

CMBI Credit Commentary

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

- *Markets were cautious this morning before tonight's Jackson Hole conference. Asian IG benchmarks widened 0-2bps. HK names opened weak while stabilized by noon. NWDEVL/NWSZF Perps were unchanged to 1.5pts lower. LGFV/SOE Perps/AT1 sectors were quiet.*
- **MEITUA:** *Strong 1H23 results benefited from post COVID consumption recovery. MEITUAs widened up to 5bps this morning. See below.*
- **DEXICN:** *Dexin China expected to turn to loss of RMB300-500mn in 1H23, compared to RMB904mn net profit in 1H22; it sold parking space rights, Huzhou hotel to Dexin Services for RMB301.4mn.*

❖ Trading desk comments 交易台市场观点

Yesterday, UST yield widened 4-6bps ahead of Jackson Hole. HK corp papers, especially perps, were very weak. NWDEVL perps plunged another 6-8pts and NWSZF 5.75 Perp was 1.5-3pts lower amid talks/rumours of LTV cut from PBs, major relationship bank cut credit lines and self-media chatters on secured financing. Indeed, the talks of secured financing at 11-12% have been circulated in the market for months if not over a year. HYSAN 4.1 Perp/HYSAN 4.85 Perp were also dragged 2-7pts lower although there also emerged dip buying at lows from RMs. NANFUN 5 Perp declined 1.5-3pts. LASUDE '26/LIFUNG '25 were marked 3-5.5pts lower. HKLSP/CKHH/HYSAN 33s widened 5-15bps with heavy selling. Chinese SOE/TMT curves such as HAOHUA/BABA/TENCNT opened 2-5bps tighter but closed at unchanged to 1bp tighter from the previous EOD levels. The high-beta TMTs such as MEITUA/WB 30s tightened 5-10bps. On AMC, HRINTH curve was initially traded 1-2pts higher and closed 0.25-0.75pt higher. CCAMCL 27s/30s/31s widened 5-20bps. In bank T2 space, the Chinese big banks such as BCHINA/CCB/ICBCAS were under better buying. Whilst NANYAN/SHCMBK/BNKEA T2s were better sold. Non-Chinese T2s such as WOORIB/SHINFN/OCBCSP were also better offered. Bank AT1s were generally firmer following overnight's rates moves. European names HSBC/STANLN AT1s were indicated 0.5pt higher. HK/Chinese properties performed mixed. ROADKG 24-26s gained 2-6pts. DALWAN '24 was traded 2pts higher to close at 48.5. On the other hand, AGILE/CHINSC 25s/26s were quoted down 1-3pts. In industrials, EHICAR '26 was up 1pt. Macau gaming papers such as SANLTDs/STDCTYs moved 0.5-1pt higher. In Indian space, VEDLN 24s were down 2-2.5pts, following media reported that VRL has engaged Morrow Sodali to identify holders of its three USD bonds. Whilst ADSEZs/ADANEMs were up 0.5pt. Indonesian SOEs PERTIJs/PLNIJs were marked 1pt higher. Elsewhere, GLPCHI 24s/26s gained 1pt.

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On LGFV, CPDEV Perp was quoted 0.3pt higher with some buying from PBs/AMs. Otherwise LGFVs were fairly stable. There were better buying flows in high yielding (9%+) papers. There was constructive sentiment onshore, highlighted by CNY primary issues from such as Tianjin papers continued to receive strong demand. SOE perps such as CHPWCN/HAOHUA perps grinded a touch higher and then there emerged selling flows from PBs/AMs. ZHONAN/FRESHK were unchanged with quiet flows amid the recent weakness.

❖ Last Trading Day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
ROADKG 6 09/04/25	35.5	6.0	NWDEVL 6.15 PERP	68.0	-8.0
ROADKG 5.9 03/05/25	41.9	4.7	NWDEVL 5 1/4 PERP	59.6	-7.4
ROADKG 6.7 09/30/24	50.9	4.1	HYSAN 4.1 PERP	77.0	-7.0
ROADKG 5.2 01/12/26	29.5	2.7	NWDEVL 6 1/4 PERP	44.9	-6.9
DALWAN 7 1/4 01/29/24	48.2	2.1	NWDEVL 4 1/8 PERP	45.6	-6.7

❖ Marco News Recap 宏观新闻回顾

Macro – S&P (-1.35%), Dow (-1.08%) and Nasdaq (-1.87%) down on Thursday as markets were cautious before Friday's Jackson Hole conference. The latest US initial jobless claim was +230k, down from +240k in last week and lower than expectation of +240k. US treasury yields rallied higher yesterday, 2/5/10/30 yield reached at 4.98%/4.39%/4.23%/4.30%, respectively.

