

CMBI Credit Commentary

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

- *Flows skewed to better selling this morning. Asian IGs were heavy. CATLIF'34/39 widened 2-4bps. FRESHK'28 widened 5bps. NWDEVLs were unchanged to 1.3pt lower.*
- **SHUION:** 1H24 PBT dropped by 85% yoy. Refinancing plan not yet in place. See comments below.
- **VEDLN:** Vedanta Resources announced new issue mandates of 5NC2 and 7NC3 USD guaranteed bonds to refinance VEDLN 13.875 '27 of USD470mn and VEDLN 13.875 '28 of USD1,008mn. VEDLNs were unchanged to 0.2pt higher this morning.

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❖ Trading desk comments 交易台市场观点

Yesterday, Asia IG space was quiet on US Labor Day. The market focus was on NWD after profit warning and the managerial changes at CTF. NWDEVL Perps/27-31s dropped 1.5-3.7pts after gaining 0.4-2.1pts over the last week. See our comments on [2 Sep '24](#). In Chinese IGs, HAOHUA/TENCNT 30s widened 1bp. ZHOSHK '28 closed 5bps wider. See our [comments](#) on Zhongsheng yesterday. In financials, the front end of Chinese AMCs were under better buying. HRINTH 24/25/27 were unchanged to 8bps tighter (unchanged to 0.1pt higher). BNKEA/SHCMBK/SHNHAN T2s widened 1-4bps under small selling. In Chinese properties, SHUION '25 rebounded 1.5pts, while its '26 declined another 1.6pts. See comments below. VNKRL 25-29s and LNGFOR 27-32s were 1.4-1.8pts lower. FUTLAN/FTLNHD 24-26s were down 0.4-1.4pts. In industrials, FOSUNI '27/EHICAR '27/CHIOIL '26 declined 0.6-0.7pt. In Macau gaming, MPEL '27/WYNNMAC '28 were up 0.2pt. In India, Vedanta Resources announced new issue mandates of 5NC2 and 7NC3 USD guaranteed bonds to refinance VEDLN 13.875 '27 and VEDLN 13.875 '28 (both callable 3 Oct '24). VEDLN 26-28s were unchanged to 0.6pt higher. UPLLINs were down 0.2-0.4pt. In Indonesia, MDLNIJ '27 declined 0.9pt. LPKRIJ '26 was 0.6pt lower.

In LGFVs, WHMTR announced the new issue mandate of a USD 3-yr bond. WHMTR 24s closed unchanged to 0.1pt higher. HRINT/CQNANA 25-26s were up 0.1-0.2pt. CPDEV 25/26 were 0.2-0.3pt lower. The new FRESHK 5.875 '28 closed 0.2pt lower (5bps wider). SUNSHG/ZHONAN 26s were down 0.1pt. In SOE perps, CHPWCN 4.25 Perp/CHCOMU 3.425 Perp were up 0.1-0.2pt. CHSCOI 3.4 Perp was down 0.1pt.

❖ Last Trading Day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
SHUION 5 1/2 03/03/25	83.5	1.5	NWDEVL 6 1/4 PERP	53.3	-3.7
CCAMCL 5 02/08/48	87.8	0.6	NWDEVL 4.8 PERP	43.2	-3.2
EAGRUY 7 1/2 05/01/25	58.0	0.6	NWDEVL 5 1/4 PERP	84.1	-3.2
VEDLN 13 7/8 12/09/28	101.0	0.6	NWDEVL 4 1/8 PERP	63.2	-3.2
CHGRID 4 3/8 05/22/43	95.8	0.4	NWDEVL 3 3/4 01/14/31	68.3	-2.4

❖ Marco News Recap 宏观新闻回顾

Macro – US stock market closed on Monday. China Caixin Aug'24 manufacturing PMI was 50.4, higher than the expectation of 50.0. Euro-zone Aug'24 Markit manufacturing PMI was 45.8, higher than the expectation of 45.6. UST yields were unchanged, 2/5/10/30 yield reached 3.91%/3.71%/3.91%/4.20%.

❖ Desk analyst comments 分析员市场观点

➤ SHUION: 1H24 PBT dropped by 85% yoy. Refinancing plan not yet in place

We are neutral on SHUIONs and believe that the market has fairly priced in the potential liability management exercises for its two o/s USD bonds: SHUION 5 ½ 03/03/25 of USD490mn in Mar'25 and SHUION 5.5 06/29/26 of USD400mn in Jun'26. SHUIONs were down 2-4pts post the 1H24 result announcement.

Security Name	ISIN	Amt O/s (USD mn)	Ask Px	YTM (Ask,%)
SHUION 5 ½ 03/03/25	XS2113708155	490	84.6	43.1
SHUION 5 ½ 06/29/26	XS2358225477	400	75.6	22.6

Source: Bloomberg.

In 1H24, SOL's revenue decreased 68% yoy to RMB2bn, mainly due to the substantially lower deliveries of residential developments. The revenue of property developments was down 97% yoy to RMB143mn, and the gross profit margin of property developments decreased to 15% in 1H24 from 36% in 1H23. SOL's overall gross profit margin, however, increased to 65% from 46% in 1H23. This reflected the higher-margin property investments and management accounted for a notably higher proportion of SOL's revenue as revenue from property developments dropped significantly. Indeed, the gross profit margin in property investment increased to 72% in 1H24 from 65% in 1H23, due to higher rental income.

