

CMBI Credit Commentary

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

- *Market flows were light this morning. Asian IG space was stable, HYUELE curve opened 5-7bps tighter then closed at 0-2bps tighter. AT1s rallied 0.25pt and LGFVs were under better buying.*
- **SJMHOL:** *Resilient 1Q24 results. We maintain buy on SJMHOLs. SJMHOLs were unchanged this morning. See below.*
- **China Economy - Exports expanded amid price advantage.** *CMBI expects exports and imports of goods to rise from -4.6% and -5.5% in 2023 to 3.6% and 3.3% in 2024. See below for comments from CMBI economic research.*

❖ Trading desk comments 交易台市场观点

Yesterday, the new PINGIN 34s tightened 6bps from the RO (T+173), amid two-way flows. EXIMTH 29s tightened 2bps from the RO (T+85). The new BOCAVI 30s closed unchanged while HIGHWY 27s tightened 1bp from the last closes. KR secondary space remained firm amid active flows. HYNMTRs/KOROILs/HYUELEs/HYUCAPs closed unchanged to 2bps tighter. Chinese IGs were soft. HAOHUA 28/29/30/48/50 widened 2-4bps. The front end of BABAs were 2bps wider. For high beta TMTs, WBs/MEITUAs closed unchanged to 1bp wider. In financials, BOCAVI 33s tightened 1bp. We saw some consolidation in EU AT1s. INTNED 8 Perp/BACR 8 Perp/HSBC 6.5 Perp were down 0.1-0.3pt. In HK, BNKEA 27s tightened 1bp while CKHH/AIA 34s closed unchanged to 2bps wider. In Chinese properties, FUTLAN/FTLNHD 24-26s were up 0.6-1.1pts. SHUION 25-26s increased 0.7-1.4pts. GRNCH/VNKRLE 25s were up 0.5-0.9pt. On the other hand, CHJMAO 29/Perp declined 0.5-1.3pts. ROADKGs were down 0.2-0.6pt. In industrials, WESCHI '26 dropped 1.4pts following Moody's downgrade. In India, VEDLN 26-28s lowered 1.3-1.7pts. Media reported Vedanta Ltd had reached out to investors to gauge interests in a potential public issuance of USD bonds. In Indonesia, LMRTSP 24/26 were up 1.6-2.5pts and closed 3.3-4.1pts higher WTD. LMIRT announced it had obtained a secured amortizing term loan facility of up to IDR1.5tn (cUSD93mn) and the proceeds will be used to partially repay its LMRTSP 7.25 06/19/24.

The LGFVs/SOE perps/high-beta spaces were quiet. The flows were light as investors focused on new issues. There were better buying on quality LGFVs across USD and CNH issues. The 5-6% LGFVs such CDCOMM '24/GZGETH '25 were unchanged to 0.1pt higher. In the high-yielding names, CPDEV 25/26 were up 0.1-0.2pt. In SOE perps, SPICPT 3.45 Perp was up 0.1pt while CHPWCN 3.08 Perp was down 0.1pt. In the high beta names, HUANEN '29/HNINTL '30 were up 0.2-0.3pt whilst CWAHK '26 declined 0.4pt.

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❖ Last Trading Day's Top Movers

| Top Performers | Price | Change | Top Underperformers | Price | Change |
|-----------------------|-------|--------|-----------------------|-------|--------|
| LMRTSP 7 1/4 06/19/24 | 95.1 | 2.5 | VEDLN 9 1/4 04/23/26 | 82.7 | -1.7 |
| LMRTSP 7 1/2 02/09/26 | 81.2 | 1.6 | VEDLN 13 7/8 12/09/28 | 90.2 | -1.4 |
| SHUION 5 1/2 06/29/26 | 63.4 | 1.4 | WESCHI 4.95 07/08/26 | 81.1 | -1.4 |
| FUTLAN 4.45 07/13/25 | 59.1 | 1.1 | VEDLN 13 7/8 01/21/27 | 93.6 | -1.3 |
| GRNCH 5.65 07/13/25 | 93.6 | 0.9 | CHJMAO 4 1/4 07/23/29 | 69.7 | -1.3 |

❖ Marco News Recap 宏观新闻回顾

Macro – S&P (+0.51%), Dow (+0.85%) and Nasdaq (+0.27%) rallied higher on Thursday. The latest US initial jobless claims was +231k, higher than the expectation of +212k. UST yields retreated yesterday, 2/5/10/30 yield were 4.80%/4.47%/4.45%/4.60%.

