

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!

- *Asian IG tightened 2-5bps this morning. AU T2s, China bank floaters and AMCs were under better buying flows. Japan AT1 continued to rebound while KR AT1s were weak. LGFVs were well bid.*
- **CHALUM:** *FV of new 3.5-yr USD bonds to be CT3+105-110bps. See comments below.*
- **VEDLN:** *Higher profitability driven by aluminum and zinc in 1QFY25; lower leverage after QIP. Maintain neutral on VEDLNs. See comments below.*

❖ Trading desk comments 交易台市场观点

Yesterday, the new NWDEVL 8.625 '28 rebounded 1.0pt after declining 1.4pts on Mon. NWDEVL Perp/27-31s were also 0.5-1.8pts higher. In Chinese IGs, HAOHUA/TENCNT 28-30s were 2-5bps tighter. CHALUM launched the new issue mandate of a USD 3.5-yr bond. See below for comments. In financials, Chinese AMCs were traded in mixed two-way flows. HRINTH/GRWALL 28-30s were 6-12bps tighter (unchanged to 0.1pt higher). CCAMCL 29-30s tightened 5-10bps, while CCAMCL '27 widened 3bps. In regional financials, NANYAN 34s tightened 5bps, BNKEA 34s closed 13bps tighter. NAB/MQGAU/WSTP T2s widened 1-6bps. OCBCSP '34/HDFCB '29 widened 2-4bps. AT1s were firm. The recent issues such as WOORIB 6.375 Perp/SANTAN 8 Perp were up 0.3-0.4pt. BACR 9.625 Perp/UBS 9.25 Perp were up 0.1-0.3pt after falling 0.6-0.9pt on Mon. In JP, SUMIBK 6.6 Perp/RAKUTN 5.125 Perp were 0.2-0.4pt higher. In KR, HYNMTRs/LGENSOs widened 2-7bps. Chinese properties moved higher. FUTLAN '25 and FTLNHD 24-26s were 0.4-1.5pts higher following media reported that Seazen Group had set aside funds to redeem FUTLAN 6 08/12/24 due next Mon. SHUION 24/25/26 were 0.6-1.3pts higher. Media reported that Shui On Land was preparing to repay the USD bonds due 24 Aug'24. DALWAN/YLLGSP 26s were 0.5-0.6pt higher. Outside properties, FOSUNI 26/27 were 0.3-0.4pt higher. EHICAR '27 was down 0.4pt. Macau gaming was mixed. MPEL/WYNMAC 27-29s were 0.3-0.5pt higher. SANLTD 30-31s were 0.6-1.0pts lower. In India, VEDLN 26-28s were 0.2-0.3pt higher. See below comments on Vedanta Ltd's 1QFY25 results. ADSEZs/ADANEMs were 0.3-0.6pt higher. UPLLIN 28/30/Perp rose 1.2-1.9pts after falling 2.4-3.3pts on Mon. See our comments on 6 Aug'24. In Indonesia, MEDCIJs were up 0.2-0.4pt after the decline of 0.8-1.5pts on Mon. Elsewhere, GLPSP Perps were 1.3-1.5pts lower.

PLEASE READ THE AUTHOR CERTIFICATION AND IMPORTANT DISCLOSURES ON LAST PAGE

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

Cyrena Ng, CPA 吳蔭瑩
(852) 3900 0801
cyrenang@cmbi.com.hk

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

In LGFVs, CPDEV 25/26/Perp were 0.1-0.2pt higher. KMLDHM/KMRLGP 25s were up 0.2-0.3pt. CDCOMM/NJYZSO 27s were 0.1-0.2pt lower. In SOE perps, HUADIA 3.375 Perp/SPICPT 3.45 Perp were 0.1-0.2pt higher. CCBINT 3.329 Perp was down 0.1pt. In the high beta names, HUANEN '31/HNINTL '30 were 0.5pt lower. GRPCIN/SUNSHG 26s were up 0.1-0.2pt.

❖ Last Trading Day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
UPLLIN 5 1/4 PERP	71.4	1.9	TAISEM 4 1/2 04/22/52	96.6	-1.7
NWDEVL 5 1/4 PERP	86.5	1.8	PTTGC 5.2 03/30/52	91.6	-1.6
NWDEVL 4.8 PERP	45.0	1.8	SINOPC 4 1/4 04/24/43	91.9	-1.5
UPLLIN 4 5/8 06/16/30	81.6	1.6	GLPSP 4 1/2 PERP	64.3	-1.5
NWDEVL 6 1/4 PERP	55.0	1.5	GLPSP 4.6 PERP	62.3	-1.3

❖ Marco News Recap 宏观新闻回顾

Macro – S&P (+1.04%), Dow (+0.76%) and Nasdaq (+1.03%) rebounded on Tuesday. China Jul'24 export/import was +7.0%/7.2% yoy compared with the expectation of +9.7%/+3.5% yoy. UST yield rallied higher yesterday, 2/5/10/30 yield reached 3.99%/3.73%/3.90%/4.18%.

