

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!

- *Active profit taking in Asian IGs this morning, IG space widened 5-10bps. High-yielding NANYAN/BNKEA T2s, financial floaters and GRWALLs were well bid. NWDEVLs retreated c0.5pt. LGFV, SOE perp were weak.*
- *Macau gaming: Moderating GGR recovery in Jul'24. See comments below.*
- *Zhongsheng: Closing of syndicated loans and Panda bond issue. ZHOSHKs were unchanged this morning. See comments below.*

❖ Trading desk comments 交易平台市场观点

Yesterday, UST yield tightened 6bps overnight and Asia IG space was soft with more profit taking flows. The recent issues such as NANYAN 6 '34/DAESEC 5.5 '27 closed unchanged to 1bp wider amid mixed two-way flows. Chinese SOEs/TMTs were under better selling. HAOHUA '30/TENCNT '28 were 1-3bps wider. ZHOSHK '28 widened 3bps, and '26 closed unchanged. Zhongsheng announced the issue of 3-yr panda bonds of RMB1bn, and signed new 3-yr syndicated loans of USD350mn. Please see the comments below. In Chinese AMCs, HRINTHs were 0.1-0.3pt higher (3-10bps tighter). GRWALL 7.15 Perp was up 0.1pt. CCAMCL '30/ORIEAS '29 widened 1-2bps. BOCOM/CISIFG Float 27s were unchanged to 2bps tighter. ANZ/NAB/NACF Float 27s widened 1-3bps. In AT1s, ICBCAS/CINDBK Perps were up 0.1pt. UBS/STANLN Perps were up 0.2-0.3pt. SANTAN 8 Perp/TD 7.25 Perp/DNBNO 7.375 Perp/STANLN 7.875 Perp/SOCGEN 8.5 Perp were 0.3-0.5pt higher. In HK, NWDEVL Perps rose 1.2-2.8pts and closed 3.2-6.1pts higher WTD. NWDEVL 27-31s were up 0.5-1.1pts and closed 2.0-2.8pts higher WTD. See our comments on [1 Aug '24](#). Other FFL perps such as NANFUN/LIFUNG Perps were up 0.7-1.0pt. CPREIT '30/LASUDE '26 were up 0.5pt. Chinese properties were mixed. VNKRL '25/FUTLAN '25/FTLNHD '26 were up 0.4-0.5pt. GRNCH 25s were up 0.3pt. DALWAN/YLLGSP 26s, on the other hand, declined 0.3-0.4pt. In industrials, EHICAR 26/27 dropped another 0.8-1.3pts. In Macau gaming, MPELs/SANLTDs/STCITYs were up 0.3-0.5pt. In India, ADSEZs/ADANEMs were 0.5-1.0pt higher. RPVINS/GRNKENS were up 0.2-0.3pt. In Indonesia, MEDCIJ 26/27 were 0.1-0.4pt higher.

LGFVs remained sought after as yields continued to compress across the credit curve, and clients continued to look for quality papers yielding 6% of larger. CPDEV 25/26/Perp and ZHHEGR '25 were 0.2-0.4pt higher.

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DFINVH '25 was 0.2pt higher. LIANYU '25 was down 0.3pt. In SOE perps, CHSCOI 4 Perp/CCBINT 3.329 Perp were up 0.1pt. In the high beta names, HUANEN 29/31 were 0.3pt higher. GRPCIN/ZHONAN 26s were up 0.2pt.

