

CMBI Credit Commentary

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

- *Market tone was cautious this morning. We saw two-way flows on BABA/TENCNT. New issue CDCOMMs and JNUCGC'27 were well bid. DALWANs were unchanged to 0.5pt post 9M24 results, we maintain buy on DALWANs. See comments below.*
- **GRNKEN:** *Refinance due-25 USD bonds via onshore INR debt facilities. GRNKENs were unchanged this morning. See comments below.*
- **China Economy** - *PMI returned to expansion amid stimulus. See below for comment from CMBI economy research.*

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❖ Trading desk comments 交易台市场观点

Yesterday, the front end of HAOHUAs/SYNGENs were unchanged to 2bps wider under selling from AMs. MEITUA 29-30s widened 1-2bps. In financials, BOCAVI 27-30s tightened 2-3bps. SHCMBK '33 closed unchanged despite Fitch revised its rating outlook to negative from stable, affirmed A- issuer ratings. Chinese AMCs were traded in mixed two way flows. ORIEAS 27s widened 4bps while its 29-30s closed unchanged to 1bp tighter. EU AT1s were under heavy selling by RMs. LLOYDS/HSBC/BNP/SCOGEN Perps were 0.3-0.9pt lower. In insurance hybrids, ZURNVX '55/NIPLIF '53/FUKOKU Perp were down 0.1-0.5pt. In HK, CKHH 30-34s closed 1-2bps tighter. AIA 54s were better sold and widened 6bps. CKINF/LIFUNG FFL Perps were 0.3-0.6pt lower. In Chinese properties, ROADKGs declined 0.9-1.6pts. VNKRL 25-29s were 0.4-0.7pt lower. FTLNHD/FUTLAN 25-26s were down 0.2-0.6pt. In industrials, HILOHO '24 dropped another 1.5pts and closed 8.2pts lower WTD. In Macau gaming, WYNMACs/STCITYs were 0.2-0.3pt lower. MGMCHIs were unchanged, see our comments on its 3Q24 results on [31 Oct '24](#). In India, GRNKENs were unchanged to 0.1pt higher. Media reported GRNKEN is in talks with investors to raise up-to INR18bn (cUSD214mn) for refinancing of its due-2025 USD bonds. See comments below. UPLLIN Perp was 0.5pt higher. In Indonesia, ABMMIJ '26 rose 1.9pts following the call at 103. MDLNIJ '25/27 were 0.7pt lower.

In LGFVs, CDCOMM priced the 3.5-yr and 5-yr bonds (both of USD300mn) at par to yield 4.9% and 5.05%, respectively. CDECST priced a USD151.66mn 3-yr bond at par to yield 6.5%. JDJID priced a USD100mn 3-yr bond at par to yield 6.5%. The new issues JNUCGC '27 and WUECDE '27 closed 0.1-0.2pt below par (RO) on primary supply indigestion. On secondary, both USD and CNH LGFVs were better bid by persistent demands from RMs. KNMIDI '25/DFINVH '25/LYURBN '26 were 0.1-0.2pt higher. The CNH CDJKAM '27/WHWDLH '25 were up 0.1pt. SOE perps were skewed to better selling. SPICPD 4.95 Perp was 0.2pt lower. HUADIA 3.375/CHPWCN 3.45 Perps were down 0.1pt.

❖ Last Trading Day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
ABMMIJ 9 1/2 08/05/26	102.9	1.9	ROADKG 5 1/8 01/26/30	45.6	-1.6
AIA 4 1/2 03/16/46	90.9	0.9	HILOHO 9 3/4 11/18/24	47.7	-1.5
MUFG 4.7 03/10/44	93.2	0.8	ROADKG 6.7 03/30/28	58.8	-1.5
TENCNT 3.94 04/22/61	77.3	0.6	ROADKG 5.9 09/05/28	51.8	-1.5
UECTED 7 1/2 01/09/27	98.6	0.5	ROADKG 5.2 07/12/29	46.7	-1.5

❖ Marco News Recap 宏观新闻回顾

Macro – S&P (-1.86%), Dow (-0.90%) and Nasdaq (-2.76%) were weak on Thursday. The latest US initial jobless claim was +216k, lower than the expectation of +229k. US Sep'24 core PCE index was +2.7% yoy, higher than the expectation of +2.6% yoy. UST yield were stable yesterday, 2/5/10/30 yield reached 4.16%/4.15%/4.28%/4.47%.

