

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

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- *ORIEAS/CCAMCL widened 1bp, POHANG'27/29 tightened 1-2bps. The May'24 contracted sales of Top 100 Chinese developers increased 3.4% mom to RMB322.4bn. GRNCH/CHIOLI/VNRKLEs moved -0.2 to +0.9pt. Seazen plans to repay its USD1.7bn offshore bonds by IPs-backed property loans. FUTLAN/FTLNHD were unchanged to 1.5pts higher.*
- *Macau gaming: Solid GGR recovery in May'24 and improved 1Q24 operating performance of operators. See below.*
- *China Economy - PMI contracted as policy easing continued. CMBI maintains the forecast on China's GDP growth at 5% for 2024. See below for comments from CMBI economic research.*

❖ Trading desk comments 交易台市场观点

Last Friday, the new POHANG 27/29 opened 15-20bps tighter, the 27s closed 15bps tighter from RO (CT2+149) but the 29s closed only 5bps tighter from RO (CT5+188) amid profit taking. HYUELE/HYNMTR/HYUCAP/LGCHM/LGELEC 27-31s closed unchanged to 2bps tighter. JP insurance hybrids such as NIPLIF '54/FUKOKU Perp were up 0.2-0.3pt. In Chinese IGs, the flows were mixed. The front end of CNBGs/SINOCHEs were unchanged to 2bps tighter, while HAOHUAs closed unchanged to 1bp wider. Chinese bank T2s such as BNKEA '32/NANYAN '29 widened 3-9bps. In Chinese AMCs, the new ORIEAS 29s widened 3bps to T+133 from RO (T+130) amid mixed flows. CCAMCL 29s widened 1bp under some small selling. In AT1s, KTBTB/BBLTB/ICBCAS Perps closed unchanged to 0.1pt higher. BNP 6.875 Perp/INTNED 3.875 Perp were down 0.1-0.2pt. Canadian AT1s such as RY 7.048 Perp/BNS 4.9 Perp were up 0.1pt under better buying from PBs. In HK, NWDEVLs were 0.3-1.1pts higher on RM buying. PCPDC/LASUDE 26s were 0.3-0.8pt lower. Chinese properties moved higher. SHUION 24-26s increased 1.8-4.9pts but closed 1.3-3.2pts lower WoW. Media reported that Shui On Land was in discussion with a major Chinese bank to secure RMB4bn-plus offshore loan backed by its Shanghai Xintiandi assets. COGO '26/CHIOLI 42 were up 0.7-0.8pt. VNRKLE 25/27/29 moved another 1.0-2.8pts higher on the progress on secured loans arrangement. ROADKGs, on the other hand, dropped 0.7-2.0pts. Outside properties, WESCHI '26 was 1.3pts higher. CHMEDA '30 was up 0.7pt. In Macau gaming, SANLTDs/STCITYs were up 0.1-0.3pt. In Indonesia, LMRTSP '26 was 0.9pt higher.

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In LGFVs, we saw better selling from AM on short-dated papers. The property-related LGFVs such as CPDEV/BCDHGR 26s were up 0.1-0.7pt. Shandong names such as SHGUOH '26/QDJZWD '24 were down 0.1pt. In the high beta names, ZHONAN '25/SUNSHG '26 were 0.1pt higher. CWAHK '26 was up 0.5pt. HNINTL '30/HUANEN '29 were down 0.3-0.5pt. In SOE perps, HUADIA 3.375 Perp/CHPWCN 3.08 Perp were up 0.1pt.

❖ Last Trading Day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
SHUION 5 1/2 06/29/26	73.3	4.9	ROADKG 5.9 03/05/25	36.5	-2.0
VNKRLE 3.15 05/12/25	88.1	2.8	ROADKG 7 3/4 PERP	14.7	-1.1
SHUION 5 1/2 03/03/25	82.7	2.3	PCPDC 5 1/8 06/18/26	84.0	-0.8
SHUION 6.15 08/24/24	93.9	1.8	ROADKG 6.7 09/30/24	50.5	-0.7
WESCHI 4.95 07/08/26	84.0	1.3	ROADKG 5.2 01/12/26	24.6	-0.7

❖ Marco News Recap 宏观新闻回顾

Macro – S&P (+0.81%), Dow (+1.51%) and Nasdaq (-0.01%) were strong on last Friday post Apr'24 PCE data. US Apr'24 PCE rose 0.2% mom, lower than the expectation of +0.3% mom. China Caixin May'24 manufacturing PMI was 51.7, higher than the expectation of 51.6. UST yield retreated on last Friday, 2/5/10/30 yield was 4.89%/4.52%/4.51%/4.65%.