❖ Desk analyst comments 分析员市场观点

➤ CHALUM: FV of new 3.5-yr USD bonds to be CT3+105-110bps

Aluminum Corporation of China (Chinalco) proposed to issue 3.5-yr Reg S USD bonds to refinance its offshore debts. We consider the FV of new CHALUM'28 (rated A- by Fitch) to be CT3+105-110bps (YTM of 4.88%-4.93%) vs. IPT of CT3+145 (YTM of 5.28%) in view of its longer tenor compared with CHALUM'27, as well as better issue structure than CHALHK'26.

	CHALHK 2.1 07/28/26	CHALUM 2.95 02/24/27
YTM	4.84	4.72
T-Spread	83	89
Maturity	28 Jul'26	24 Feb'27
Rating (M/S/F)	-/-/A-	-/-/A-
Issuer	Chalco Hong Kong Investment Co. Ltd.	Chinalco Capital Holdings Limited
Guarantor	Chalco (2600.HK), 32.3% owned by Chinalco	Chinalco

Source: Bloomberg.

The new CHALUM'28 will be issued by Chinalco Capital Holdings Limited, a wholly-owned SPV of Chinalco Overseas which, in turn, is 100% owned by Chinalco. Chinalco will provide unconditional and irrevocable guarantee to the new CHALUM'28. Besides, the bonds will have cross-acceleration with debts of Chinalco and Chinalco's principal subsidiaries.

Security Name	ISIN	Amt o/s (USD mn)	Price	YTM/YTC(%)	Z-Spread	Next call date	Coupon step-up	Rating
CHALUM 2 1/8 06/03/26	XS2340059794	800	95.4	4.77	88	5/3/2026	-	-/-/A-
CHALUM 2.95 02/24/27	XS2435557959	600	95.8	4.72	102	1/24/2027	-	-/-/A-
CHALHK 2.1 07/28/26	XS2366272412	500	94.9	4.84	100	6/28/2026	-	-/-/A-
CHALUM 4.1 PERP	XS2051055908	750	99.9	5.38	-10	9/11/2024	300	-/-/BBB+

Source: Bloomberg.

- **VEDLN: Higher profitability driven by aluminum and zinc in 1QFY25; lower leverage after QIP. Maintain neutral on VEDLNs**

Table 1: VEDL's 1Q25 financial highlights

INRbn	1Q24	1Q25	Change
Revenue	333.4	352.4	6%
-Zinc, lead and silver	70.6	78.5	11%
-Zinc International	11.0	7.5	-32%
-Oil and gas	28.6	29.2	2%
-Aluminum	119.1	135.1	13%
-Copper	47.3	47.3	-
-Iron ore	20.4	13.2	-35%
-Power	15.9	16.9	6%
-Others	20.5	24.7	20%
EBITDA	69.8	102.7	47%
EBITDA margin	24%	34%	1000bps
Finance cost	21.1	22.2	5%
Profit after tax	33.1	50.9	54%
Average interest cost	8.7%	10.46%	176bps
FCF pre capex	309.8	437.1	41%
INRbn	Mar'24	Jun'24	Change
Cash and cash equivalent	154.2	166.9	8%
Total debts	717.6	780.2	9%
Net debts	563.4	613.2	9%
Net debt/EBITDA	1.5x	1.5x	-

Source: Company filing.

In 1QFY25, Vedanta Limited (VEDL)'s revenue grew by 6% to INR352.4bn, driven by aluminum and zinc businesses. Overall production costs dropped 20% yoy on the back of cost optimization. Its EBITDA increased 47% to INR102.8bn in 1QFY25, and EBITDA margin improved to 34% from 24% in 1QFY24. Profit after tax boosted 54% to INR50.9bn, and the FCF before capex also increased 41% yoy to INR43.7bn.

VEDL guided revenue and EBITDA targets of USD30bn and USD10bn, respectively, in FY25, to be supported by higher premium aluminum and zinc products. The capex guidance is USD1.9bn for FY25, including USD270mn on oil and gas facility construction in Rajasthan, USD280mn on iron ore capacity expansion in Liberia, as well as cUSD785mn on aluminum capacity expansion in Lanjigarh.

