. We expect ZWCM to be deconsolidated from DWCM after the completion of PAG-led investment. As discussed before, we believe that the impact on recurring net profit and cash flow should be contained after taking into account of the contribution from associates. The immediate impact of diluting the shareholding in ZWCM to DWCM's balance sheet is positive after the removal of pre-IPO redemption of RMB43.4bn from its ST debts. On an ongoing basis, the deconsolidation of ZWCM should have limited impact as ZWCM only accounted for 3.8% of DWCM's total assets as at Dec'23.

➤ 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)
ABN AMRO Bank	USD	-	5yr	SOFR+87-90	Aa3/A/A+
Chongqing International Logistics Hub Park Construction Co., Ltd.	USD	-	3yr	6.5%	-/-/-
China Minsheng Banking Corp., Ltd Hong Kong Branch	USD	-	3yr	SOFR+110	-/BBB/-
Marubeni Corporation	USD	-	5yr	-	Baa1/BBB+/-

➤ News and market color

- Regarding onshore primary issuances, there were 61 credit bonds issued yesterday with an amount of RMB35bn. As for Month-to-date, 334 credit bonds were issued with a total amount of RMB283bn raised, representing a 16.7% yoy increase
- [ADEIN]** Media reported that Adani Group is in talks with global banks to raise at least USD1.5bn to refinance project debt
- [DALWAN]** Dalian Wanda Group's over RMB290mn stake in Dalian Wanda Commercial Management frozen by court
- [FRESHK]** Far East 1H24 revenue down 1.8% yoy to RMB18bn and pre-tax profit down 19.7% yoy to RMB4bn
- [FUTLAN/FTLNHD]** Seazen Holdings Aug'24 contracted sales dropped 58.7% yoy to RMB2.5bn
- [HYSAN]** Moody's downgraded Hysan development by to Baa2 and changed the rating outlook to stable from negative
- [UMQHTH]** Urumqi Gaoxin Investment and Development Group announced to accept for purchase USD50mn of UMQHTH 7.5 09/22/26 pursuant to tender offer
- [VNRLE]** S&P downgraded China Vanke Co. to BB- from BB+ with negative rating outlook. Vanke's SCPG sold 48% stake in Shanghai Songjiang Incity to JV partner GIC
- [ZHPRHK]** Zhenro Properties further extended RSA longstop date to 12 Sep'24

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