During 1H24, SOL's contract sales dropped 86% yoy to RMB623mn. SOL's revenue from property investments and management, on the other hand, increased 9% yoy to RMB1,930mn, mainly driven by the two new openings in Shanghai, i.e. Panlong Tiandi in Apr'23 and Hong Shou Fang in Sep'23.

We expect the revenue from property developments to gradually increase from the low base of 1H24 with the delivery of Wuhan Tiandi La Riva III. SOL's locked-in sales were RMB7,818mn (incl. JV and Asso). These will be recognized in 2H24 and beyond. As of Jun'24, SOL has 7 projects (3 in Shanghai and 4 in other cities) available for sales and pre-sales. The estimated saleable resources attributable to SOL is RMB35bn.

RMB mn	1H23	1H24	% change
Revenue	6,431	2,073	-68%
-Property development	4,662	143	-97%
-Property investment and management	1,769	1,930	9%
Gross profit	2,949	1,355	-54%
Profit before tax	1,870	282	-85%
Recognized GFA (sqm)	494,500	121,800	-75%
Recognized ASP (RMB per sqm)	77,000	15,100	-80%

Gross profit margin	45.9%	65.4%	-
-Property development	35.6%	15.4%	-
-Property investment and management	73.0%	69.1%	-
Contract sales	4,564	623	-86%

Source: Company filings, CMBI Research.

As of Jun'24, SOL had cash (incl. restricted bank balances) of RMB7,455mn, increased 30% from the level at Dec'23. The restricted bank balances increased by 110% from Dec'23 to RMB4,269mn, due to the time-lag in discharging collaterals on secured loans. The restricted bank balances fell to RMB2.5-2.6bn at Aug'24 after the repayment in Jul'24, according to SOL. The remaining restricted bank balances are mainly related to rental deposits for its IPs. On the other hand, SOL's leverage was slightly higher at Jun'24, with total debts (incl. lease liabilities) increased by 5% to RMB33,688mn at Jun'24 from RMB31,991mn at Dec'23, and the net gearing ratio increased to 60%.

RMB mn	Dec'23	Jun'24	% change
Cash	5,745	7,455	30%
-in which: restricted bank balances	2,033	4,269	110%
ST debts	12,021	11,943	-1%
LT debts	19,970	21,745	9%
Total debts	31,991	33,688	5%
Net gearing	59.4%	59.9%	-
Cash/ST debts	0.5	0.6	-
Adj. liab/assets	54.5%	54.5%	-

Note: Debts included lease liabilities.

Source: Company filings, CMBI Research.

SOL has been diversifying its funding sources, and planned to raise RMB-denominated debts to 2/3 of total debt by Dec'24, from 53% at Jun'24 and 42% at Dec'23. SOL's average financing cost reduced to 5.3% in 1H24, from 5.7% in FY23 with increasing uses of cheaper onshore funding. Meanwhile, SOL's LTV on completed IPs was 35.7% as of Jun'24, increased from 30.2% at Dec'23. SOL expects the room for additional secured financing against its IP portfolio to be a maximum of 5-10 pct pts of its IP value. As of Jun'24, the completed IP portfolio attributable to SOL is RMB57,807mn. We estimate that the headroom for additional secured borrowings against SOL's IPs would be RMB2.5-5.4bn (cUSD350-756mn) through raising the LTV to 40-45%. SOL also has undrawn banking facilities totaled RMB3,424mn as at Jun'24.

SOL mentioned the challenges in obtaining both unsecured and secured debts offshore. As of Jun'24, SOL had total offshore debts of cRMB15,802mn, in which cRMB5,835mn were USD/HKD bank borrowings. Out of these, cRMB10,289mn will be due within a year as of Jun'24. SOL had bank deposits of RMB3,088mn pledged for offshore debts. The company does not have a concrete refinancing plan for its offshore debts and mentioned that the environment for offshore refinancing remains challenging.

RMBmn	Total	Due within one year
RMB bank and other borrowings	13,443	1,605
HKD bank borrowing	504	380
USD bank borrowing	5,331	2,783
USD senior notes	9,967	7,126
CMBS	4,338	40
Total	33,583	11,934

Source: Company filings.

➤ 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)
Denso Corporation	USD	-	5yr	-	A2/A+/-
Meiji Yasuda Life	USD	-	30NC10	-	A3/A-/-
Nan Shan Life Insurance	USD	-	10yr	-	-/BBB/BBB
Orix Corp	USD	-	5yr	T+130	A3/A-/BBB+
Power Construction Corp. of China	USD	-	3yr	T+100	-/-/A-
Republic of Indonesia	USD	-	10/30yr	5.15/5.5%	Baa2/BBB/BBB
Sumitomo Mitsui Trust Bank	USD	-	3/5/10yr	SOFR Equiv/T+120/135	A1/A/-
Vedanta Resources	USD	-	5NC2/7NC3	-	-/B-/-

➤ News and market color

- Regarding onshore primary issuances, there were 83 credit bonds issued yesterday with an amount of RMB75bn. As for Month-to-date, 83 credit bonds were issued with a total amount of RMB75bn raised, representing a 15% yoy increase
- **[ADANIG]** Adani Green Energy board approved to set new JV with TotalEnergies Renewables, the company may invest cUSD450mn to the new JV
- **[WHMTR]** Wuhan Metro Group announced USD1.4bn MTN programme

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