❖ Desk Analyst Comments 分析员市场观点

➤ DALWAN: Liquidity improved in 3Q24; Maintain buy on DALWANs

Security Name	ISIN	o/s amount (USD mn)	Ask Price	YTM (Ask)	Rating (M/S/F)
DALWAN 7 ¼ 12/29/24	XS1023280271	240	97.0	26.1	Ca-/CC
DALWAN 11 01/20/25	XS2577258713	400	94.2	37.7	Ca-/CC
DALWAN 11 02/13/26	XS2586129574	400	86.0	24.2	Ca-/CC

Source: Bloomberg.

Dalian Wanda Commercial Management (DWCM) released slight better 9M24 operating results with lower OPEX. Its liquidity also improved notably with lower ST debts. In 9M24, DWCM's revenue rose 2.8% yoy to RMB39.9bn though the growth rate decelerated from +5.5% yoy in 1H24. DWCM's gross margin was flat at 64.3%, same with that in 9M23 but was lower than 1H24 level of 65.6%. In 9M24, DWCM reduced SG&A expenses by 14.8% yoy. Hence, recurring EBIT increased 6.5% to RMB22.1bn. EBIT margin widened to 55% from 53% in 9M23 (vs 57% in 1H24). We expect its operating performance to remain resilient with the stimulus packages, such as lowering interest rate of existing home mortgage, to stimulate domestic consumption.

RMB mn	9M23	9M24	% change
Revenue	38,826	39,926	2.8%
Gross profit	24,950	25,672	2.9%
SG&A expenses	-4,224	-3,598	-14.8%
Investment income	2,303	748	-67.5%
Gain on fair value changes	3,413	172	-95.0%
Asset/Credit impairment loss	-99	1,299	-1,413.3%
Profit before tax	15,426	13,319	-13.7%
Gross margin	64.3%	64.3%	
	1H24	Sep'24	% change
Cash	11,577	15,116	30.6%
ST debts (incl. pre-IPO redemption)	72,962	43,974	-39.7%
LT debts (incl. pre-IPO redemption)	113,784	128,559	13.0%
Total debt (incl. pre-IPO redemption)	186,746	172,533	-7.6%
Net debt (incl. pre-IPO redemption)	175,169	157,417	-10.1%

Source: Company fillings.

As of Sep'24, DWCM's ST debts (incl. pre-IPO redemption) dropped 39.7% to RMB44.0bn from RMB73.0bn in Jun'24. We believe that the ST debts decrease was attributable to the settlement of majority of pre-IPO investments in Zhuhai Wanda (ZWCM) by end of 3Q24. In Jun'24, the ST debts from the pre-IPO investments totaled cRMB43.4bn. Recalled that COGARD service sold 1.49% shareholding of ZWCM to DWCM for RMB3.1bn in Sep'24. Furthermore, COGARD service is selling the remaining 0.31% shareholding of ZWCM to DWCM for RMB649mn. The pre-IPO redemption reflects that DWCM's liquidity was improved after recent asset disposals and obtaining reported cRMB10bn bank facilities.

In Sep'24, DWCM repaid USD180mn amortization of DALWAN 7.25'24. Its next bond maturities are USD240mn DALWAN'24 in Dec'24 and USD400mn DALWAN'25 in Jan'25. We take some comfort that DWCM had cRMB2.6bn asset held for sale and wealth management product/financial assets held for trading totaled cRMB80bn in Sep'24. These assets, as well as DWCM's unpledged IPs, could be potential liquidity source for DWCM. We continue to believe DWCM to be a survivor of the sector and maintain buy on DALWANS.