❖ Desk analyst comments 分析员市场观点

➤ Macau gaming: Solid GGR recovery in May'24 and improved 1Q24 operating performance of operators

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	-	-	-	-
Jul	398	16,662	-	-	-	-
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 May'24, the gross gaming revenue (GGR) in Macau rose 29.7% yoy to MOP20.2bn. The cumulative GGR in 5M24 increased 47.9% yoy to MOP96.1bn, reaching 76.4% of the pre-pandemic level in 5M19. In May'24, Chinese government [relaxed the tourist visa](#) for mainland Chinese to Macau and increased the eligible cities for Individual Visit Scheme to HK and Macau to 59 from 51. We expect the recovery of tourist arrivals and GGR of Macau to remain solid.

1Q24, USD mn	MGM	MLCO UW	Sands China	SJM Holding	Studio City	Wynn Macau
Revenue	1,056	1,112	1,811	882	150	999
-% yoy change	70.6%	55.3%	41.6%	73.0%	191.7%	66.4%

Adj. EBITDA	320	284	610	110	66	340
-% yoy change	77.3%	65.9%	53.3%	2687.1%	627.5%	118.0%
Adj. EBITDA Margin	30.3%	25.5%	33.7%	12.5%	44.1%	34.0%

Note: Adj. property EBITDA and margin for Sands China and Wynn Macau.

Source: Company fillings.

Macau gaming operators' operating performance demonstrated strong yoy recovery in 1Q24, supported by the recovery of tourist arrival after China un-winded the COVID lockdown. The renewal of gaming concession and sharply improved operating cash flow also help resume the operators' access to capital markets. Recalled that Melco issued USD750mn 8NC3 MPEL 7.625'32 in Apr'24. As a result, rating agencies have taken a number of positive rating actions since mid-2023. In 1Q24, Moody's affirmed MGMCHI's B1 rating and revised up the rating outlook to stable from negative, Fitch also revised up the rating outlook on SANLTD and SJMHOL to stable from negative. We expect more positive rating actions on Macau gaming sector given the solid recovery in operating performance and sharply improve liquidity profiles of gaming operators.

Within the sector, we continue to prefer **MPEL**, **STCITY/STDCTY** and **SJM** for better risk-return profiles despite their out-performance YTD. We also like long-dated WYNMACs which offer 90-100bps yield pick-up over the bonds of its US parent. Meanwhile, we are neutral of SANLTDs and MGMCHIs on valuation.

	Ask YTM (%)	Mod Duration	Ask price
MGMCHI	6.1-6.6	1.0-2.4	95.6-99.2
MPEL	6.8-7.9	0.9-5.8	90.2-98.6
SANLTD	5.7-6.0	1.1-6.1	84.2-99.3
SJMHOL	7.4-7.7	1.5-3.2	91.0-95.6
STCITY/STDCTY	6.8-8.4	1.0-3.9	87.3-100.2
WYNMAC	2.9-7.4	0.3-4.6	90.2-106.9

Source: Bloomberg.

➤ China Economy - PMI contracted as policy easing continued

China's manufacturing PMI came in below market expectations in May as it slid into contraction again amid weakening demand both domestically and externally. Supply continued to outrun demand as production remained one of the few major indices in expansion. Deflation pressure alleviated as both purchasing material prices and ex-factory prices expanded after the continued rebounding of commodities prices. Employment remained sluggish, hindering the recovery of consumer confidence. Service index inched up while construction moderated. The policy easing has fuelled recent equity rallies but investors remained hesitated on economic recovery as the property market continued to slump and deflation pressure persisted. China may continue to loosen policies ahead to boost market confidence and economic growth momentum. China economy may gradually improve with smaller declines of housing sales, deflation alleviation and recovery of corporate earnings. We maintain our forecast on China's GDP growth at 5% for 2024.

Manufacturing activities dropped to contraction amid weaker demand. China's manufacturing PMI in May dropped to 49.6% from 50.4% in Apr, returning to contraction after two months of expansion. New order and export order index notably shrank to 49.6% and 48.3% from 51.1% and 50.6%, indicating a softer demand both domestically and externally and a larger downside risk of export data in May. Existing order stayed subdued at 45.3%. Production index eased to 50.8% from its one-year peak of 52.9% in Mar, as production grew at a much slower pace. Corporate procurement also receded as material purchase volume dipped to 49.3% from 50.5%. De-stocking sustained as raw materials inventory and finished goods inventory edged down to 47.8% and 46.5% from 48.1% and 47.3%. Breaking down by sector, production of general equipment, transport equipment other than vehicles and computer & electronic equipment remained in expansion for three consecutive months while textile and rubber & plastic dropped to contraction. PMI of medium and small enterprises significantly plummeted to 49.4% and 46.7% from expansion zone, while large enterprises increased to 50.7% from 50.3% in Apr, as a

sign of the Matthew Effect in recent economic trends when large enterprises especially the SOEs enjoyed the preferential support, while private sector that mainly consists of SMEs endured significant pressure.