❖ Last Trading Day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
NWDEVL 5 1/4 PERP	89.9	2.8	EHICAR 7 09/21/26	77.6	-1.3
NWDEVL 4 1/8 PERP	69.7	2.5	EHICAR 12 09/26/27	82.9	-0.8
NWDEVL 6 1/4 PERP	59.2	2.0	DALWAN 11 02/13/26	86.6	-0.4
NWDEVL 4.8 PERP	48.3	2.0	LIANYU 5 06/16/25	96.2	-0.3
NWDEVL 6.15 PERP	99.0	1.2	YLLGSP 5 1/8 05/20/26	88.3	-0.3

❖ Marco News Recap 宏观新闻回顾

Macro – S&P (-1.37%), Dow (-1.21%) and Nasdaq (-2.30%) were weak on Thursday. The latest US initial jobless claim was +249k, higher than the expectation of +236k. US Jul'24 Markit manufacturing PMI was 49.6, higher than the expectation of 49.5. China Caixin Jul'24 manufacturing PMI was 49.8, lower than the expectation of 51.4. UST yields continued to retreat yesterday, 2/5/10/30 yield reached 4.16%/3.84%/3.99%/4.27%.

❖ Desk analyst comments 分析员市场观点

➤ Macau gaming: Moderating GGR recovery in Jul'24

MOP mn	2022	2023	2024	Cumulative GGR 2024	Cumulative GGR 2024 growth rate	% of 2019 GGR
Jan	6,344	11,580	19,337	19,337	67%	78%
Feb	7,759	10,324	18,486	37,823	73%	75%
Mar	3,672	12,738	19,503	57,326	65%	75%
Apr	2,677	14,722	18,545	75,871	54%	76%
May	3,341	15,565	20,188	96,059	48%	76%
Jun	2,477	15,207	17,694	113,753	42%	76%
Jul	398	16,662	18,595	132,348	37%	76%
Aug	2,189	17,213	-	-	-	-
Sep	2,962	14,937	-	-	-	-
Oct	3,899	19,501	-	-	-	-
Nov	2,999	16,043	-	-	-	-
Dec	3,482	18,564	-	-	-	-

Source: Macau DSEC.

In Jul'24, the gross gaming revenue (GGR) in Macau rose 11.6% yoy to MOP18.6bn. The cumulative GGR in 7M24 increased 36.7% yoy to MOP132.3bn, reaching 76.1% of the pre-pandemic level in 7M19. The yoy growth of Macau gaming revenue is moderating given the higher base figure. Nonetheless, we expect the aggregate 2024 GGR to exceed Macau government's target of MOP216bn in view of the current run-rate. In Jul'24, Chinese government raised the duty-free allowance for travelers entering Mainland Chinese from Hong Kong and Macau through six designated ports from RMB5k to RMB12k. On 1 Aug'24, the duty-free available ports expanded to all ports of Macau (excl. Hengqin port), the new policy could further facilitate the recovery of tourist arrival to Macau.

Macau gaming operators' operating performance continued to improve in 1H24. Sands China net revenue rose 23.1% yoy to USD3.6bn and adj. property EBITDA increased 24.7% yoy to USD1.2bn. MGM China net revenue

rose 37.4% yoy to USD1.0bn and adj. property EBITDAR increased 40.3% yoy to USD294mn. The gaming operators have resumed their access to capital market under the backdrop of improving operating results and market sentiment on the sector. Recalled that MGM China issued USD500mn MGMCHI 7.125'31 in mid-Jun'24 and Melco issued USD750mn MPEL 7.625'32 in Apr'24 for refinancing. We believe the recovery of Macau gaming operators' operating performance to remain solid in 2H24. Within the sector, we prefer **MPEL**, **STCITY/STDCTY** and **SJM** for better risk-return profiles. We also like MGMCHIs and long-dated WYNMACs which offer 40-50-90bps and c90bps yield pick-up over the bonds of their US parents. Meanwhile, we are neutral of SANLTDs on valuation.

	Ask YTM (%)	Mod Duration	Ask price
MGMCHI	6.3-6.9	0.8-4.1	95.7-101.2
MPEL	6.7-7.6	0.8-5.6	90.5-99.9
SANLTD	5.7-6.9	1.0-6.0	84.9-99.5
SJMHOL	7.2-7.4	1.4-3.1	92.3-96.2
STCITY/STDCTY	6.1-7.9	0.9-3.9	89.3-100.3
WYNMAC	4.6-7.1	1.4-4.5	91.7-99.5

Source: Bloomberg.

