

**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 widened 1-3bps with better selling flows this morning. New issue AVIILC'27 and BCHINA'27 widened c3bps. On the other hand, LGFV and SOE Perps were stable.*
- **ADANEM:** *Higher recurring profits in 1QFY25. Initiate buy on ADANEM 3.867 07/22/31. See comments below.*
- **Macau gaming:** *Recovering 1H24 results; Expectation of more early redemption. See comments below.*

**❖ Trading desk comments 交易台市场观点**

The tone of Asian market was upbeat with better buying on Tuesday. EU AT1s were up to 0.25pt higher. In Chinese IG space, TMTs performed weak that LENOVOs/MEITUAs/XIAOMIs widened up to 4bps. JDs were unchanged to 1bps wider. China AMCs were mixed, GRWALLs/HRINTHS moved -0.1 to +0.2pt and CCAMCLs/ORIEASs widened 1-3bps. In Industrial, WESCHI'26 dropped 5.6pts post the weak 1H24 results. HONGQI'25 was unchanged. China real estate remained mixed, SOE developers CHIOLIs/YUEXIUs rose 0.2 to 0.8pt while VNKRLEs/LNGFORs were 0.1-0.5pt lower. In HK space, CKINF Perps rose 1.4-1.6pts. NWDEVLs/NWSZFs were unchanged to 0.4pt lower. SHUIONs were up to 0.3pt higher. In India space, Adani complex were unchanged to 0.3pt lower and UPLLINs retreated 0.3pt. In Indonesia commodity, INDYIJs and MEDCIJs were unchanged to 0.1pt higher.

LGFV and SOE Perp space were overall stable. The recent issue HENINV'27 was unchanged. GZINFUs/ZHHFGRs, well bid on Monday, were also unchanged. CPDEVs rose c0.1pt. CHPWCN Perps retreated 0.1-0.3pt post c0.3pt gain on Monday.

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## ❖ Last Trading Day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
HCELEC 4.65 12/29/26	50.1	2.0	WESCHI 4.95 07/08/26	75.3	-5.6
CKINF 4.85 PERP	85.3	1.6	SHFLIN Float 09/29/26	98.8	-1.6
CKINF 4.2 PERP	74.4	1.4	LNGFOR 4 1/2 01/16/28	77.3	-0.6
SINOPE 3.1 01/08/51	76.1	1.0	HZFYCT 3.2 06/25/26	94.7	-0.5
CNOOC 3.3 09/30/49	78.8	0.9	RAKUTN 9 3/4 04/15/29	106.2	-0.5

## ❖ Marco News Recap 宏观新闻回顾

**Macro** – S&P (-0.20%), Dow (-0.15%) and Nasdaq (-0.33%) were weak on Tuesday. Euro-zone Jul'24 CPI was +2.6% yoy, in line with the market expectation. UST yields continued to retreat yesterday, 2/5/10/30 yield reached 3.99%/3.70%/3.82%/4.07%.

## ❖ Desk analyst comments 分析员市场观点

➤ **ADANEM: Higher recurring profits in 1QFY25. Initiate buy on ADANEM 3.867 07/22/31**

We initiate buy on ADANEM 3.867 07/22/31 (M/S/F: Baa3/-/BBB-) in view of the yield pick-up over other bonds in Adani complex, Adani Electricity (ADEL)'s stable business profile and good financial flexibility. The bond offers a yield pick-up of 74bps over the ADTIN 4 1/4 05/21/36, the bond of its parent Adani Energy Solutions. ADANEM 3.867 07/22/31 also offer yield pick-up of 20-27bps over ADSEZ 31-32s, the bonds of its affiliates Adani Ports. At 85.0, ADANEM 3.867 07/22/31 is trading at YTM of 6.6% (z-spread of 322bps). The price of ADANEM 3.867 07/22/31 moved 1.3pt higher post 1QFY25 result announcement.

ADANEM 3.867 07/22/31 is a sustainability linked bond. ADEL has to meet two KPIs to avoid coupon step-up by 15bps: (1) attain at least 60% of renewable power in the overall procurement mix by FY27, and (2) reduce GHG emission intensity (Scope 1 and 2) by 60% by FY29 compared with FY19. ADEL is on track in meeting its ESG commitment. In FY24, ADEL has increased the renewable share in procurement mix to 34%, and reduced GHG emission intensity by 42% compared with FY19. ADEL does not have near-term refinancing pressure that the two USD bonds will be due in 2030-31. We expect ADEL to tap on the USD bond market for refinancing.

