

## CMBI Credit Commentary

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

- *Overnight rates narrowed another 5-7bps post weaker -than-expected US job data. IG spreads edged 2-5bps wider. Perps/AT1s remained stable. HK AT1s had two-way active flows. In LGFVs, TLINVT was under better selling post Fitch's downgrade.*
- **Macau gaming:** *The cash burn trend to reverse. The recent corrections of 0.5-7pts present better entry opportunities. Within the sector, we prefer **MPEL, SJM and STCITY/STDCTY** for better risk-return profile. We also see **MGMCHI, SANLTD and WYNMAC** yield pick-up plays (100-150bps) over the bonds of their US parents. See below.*
- **Seazen:** *Maturing IP portfolio is a key differentiator. Buy FUTLANs/FTLNHDs and prefer longer-dated papers. FUTLANs/FTLNHD 24-26s down 1-2pts this morning. See below.*

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

**Cyrena Ng, CPA** 吳倩瑩  
 (852) 3900 0801  
 cyrenang@cmbi.com.hk

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

#### ❖ Trading desk comments 交易台市场观点

On Tuesday, Asia IG space was largely stable amid light flows. Overnight UST yields edged 5-15bps tighter across the curve. On primary side, new USD500mn SHNHAN 5Y gender-equality bond was priced at T+107 and closed 5bps tighter from RO. New USD750mn RECLIN 5Y bond that came out at T+212.5 was also traded 7bps tighter. In Korea space, we saw mixed two way flows. KHFC 28s/33s tightened 5-10bps, whilst HYUELE curve widened 3-5bps. In China TMTs, benchmark BABA/TENCNT edged 1-2bps wider while BBB tech names LENOVO/MEITUA widened 5-10bps. In AMC sector, there was mixed flows on HRINTH with better buying on the longer tenor vs selling on front end. Other AMCs remained largely stable. China property space was mixed. SINOCEs plunged another 1.5-6.5pts with its 26s-30s being marked at high-30s. Media reported Sino-Ocean Land, the HK subsidiary missed 31 Mar amortization on due-11 June syndicated loan. Moody's downgraded Sino-Ocean Group's CFR to B3 from Ba3, on reviews for further downgrade. COGARDs/FUTLANs/FTLNHDs were marked up 1-3pts. CHINSCs gained 1-1.5pts as the chance of the company to fully redeem the remaining USD293.5mn of CHINSC 7.25 04/19/23 appears to be notably higher. CIFIHGs were edged 0.5-1pt lower. In Industrials, HILOHs jumped 5-6pts after the oil name announced earnings with gross profit increased 18.8% yoy. FOSUNI 27 gained 1.5pts whilst WESCHI 26 was traded 2.5pts lower. Macau gaming names such as MPELs/SANLTDs/STDCTYs moved another 0.5-1.5pts higher. In India space, VEDLNs were bid up 0.5-1pt. Indonesian oil name MEDCIJs were up 0.25-1.25pts.

In the Asia AT1/Perp/LGFV space, market had a quiet session across spaces. Flows were skewed to better buying. China AT1s/Perps closed unchanged

to 0.125pt higher. Benchmark banks such as ICBCAS 3.2 Perp/BOCOM 3.8 Perp were bid up 0.25pt amid light flows, as RMs were generally sidelined. STANLN 7.75 Perp was up 0.25pt while HSBC 8 Perp was marked unchanged at 100. HK bank AT1s such as CHOHIN/NANYAN were under better buying. Elsewhere, SOE Perps such as HAOHUA/HUADIA Perps edged 0.125-0.25pt higher. CKINF 4.2 Perp was bid up 0.5pt. In LGFVs, Shandong and Chongqing names were traded in active two way flows. SHUGRP/SHDOIS 24s/25s were indicated 0.125-0.25pt higher. Overall, sentiment remained cautious across spaces.