❖ Desk analyst comments 分析员市场观点

➤ SJMHOL: Resilient 1Q24 result

SJM Holding reported a resilient 1Q24 result as expected. In 1Q24, SJM's GGR increased 77.3% yoy to HKD6.9bn, compared with 65.5% increase in industry GGR over the same period in Macau. As a result, SJM increased its market to 12.4% from 11.6% in 1Q23 and 12.0% in 4Q23. During 1Q24, SJM's adj. EBITDA jumped to HKD864mn from HKD31mn in 1Q23 while its adj. EBITDA margin improved to 12.5% from 0.8% in 1Q23 and was higher than 1Q19 adj. EBITDA margin of 12.4%, as a result of recovery of Macau tourist arrivals and GGR, as well as its daily OPEX optimization after launching one platform in Dec'23. In 1Q24, SJM's daily OPEX was HKD20.4mn, higher than HKD16.3mn in 1Q23 as GLP continued to ramp-up. SJM's daily OPEX excl. GLP in 1Q24 was HKD12.6bn, 19.7% lower than HKD15.7bn in 1Q19, reflecting the cost optimization by launching integrated operation platform.

By properties, GLP's adj. property EBITDA increased to HKD88mn in 1Q24 after it achieved positive adj. property EBITDA for the first time in 4Q23 of HKD2.3mn. Besides, GLP's market share rose to 2.0% in 1Q24 from 1.8% in 4Q23 and further increased to 2.2% in Apr'24. In 1Q24, the adj. property EBITDA of Grand Lisboa (GL) and other self-promoted casinos increased 242.9% and 27.5% yoy to HKD535mn and HKD334mn, respectively. On the other hand, the adj. property EBITDA loss of SJM's nine satellite casinos narrowed to HKD52mn from HKD105mn in 1Q23.

SJM's financial position remained stable. As of Mar'24, SJM had total cash of HKD5.0bn and undrawn facility of HKD2.7bn, compared with the total cash of HKD4.6bn and undrawn facility of HKD3.3bn in Dec'23. SJM's total debts/net debts were largely unchanged at HKD28.5bn/HKD23.5bn while its net debt/EBITDA (LTM) improved to 9.2x from 13.7x in FY23 given its stronger operating performance. We believe that SJM has adequate liquidity to cover its debts maturities and budgeted capex of cHKD1.5bn in FY24. Furthermore, the company guided that it would prioritize debt repayment over dividend distribution in the near term despite operation improved. We maintain buy on **SJMHOLs** and consider SJMHOLs our top picks in the Macau gaming sector in view of their more attractive risk-return profiles. In the sector, we also like **MPELs** and **STCITY/STDCTY**.

| | Ask YTM (%) | Mod Duration | Ask price |
|-------------|----------------|----------------|------------------|
| MGMCHI | 6.2-6.7 | 1.1-2.5 | 95.3-100.7 |
| MPEL | 6.9-7.8 | 1.0-5.8 | 90.3-99.2 |
| SANLTD | 5.7-6.2 | 1.2-6.2 | 82.9-99.4 |

| | | | |
|---------------|---------|---------|------------|
| SJMHOI | 7.4-7.8 | 1.6-3.3 | 90.7-95.5 |
| STCITY/STDCTY | 6.5-8.3 | 1.1-4.0 | 87.5-99.7 |
| WYNMAC | 2.4-7.4 | 0.4-4.6 | 90.0-109.7 |

Source: Bloomberg.

➤ China Economy - Exports expanded amid price advantage

China's exports of goods reversed its contraction in Mar and gained 1.5% YoY in Apr with the high base effect fading. The improvement was broad-based across major trading partners and products. Items of high-end manufacturing continued their rapid growth as a sign of elevation of China within the global industrial chain. Imports of goods notably rebounded, especially in energy goods and raw materials. Looking forward, China's exports are poised to enter an upward trajectory thanks to the low base effect, price advantage and overseas demand improvement, in our view. We expect exports and imports of goods to rise from -4.6% and -5.5% in 2023 to 3.6% and 3.3% in 2024. The RMB may mildly rebound during 2H24-1H25 as China's economic growth and price gradually rebound while the US's growth and inflation gradually cool down.