➤ Zhongsheng: Closing of syndicated loans and Panda bond issue

Zhongsheng announced more progresses in funding exercises. On 31 Jul'24, it signed new offshore syndicated loans of USD350mn for the refinancing of existing loans due Apr'25. Zhongsheng tentatively plans to draw down the loans in Oct'24 after obtaining NDRC approval. We understand the new 3-yr bullet loans will bear a lower credit spread than that of the existing loans although higher SOFR will lead to a higher all-in funding cost. Additionally, Zhongsheng issued Panda bonds of RMB1bn at a coupon rate of 3.5% on 1 Aug'24. The company obtained the approval from NAFMII for issuance of Panda bonds up to RMB5bn on 19 Jul'24. Recalled that Zhongsheng just completed the larger than expected new issue of ZHOSHK 5.98 01/30/28 and concurrent new issue. These funding exercises have considerably lengthened its debt maturity and largely addressed its refinancing requirements in the coming 2-3 years. We estimate that the remaining proceeds from the USD600mn issue of ZHOSHK 5.98 01/30/28 to be cUSD307mn after settlement of the tender offer. These offer Zhongsheng the war-chest for further early redemptions of its CB due May'24 and ZHOSHK 3 01/13/26. We have buy recommendations on ZHOSHK 3 01/13/26, ZHOSHK 0 05/21/25 (CB) and ZHOSHK 5.98 01/30/28. The likelihood of further redemptions of the CB and ZHOSHK 3 01/13/26 will continue to support their performance.

Ticker	Ccy	O/S (mn)	Coupon	Maturity	Offer price	Z-spread	YTM (%)
ZHOSHK 0 05/21/25 CB	HKD	3,124	0.0%	5/21/2025	112.1	132.9	5.9%
ZHOSHK 3 01/13/26	USD	450	3.0%	1/13/2026	96.7	95.9	5.4%
ZHOSHK 5.98 01/30/28	USD	600	5.98%	1/30/2028	99.7	219.0	6.1%

Source: Bloomberg.

➤ Offshore Asia New Issues (Priced)

Issuer/Guarantor	Size (USD mn)	Tenor	Coupon	Priced	Issue Rating (M/S/F)
Dazhou Industry Development	140	3yr	7.0%	7.0%	-/-/-
New World Development	400	3.5yr	8.625%	8.625%	-/-/-

➤ 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 73 credit bonds issued yesterday with an amount of RMB95bn. As for Month-to-date, 73 credit bonds were issued with a total amount of RMB95bn raised, representing a 106% yoy increase
- Macau Jul'24 gaming revenue rose 11.6% yoy to MOP18.6bn
- **[ADEIN]** Adani Enterprises 1Q25 EBITDA rose 48.4% yoy to INR43bn (cUSD513.6mn)
- **[ADSEZ]** Adani Ports 1Q25 revenue increased 11.3% yoy to INR69.6bn (cUSD831mn) and EBITDA rose 29% yoy to INR48.5bn (cUSD579mn)
- **[CHJMAO]** China Jinmao has fully repaid due 30 Jul'24 HKD4bn (cUSD512m) syndicated loan. The company obtained a club loan from some large Chinese banks to refinance the HKD4bn loan
- **[GEMDAL]** Media reported that Gemdale said it has prepared funds for the repayment of USD480mn GEMDAL 4.95'24
- **[GRWALL]** China Great Wall AMC (International) completed redemption of outstanding USD400mn unsubordinated guaranteed perpetual securities
- **[INDYIJ]** Indika Energy 1H24 revenue down 28.5% yoy to USD1.2bn and adj. EBITDA decreased 46.4% yoy to USD134.3mn
- **[ZHOSHK]** Zhongsheng Group completed issue of RMB1bn 3.5% three-year panda bonds; The company signed USD350mn three-year term loan facility agreement for loan repayment

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