➤ **GRNKEN: Refinance due-25 USD bonds via onshore INR debt facilities**

Greenko Energy (GRNKEN) is in talks for INR16-18bn (cUSD190-214mn) debt facility to refinance the two USD bonds due next year, GRNKEN 5.5 01/29/25 and GRNKEN 5.5 04/06/25, totaled USD1.25bn. This is a part of INR80bn (cUSD950mn) debt facilities GRNKEN aims to obtain to refinance these two bonds, in which GRNKEN plans to obtain INR62bn (cUSD737mn) from India National Bank for Financing Infrastructure and Development. Recalled that GRNKEN decided not to proceed with USD bond issuance in Feb'24 for refinancing after the roadshow.

There has been increasing number of SEA issuers to refinance onshore to repay offshore debts due to lower onshore funding costs. For instance, ABM Investama will early call its only USD bond ABMMIJ 9.5 08/05/26 of USD160mn on 29 Nov'24 at 103; Alam Sutera early called its only USD bonds ASRIIJ 12 11/02/05 of USD251mn in full at 100.8 in Jul'24 which was backed by IDR bank facility; Saka Energi and PGN redeemed their only USD bonds SAKAEI 4.45 05/05/24 of USD625mn and PGASIJ 5.125 05/16/24 of USD1.35bn, respectively, at maturity in May'24. The lower-cost onshore funding should continue to support the technical of the space, in our view.

We prefer [INCLEN 4.5 04/18/27](#) to GRNKENS in the renewable space for its better risk-return profile. In the SEA corporate space, we also like [ADANEM 3.867 07/22/31](#), [MEDCIJ 6.95 11/12/28](#), [MEDCIJ 8.96 04/27/29](#), [PCORPM 5.95 Perp](#) and [SMCPM 5.5 Perp](#).

Security Name	Px	YTM/YT C (%)	Amt Out (USD mn)	Callable/ first call date	Call px	Coupon reset	Coupon step-up	Issue rating (M/S/F)
ADANEM 3.867 07/22/31	84.6	6.76	300	01/22/2031	100	-	-	Baa3/-/BBB-
INCLEN 4.5 04/18/27	94.5	7.00	400	07/18/2025	101.125	-	-	Ba3/-/BB-
MEDCIJ 6.95 11/12/28	99.5	7.09	299.4	11/12/2024	103.475	-	-	B1/BB-/BB-
MEDCIJ 8.96 04/27/29	105.2	7.19	500	10/27/2025	104.48	-	-	B1/BB-/BB-
PCORPM 5.95 Perp	99.7	6.16	550	04/19/2026	100	5yrUST+7.574%	250bps	NR
SMCPM 5.5 Perp	99.2	6.61	500	07/29/2025	100	5yrUST+10.237%	500bps	NR

Source: Bloomberg.

➤ **China Economy - PMI returned to expansion amid stimulus**

China economy showed signs of stabilisation as manufacturing and service PMIs returned to expansion in Oct. Manufacturing output further picked up while demand marginally improved. Producer confidence remained soft as material inventory and purchase remained in contraction yet at a smaller magnitude. Deflation pressure was

moderately relieved as indexes of material purchase price and ex-factory price markedly rebounded. Investors now keep a close eye on the NPC meeting in early Nov after the US election for clues about additional fiscal policy. The additional fiscal policy is expected to focus on 4 areas: 1) LG hidden debt restructuring with possible RMB6tn LGB support over the next 3 years; 2) recapitalisation of major state-owned banks with possible RMB0.6-1tn CGSB support over next 1-2 years; 3) unsold housing and idle land purchase by LG with possible RMB4tn LGSB support over next 5 years; and 4) moderate fiscal support for low-income households, multi-child families and rural social welfare. We expect China's broad fiscal deficit rate to rise from 10% in 2024 to 13.5% in 2025, with possible additional fiscal stimulus if Trump wins the US election.