#### ❖ Last Trading Day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
HILOHO 9 3/4 11/18/24	58.3	5.9	SINOCE 3 1/4 05/05/26	38.3	-6.4
HILOHO 9 3/4 11/18/24	56.2	3.9	SINOCE 3.8 04/26/25	44.9	-5.5
COGARD 5 5/8 01/14/30	55.9	3.2	SINOCE 2.7 01/13/25	39.1	-5.4
FTLNHD 4 1/2 05/02/26	65.7	3.1	SINOCE 5.95 02/04/27	38.4	-4.0
FUTLAN 4.45 07/13/25	67.9	2.8	SINOCE 4 3/4 08/05/29	32.7	-2.9

#### ❖ Marco News Recap 宏观新闻回顾

**Macro** – U.S. stock markets were divergent yesterday, S&P (-0.25%), Dow (+0.24%) and Nasdaq (-1.07%) amid weak economic data. ADP National Employment of 145k in Mar is below the expectation of 200k, while the ISM Non-Manufacturing PMI of 51.2 is also below expectation of 54.5. According to CME Group's Fedwatch tool, interest rate futures now imply 61% odds that the Fed's target rate will be lower following its July meeting than it is today. The U.S. treasury yields overall down, the 2/5/10/30 yields reached 3.79%/3.36%/3.30%/3.56%, respectively.

#### ❖ Desk analyst comments 分析员市场观点

##### ➤ Macau gaming: The cash burn trend to reverse

Macau gaming operators released weak FY22 as expected given the stringent COVID-19 quarantine policies which were only removed starting Jan'23. The 6 operators posted revenue decline of 33-89% yoy and EBITDA are negative in FY22. On annualized basis, the cash burn deteriorated further in 4Q22. That said, we expect their cash burn trend to reverse and hence liquidity to improve sharply in view of:-

- 1) the sharp and accelerating pace of gaming revenue rebound in Macau. In 2M23, the gross gaming revenue (game of chance) of Macau rebounded 55% yoy to MOP21.9bn. In Mar'23, the gross gaming revenue in Macau jumped 247% yoy to MOP12.7bn. Overall in 1Q23, the gross gaming revenue in Macau rebounded 95% yoy to MOP34.6bn. The recovery is accelerating and 1Q23 gross gaming revenue was still only c45% of that of 1Q19, the pre-pandemic level, we see room for further recovery despite full recovery to the pre-pandemic level in the near-term is unlikely given the tighter visa approval in mainland China where contributed c70% of the tourist arrivals in Macau before the pandemic. Nonetheless, based on the run-rate in 1Q23, we expect all 6 operators to turn to positive EBITDA in FY23.
- 2) operators' ability to re-access to capital markets for funding. For example, Wynn Macau issued USD600mn 4.5% coupon CBs due 2029 in Mar'23 and the issue was upsized from USD500mn. We take additional comfort that there is no USD bond maturity in the sector until May'24.

As we have been discussing, Macau gaming bonds have rebounded c10-40pts from the lows in Oct'22. While the conviction is lower, we see the re-rating story to continue with the gradual resumption of capital market access and cash burn trend to reverse. The recent corrections of 0.5-7pts present better entry opportunities. Within the sector, we prefer **MPEL, SJM and STCITY/STDCTY** for better risk-return profile. We

also see **MGMCHI**, **SANLTD** and **WYNMAC** yield pick-up plays (100-150bps) over the bonds of their US parents.

Table 2: Price movement since Feb'23 and current price, YTM

Ticker	Price movement	Ask Price	YTM (Ask)
MGMCHI	-2 to -0.5	90.0 - 98.7	6.6 - 7.8
<b>MPEL</b>	<b>-5.1 to -1.4</b>	<b>82.5 - 94.3</b>	<b>7.8 - 9.1</b>
SANLTD	-3.6 to -0.8	79.4 - 98.2	6.5 - 7.1
<b>SJMHOL</b>	<b>-3.1 to -1.2</b>	<b>84.9 - 89.3</b>	<b>8.8 - 8.9</b>
<b>STCITY/STDCTY</b>	<b>-7.2 to -2.2</b>	<b>77.3 - 95.3</b>	<b>8.4 - 10.5</b>
WYNMAC	-2.9 to 0	82.5 - 107.7	3.1 - 8.9

Source: Bloomberg.