Deflationary pressure continued to alleviate driven by rising raw materials prices. Ex-factory price index rose to 50.4% in May from 49.1% in Apr, expanding for the first time since Sep 2023, as manufacturing material purchase prices increased for the third consecutive month to 56.9% from 54% due to recent rallies of commodities prices. The persisting rebound in ex-factory prices may indicate the MoM growth of PPI may rebound to positive in upcoming months. Meanwhile, service price index further declined to 47.5% from 49.5% while construction price rose to 49.7% from 48.7%. Looking forward, China's deflation pressure may marginally improve as CPI gradually rebounds within the lower positive range and PPI narrows its YoY decline due to the base effect, surging commodities prices and improving export activities.

Service index inched up while construction moderated. Non-manufacturing PMI edged down to 51.1% from 51.2%, lower than market expectation. PMI in service notably inched up to 50.5% in May from 50.3% thanks to the national holidays in May. New order index slightly rebounded to 47.4% from 46.5%. Breaking down by sector, activities in postal services, TV & broadcast, internet & information technology, and sports & entertainment reached above 55% while real estate and capital market services continued to contract. Construction PMI moderated to 54.4% from 56.3%, as new starts of housing continued to drop.

Employment remained subdued. Employment indexes in manufacturing inched up to 48.1% from 48% in Apr while employment in service and construction both dropped to 46.7% and 43.3% from 47.4% and 46.1%. The sluggish employment condition remained the major headwinds for economic recovery, especially for consumption, property purchase and private business sentiment.

China may continue to loosen policies ahead. The policy easing has fuelled the recent equity rallies but investors remained hesitated on economic recovery as housing market continued to slump and consumer deflation persisted. China may continue to loosen policies to boost market confidence and economic growth. After the recent policy easing, average new mortgage rates may drop to 3.3% for first-home buyers and 3.8% for second-home buyers. Mortgage rates may further decline if housing sales remain weak in future. To protect banks' NIMs, the PBOC may guide banks to further lower deposit rates. Local governments are encouraged to buy completed yet unsold projects from developers and turn them into affordable houses. Local government financing vehicles and SOEs would benefit first. China economy may gradually improve with smaller declines of housing sales, deflation alleviation and earning recovery. We maintain our forecast on China's GDP growth at 5% for 2024

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➤ 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)
National Australia Bank	USD	-	3/10yr	T+70/100	Aa2/AA-/-
National Australia Bank	USD	-	3yr	SOFR Equiv	Aa2/AA-/-

Nine Dragon Paper Holding Ltd	USD	-	PNC3	14.25%	-/-/-
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➤ News and market color

- Regarding onshore primary issuances, there were 40 credit bonds issued yesterday with an amount of RMB22bn. As for month-to-date, 1,161 credit bonds were issued with a total amount of RMB1,278bn raised, representing a 5.8% yoy increase
- **[APLNIJ]** APLN obtained additional IDR1trn (cUSD65.2mn) loan from Bank Danamon to repay 5.95% due 2 Jun notes
- **[EVERRE]** China Evergrande Group was fined cRMB4.2bn by CSRC
- **[FUTLAN/FTLNHD]** Media reported that Seazen's chairman said the company plans to repay its USD bonds totaled USD1.7bn with proceeds from operating property loans. The new property loans would be backed by 35 shopping malls which valued at cRMB30bn with 30%-50% LTV
- **[GEELY]** Geely and Renault officially set up their powertrain JV with expectation of annual revenue of EUR15bn after receiving all the required regulatory approvals
- **[LASUDE]** Lai Sun Development completed HKD1.42bn sale of 10% of office tower AIA Central to AIA Group
- **[LOGPH]** Media reported that JPMorgan is in talks to arrange USD1.1bn three-year loan for Logan and KWG Group
- **[PWRLNG]** Powerlong unit announced it faces uncertainty over payment due 7 June for onshore 20BaolongMTN001
- **[SHIMAO]** Shimao Group further extended early consent fee deadline under proposed offshore debt restructuring to 28 Jun'24
- **[SHUION]** Media reported that Shui On Land is in process of getting approval from Chinese bank for more than RMB4bn-equivalent loan backed by Shanghai Xintiandi asset
- **[VNKRLE]** Media reported that China Vanke unit secured RMB600mn loan from Bank of Communications

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