Manufacturing rebounded into expansion for the first time since Apr. Manufacturing PMI showed broad-based improvement, climbing from 49.8% in Sep to 50.1% in Oct. Production index increased to 52% from 51.2% while demand marginally improved with new order index up to 50% from 49.9%. Exports might have faced headwinds as new export order index further contracted, while import index narrowed its contraction. Material inventory and material purchase indexes remained in contraction yet at a smaller magnitude. Material purchase price index markedly surged from 45.1% to 53.4% in Oct as commodity price first led the rebound starting in Sep, while ex-factory price almost broke even at 49.9, suggesting Oct PPI may see a positive MoM growth. Employment remained tepid due to demand weakness and manufacturing upgrade towards high labour productivity. Breaking down by sector, general equipment, auto and electrical equipment remained in expansion while furniture, chemical products and non-metal minerals continued to contract. Small firms continued to face challenging conditions as their PMI further contracted while medium and large enterprises rebounded.

Service returned to expansion while construction edged down. Service PMI improved to 50.1% in Oct following a brief month of contraction at 49.9% in Sep. New order index contracted at a slower pace from 45% to 47.8% as consumer demand was still weak. Deflation pressure was moderately relieved as price index of input and final sale both rebounded but still stayed in contraction. Employment in service kept contracting but at a lesser magnitude. Breaking down by sector, activities in postal service, telecom, broadcasting & TV service, railway & air transport, and environmental protection service were in expansion; while lodging and real estate activities contracted. Construction PMI edged down to 50.4% from 50.7% as new order index bounced up.

Market now keeps a close eye on the NPC meeting in early Nov. China's macro policies were shifting towards strong loosening as the top policymakers vowed to stabilize the economy and defy the deflation spiral. The market is focused on the NPC meeting in early Nov following the US election for clues about additional fiscal policy. The fiscal policy might focus on 4 areas: 1) LG hidden debt restructuring with possible RMB6tn LGB support over next 3 years; 2) recapitalisation of major state-owned banks with possible RMB0.6-1tn CGSB support over next 1-2 years; 3) unsold housing and idle land purchase by LG with possible RMB4tn LGSB support over next 5 years; and 4) moderate fiscal support for low-income households, multi-child families and rural social welfare. We expect the broad fiscal deficit rate to rise from 10% in 2024 to 13.5% in 2025, with possible additional fiscal stimulus if Trump win the US presidential election.

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➤ Offshore Asia New Issues (Priced)

Issuer/Guarantor	Size (USD mn)	Tenor	Coupon	Priced	Issue Rating (M/S/F)
Chengdu Communications Investment Group Corporation Limited	300/300	3.5/5yr	4.9%/5.05%	4.9%/5.05%	-/-/BBB+
Chongqing Jiangjin District Jiangding Industrial Development	100	3yr	6.5%	6.5%	-/-/-
New Development Bank	1250	3yr	4.677%	SOFR+80	-/AA+/AA

➤ 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 87 credit bonds issued yesterday with an amount of RMB52bn. As for month-to-date, 1,640 credit bonds were issued with a total amount of RMB1,455bn raised, representing a 2.2% yoy decrease
- Media reported that new home sales of top 100 Chinese developers increased 7.1% yoy in Oct'24
- **[DALWAN]** Media reported that Dalian Wanda Group is selling UK yacht maker Sunseeker for cUSD208mn
- **[GRNKEN]** Media reported that Greenko is in talks for up to USD214m-equivalent debt from investors to back USD bond refi
- **[ROADKG]** Road King Infrastructure 9M24 property sales down 55% yoy to RMB9.2bn, toll revenue down 25% yoy to RMB3bn
- **[SHIMAO]** Shimao extended consent fee deadline of debt restructuring to 10 Dec'24
- **[YUZHOU]** Yuzhou plans to raise HKD112mn via right issue to fund costs of offshore restructuring
- **[ZHPRHK]** Zhenro further extended deadline to complete its offshore debt restructuring to 30 Nov'24

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