➤ **Seazen: Maturing IP portfolio is a key differentiator**

**Buy FUTLANs/FTLNHDs and prefer longer-dated papers**

Despite the weakened FY22 results, we consider one of the few non-state owned survivors (click [here](#) for our Asia Credit outlook 2023 – After Dawn) as its maturing investment properties (IPs) have been providing a strong financial flexibility throughout the tight credit environment. We see plenty of room for further re-rating of FUTLANs/FTLNHDs with YTM of over 20% as refinancing risk relieved, funding cost and operations are “normalizing”. The longer-dated FUTLANs/FTLNHDs corrected 4-10pts since mid-Feb'23, we believe that the current valuations offer better entry opportunities. We prefer longer-dated FUTLANs/FTLNHDs for more upside.

	Offer YTM	Ask price	Ask price if fair YTM is:-	
			10%	12%
FUTLAN 6.15 04/15/23	44.8%	99.0	99.9	99.8
FUTLAN 6 08/12/24	27.7%	76.8	95.0	92.7
FUTLAN 4.45 07/13/25	23.9%	67.4	89.0	85.4
FTLNHD 7.95 06/01/23	28.4%	96.9	99.7	99.3
FTLNHD 6.8 08/05/23	23.4%	94.8	98.9	98.3
FTLNHD 4.8 12/15/24	20.9%	77.9	92.1	89.2
FTLNHD 4 5/8 10/15/25	20.1%	70.5	88.3	84.3
FTLNHD 4 1/2 05/02/26	19.8%	66.1	85.8	81.2

Click [here](#) for full report published on 4 Apr'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)
No Offshore Asia New Issues Pipeline Today					

➤ **News and market color**

- Regarding onshore primary issuances, there were 0 credit bonds issued yesterday. As for Month-to-date, 156 credit bonds were issued with a total amount of RMB134bn raised, representing a 148.9% yoy increase
- **[BABA]** Alibaba launched a budget section on its Taobao shopping channel amid escalating price war
- **[CRHZCH]** China Resources Land set up a JV in Wuhan, China to redevelop the land into residential and commercial properties
- **[FOSUNI]** Fosun International signed USD365mn equivalent 3-year senior unsecured facility to refinance part of its USD1.2bn equivalent bullet loan due 11 Apr
- **[GRNLGR]** Greenland remits funds to cure missed 3 March USD coupon within grace period
- **[HPDLF]** Hopson to issue bonus shares on the basis of two bonus shares per 10 existing shares to expand capital base
- **[JIAZHO]** Jiangsu Zhongnan Construction mandated advisors for up to RMB2.8bn (cUSD407mn) private share placement
- **[SAKAEI]** Fitch revised Saka Energi's outlook to stable from negative, affirmed rating at B+
- **[SINOCE]** Moody's downgraded Sino-Ocean to B3 from Ba3, all ratings are under review for further downgrade. Media reported that the company missed amortization of syndicated loan payment of USD40mn on 31 Mar'23
- **[VEDLN]** Hindustan Zinc is unlikely to pursue USD3bn deal for Vedanta zinc business amid stiff resistance from India's government
- **[WESCHI]** Fitch revised West China Cement's outlook to negative from stable, affirmed rating at BB

*Fixed Income Department*

*Tel: 852 3657 6235/ 852 3900 0801*

[fis@cmbi.com.hk](mailto: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-6 under 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 foreign entities, affiliates or other foreign research houses pursuant to an arrangement under Regulation 32C of the Financial Advisers Regulations. Where the report is distributed in Singapore to a person who is not an Accredited Investor, Expert Investor or an Institutional Investor, as defined in the Securities and Futures Act (Cap. 289) of Singapore, CMBISG accepts legal responsibility for the contents of the report to such persons only to the extent required by law. Singapore recipients should contact CMBISG at +65 6350 4400 for matters arising from, or in connection with the report.