Exports improved with major trading partners, especially ASEAN & Latin America. China's exports of goods bounced back to positive at 1.5% YoY (all on a YoY basis unless specified) in Apr after dropping 7.5% in Mar as the high base faded. Exports to ASEAN, China's largest trading partner since 2023, accelerated to 8.1% growth in Apr from -6.3% in Mar. Exports to Latin America also reversed their decline from -11.8% in Mar to 2.2%, while exports to India, Africa and Russia narrowed their decline. Contraction in exports with major developed countries including the US, EU, South Korea and Australia significantly moderated from -15.9%, -14.9%, -12.1%, -19.4% in Mar to -2.8%, -3.6%, -6.1% and -6.2% in Apr, while exports to Japan further plunged. We believe China's exports are poised to enter an upward trajectory, with the low base effect from last year fading and buoyed by competitive pricing, thus providing robust support for a moderate recovery of the Chinese economy.

Exports recovered across major products while some high-end manufactured products continued their rapid growth. Following the upswing of the global tech cycle, exports of cellphones, computers and integrated circuits extended their rally by growing 7.3%, 8.2% and 17.8% in Apr after rising 1.7%, 4.9% and 11.5%. Rapid growth in ship and auto vehicle exports persisted, surging 91.3% and 28.8% in Apr following 34% and 28.4% growth in Mar. Home-related products including furniture and home appliances moderated to 3.5% and 10.9% in Apr after rising 19.6% and 12.2% in 1Q24. Other major items including textile, garment and plastic products also saw contraction narrowing. Items of new productive forces with higher value-added such as integrated circuits, motor vehicles and ships expanded their share in total exports while labor-intensive industries such as textile and garment continued to shrink, a sign of China's elevation within the global industrial chain.

Imports of goods substantially rebounded amid lower base. China's imports of goods rose 8.4% in Apr after dropping 1.9% in Mar, above market expectations. Intermediate goods for further processing and manufacturing equipment including steel products, copper products and machine tool improved to 13.4%, 7.5% and -32.7% from -8.8%, -15.1% and -35.7% in Mar, signalling reviving manufacturing activities. Import volume of energy goods including coal, crude oil and natural gas notably rebounded to 11.2%, 5.4% and 14.7% from 0.5%, -6.2%, and 21.3% in Mar. Import price of crude oil continued to rebound while price of natural gas and coal declined. Imports of raw materials including iron ore improved in terms of volume from 0.5% in Mar to 12.6% while that of copper ore mildly eased from 15.3% to 11.8%. For agriculture products, the import volume of grain and soybean bounced back to 20.4% and 18.1% while their price dropped 20.5% and 20.3%. For integrated circuits, the import volume registered 20.3% growth from 5.9% in Mar.

Exports are expected to recover this year. Exports data in Apr has exhibited some encouraging signs, as the improvement was broad-based across trading partners and products. We expect exports to further recover in the upcoming months thanks to the low base effect, external demand improvement and China's increasing price advantage in most manufacturing products. Global trade of goods may moderately improve in 2024 thanks to the base effect, restocking cycle as well as resurgence of commodity prices. The WTO expects global trade

volume to increase by 3.2% in 2024. We might see a mild rebound of RMB during 2H24-1H25 as China's economic growth and price gradually rebound while the US economy and inflation gradually cool down.

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➤ Offshore Asia New Issues (Priced)

| Issuer/Guarantor | Size (USD mn) | Tenor | Coupon | Priced | Issue Rating (M/S/F) |
|------------------|---------------|-------|--------|--------|----------------------|
| Golomt Bank | 300 | 3yr | 11.0% | 12.0% | B3/B/- |

➤ 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 25 credit bonds issued yesterday with an amount of RMB25bn. As for month-to-date, 167 credit bonds were issued with a total amount of RMB136bn raised, representing a 5.3% yoy increase
- Media reported that China is allowing AMCs to purchase a broader range of financial assets to help revitalize non-performing assets in banking sector
- [COGARD]** Country Garden unit missed interest payment totaled RMB66mn of two CBICL-backed onshore notes due on 9 May'24
- [DAESEC]** Mirae Asset 1Q24 sales down 8.5% yoy to USD4.6bn and operating income down 4% yoy to USD198mn
- [IQ]** Media reported that iQIYI is in talks for up to USD500mn loan to help part-refi CBs, including potentially USD550m notes held by PAG
- [LIFUNG]** L&F 1Q24 sales down 53.4% yoy to USD466mn and recorded operating loss of USD150mn

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