As at Jun'24, VEDL's net debts increased to INR613.2bn as a result of an increase in total debts, partly offset by an increase in cash and cash equivalent from higher FCF. VEDL's net debt/EBITDA was flat at 1.5x at Jun'24 and Mar'24, and the ratio is further down to 1.2x at Jul'24 after counting the INR850bn raised via QIP. Besides, the average interest cost of VEDL increased by 176bps to 10.46% in 1QFY25. VEDL intends to lower the average interest costs to 9% in FY25, as well as to cut interest cost by INR10bn on an annual basis by debt reduction.

VEDL is on track for the demerger plan. It has obtained all the requisite approvals and filed the demerger scheme with National Company Law Tribunal (NCLT). Therefore, VEDL is now in the stage of waiting NCLT's order to conduct shareholders and creditors meeting.

On the other hand, VEDL's parent Vedanta Resources (VRL) plans to reduce debts by USD3bn over the next three years. VRL standalone gross debt reduced to USD5.5bn at Jun'24 from USD5.7bn at Mar'24, after

repayment of USD650mn during 1QFY25. In the remainder of FY25, USD580mn of principal and cUSD420mn of interests will be due, which VRL expects to repay these dues by dividend up-streamed from VEDL and/or refinancing. VEDL paid dividend of INR55.6bn (cUSD663mn) in 1QFY25, VRL should have received INR33bn (cUSD393mn) with 59.32% ownership in VEDL per our estimates.

We maintain neutral on VEDLNs on valuation. The improvement of profitability in VEDL should help to maintain the stability of dividend upstream to VRL, which in turns, ensure the funding stability for VRL to fulfill its debt obligations. We take additional comfort on VEDL and VRL on their good access to different funding channels onshore and offshore. Please also see our comments on demerger progress in [daily on 1 Aug'24](#).

Table 2: Bond profiles of VEDLNs

Bond	ISIN	o/s amt (USDmn)	Ask px	YTM (ask, %)	Issue rating
VEDLN 9.25 04/23/26	US92243XAA90	600	96.99	11.21	Ca/B-/-
VEDLN 13.875 01/21/27	US92243XAD30	470	99.49	14.12	-/B-/-
VEDLN 13.875 12/09/28	US92243XAE13	1,008	98.47	14.39	-/B-/-
VEDLN 13.875 12/09/28	US92241TAM45	894	98.25	14.49	Ca/B-/-
Total		2,972			

Source: Bloomberg.

➤ **Offshore Asia New Issues (Priced)**

Issuer/Guarantor	Size (USD mn)	Tenor	Coupon	Priced	Issue Rating (M/S/F)
Yancheng High-Tech Zone	85	3yr	5.2%	5.2%	-/-/-

➤ **Offshore Asia New Issues (Pipeline)**

Issuer/Guarantor	Currency	Size (USD mn)	Tenor	Pricing	Issue Rating (M/S/F)
Chinalco Capital Holdings	USD	-	3.5yr	T+145	-/-/A-
Industrial Bank HK	USD	-	3yr	SOFR+105	-/-/BBB

➤ **News and market color**

- Regarding onshore primary issuances, there were 111 credit bonds issued yesterday with an amount of RMB120bn. As for Month-to-date, 306 credit bonds were issued with a total amount of RMB326bn raised, representing a 61.8% yoy increase
- **[CHNAAR]** China Aircraft Leasing Group plans to sell three Airbus planes for undisclosed amount
- **[EDU]** New Oriental Education boosted share repurchase plan to USD700mn
- **[HYUELE]** Media reported that SK Hynix may get up to USD950mn in US government funding for AI chip plant
- **[NAGACL]** S&P affirmed NagaCorp B rating and revised outlook to stable from negative
- **[RSMACA]** Red Star Macalline announced that it has proposed up to RMB2.28bn funding

- **[SHUION]** Media reported that Shui On Land prepared to remit funds to repay USD500m SHUION 6.15 08/24/24
- **[VEDLN]** Media reported that Vedanta Resources is in discussion with bondholders and bankers to address cUSD1bn debts which will be matured or refinanced by Dec'25
- **[YUNAEN]** Fitch affirmed Yunnan Energy at BBB with stable outlook
- **[YUNINV]** Yunnan Provincial Investment Holdings Group schedules RMB1bn 22Yuntou MTN001 redemption on 22 Aug'24

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-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.