❖ Desk analyst comments 分析员市场观点

➤ MEITUA: Strong 1H23 results benefited from post COVID consumption recovery

Adjusted EBITDA increased 7x yoy to RMB13.9bn in 1H23

Meituan announced 1H23 results yesterday. With consumption recovery in 1H23 post the removal of COVID restrictions, revenue +30% yoy to RMB126.6bn in 1H23 from RMB97.2bn in 1H22. Gross margin improved to 35.7% in 1H23 from 27.1% in 1H22, due mainly to the lower delivery cost per order with abundant courier supply. Adjusted EBITDA increased to RMB13.9bn in 1H23, from RMB2bn in 1H22. Profit before tax increased to RMB8.1bn in 1H23, compared with loss before tax of RMB6.9bn in 1H22. Its operating cashflow turned positive for 1H23 to RMB18.9bn, from -RMB2bn in 1H22. In addition, Meituan is expanding the merchant base, promotional events such as "Shen Quan Jie" and "Shen Qiang Shou" allowed merchants to offer dishes through flash sales, live streaming and short-form videos. These all help to boost the number of transactions.

Its Instashopping also showed robust growth, especially in electronics and home appliances, daily necessities, beauty and personal care, and mother-and-child products. Meituan expanded "24/7 Smart Pharmacies" nationwide, and partnered with pharmacies and pharmaceutical companies to launch "Yellow Light" project to bring medical resources and 24-hours medical services to a more lower-tier markets. Management is confident to see a faster growth in Instashopping in the third and fourth quarters. Meanwhile, its hotel and travel business grew substantially in 1H23 alongside with the rebound in domestic travel.

Ample liquidity demonstrated by net cash position of RMB61.2bn

Meituan maintained ample liquidity at Jun'23. It had unrestricted cash and short-term treasury investments of RMB120.2bn and a net cash position (debt minus unrestricted cash and short-term treasury investments) of RMB61.2bn as at Jun'23. These should be sufficient to cover its short-term debts of RMB20.7bn and capex. Over the past 5 years, its net cash position averaged RMB55.9bn.

Prefer MEITUA 0 04/27/27 (CB)

For MEITUAs, we like MEITUA 0 04/27/27 (CB) within the curve. The CB, puttable at 100.37 on 27 Apr'25, is trading at 87.5 with a YTP of 8.4%. Compared with MEITUA 2.125 10/28/25, the CB offer a yield pickup of 217bps, and the tenor is effectively 6 months shorter. The CB is trading at 87.5, c4pts lower than the cash price of MEITUA 2.125'25 of 91.7. With unrestricted cash and short-term treasury investments of RMB120.2bn at Jun'23, Meituan is well positioned to redeem the outstanding CB of USD1.48bn in 2025 with internal resources.

Table 1: Meituan's key financials

RMB mn	Dec'22	Jun'23
Cash and short-term investment	112,032	120,192
ST debts	19,728	20,694
LT debts	38,360	38,291
Net cash	53,944	61,207
Gearing ratio	41%	38%
Cash/ST debts	5.7x	5.8x

Note: Cash refers to unrestricted cash

Source: Company fillings.

Table 2: Meituan's outstanding bonds

	Px (Bid)	YTM/YTP (%)	Next put date	Amt o/s (USDmn)
MEITUA 2.125 10/28/25	91.7	6.3	-	750
MEITUA 0 04/27/27	87.5	8.4	04/27/25	1,480
MEITUA 0 04/27/28	82.0	8.1	04/27/26	1,500
MEITUA 3.05 10/28/30	77.8	7.1	-	1,250

Source: Bloomberg

➤ 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)
No Offshore Asia New Issues Pipeline Today					

➤ **News and market color**

- Regarding onshore primary issuances, there were 142 credit bonds issued yesterday with an amount of RMB164bn. As for Month-to-date, 1,717 credit bonds were issued with a total amount of RMB1,516bn raised, representing a 12.3% yoy increase
- **[DEXICN]** Dexin China expected to turn to loss of RMB300-500mn in 1H23, compared to RMB904mn net profit in 1H22; it sold parking space rights, Huzhou hotel to Dexin Services for RMB301.4mn
- **[FWDGRP]** Moody's assigns Baa2 issuer rating to FWD Group, outlook positive; Fitch assigns FWD Group first-time IDR at BBB+, outlook stable
- **[INDYIJ]** Moody's affirmed Indika at Ba3 ratings and placed stable outlook
- **[KWGPRO]** KWG Group expected to turn to loss of RMB9.9bn for 1H23, down from RMB435mn profit in 1H22
- **[SINOCE]** Sino-Ocean Group postponed board meeting to 30 Aug to approve 1H23 results; China life has fully written off its 29.59% stake in Sino-Ocean and said it is urging Sino-Ocean Group to do everything possible to maintain its stable operations and resolve risks
- **[SINOPE]** Media reported that Sinopec showed interests in bidding for the Shell's Singapore oil refinery Bukom
- **[SMCPM]** San Miguel Corp issued PHP13bn (cUSD229mn) of Series 2 preferred shares
- **[TPHL]** Times China paid due 24 Aug initial instalment under domestic holistic bond restructuring
- **[WB]** Weibo 2Q23 revenue down 2% yoy to USD440.2mn and EBITDA rose 23.3% yoy to USD163.9mn

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