ADEL reported 22% yoy increase in revenue to INR32bn in 1QFY25. Its gross profit margin increased to 48.1% from 42.8% in 1QFY24, per our calculation. ADEL is in the process of divesting Dahanu Thermal Power Plant (DTPP) in order to fulfill its ESG commitment and pursuit net zero goal by 2050. Per news report, the buyer of DTPP is Adani Power which is 72.7% owned by Adani group. The transaction price is INR8.15bn, compared to its book value of INR23.2bn. Correspondingly, an one-off impairment loss of INR15.1bn was recognized in 1QFY25 upon the board's approval on the disposal according to Indian accounting standards despite this is still subject to regulatory approval. As a result, ADEL booked a net loss of INR14.6bn in 1QFY25, compared to net profit of INR270mn in 1QFY24. Excluding the losses from divesting DTPP, the recurring net profit of ADEL in 1QFY25 increased 62% yoy to INR440mn.

We are not too concerned of the loss resulting from the sale of DTPP to a related party. Per our discussion with ADEL, the transaction price of the sale of DTPP was determined by independent valuers and duly approved by the board of directors. The transaction price of INR8.15bn, albeit lower than the book value (BV), is slightly higher than the regulatory power generation asset base of INR8.06bn as at Mar'24. The regulatory asset base is calculated according to the Maharashtra Electricity Regulatory Commission (MERC) Multi Year Tariff (MYT) Regulations. The BV of INR23.2bn, on the other hand, includes goodwill recognized at the time of acquisition of

the ADEL business by Adani group in 2017. DTPP's PPA will expire in Mar'25. MERC is in the process of issuing MYT Regulation 2025 which will be effective from Apr'25-Mar'30.

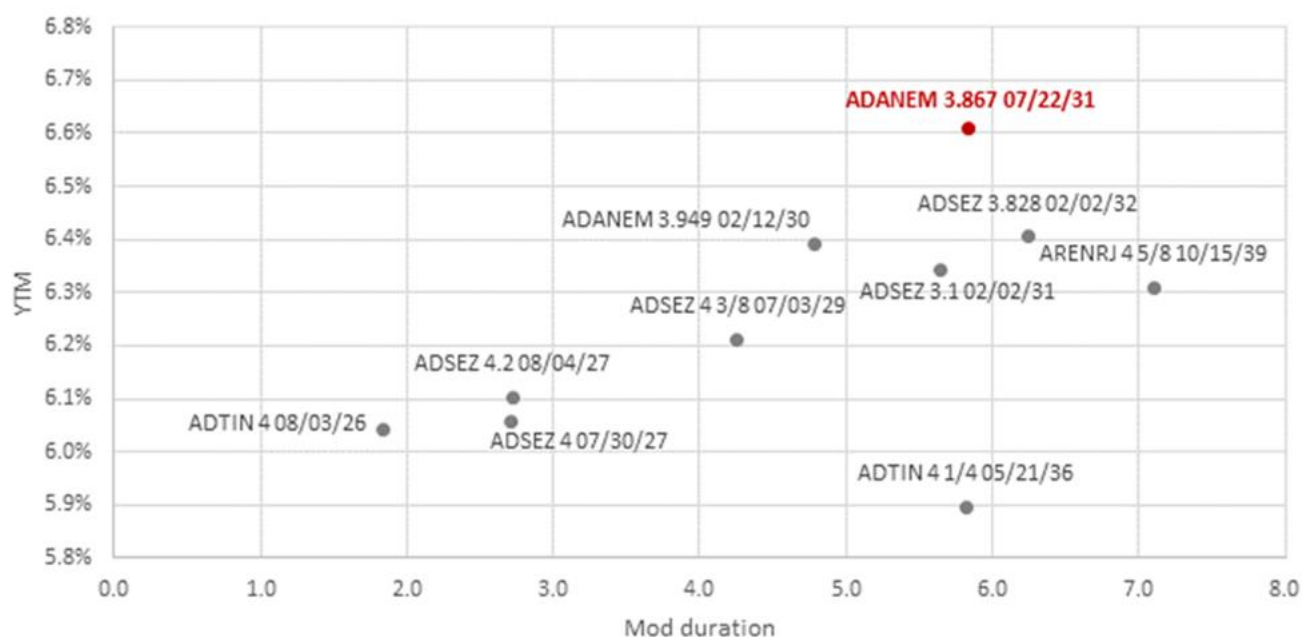
ADEL does not disclose the quarterly financial position but it reported total debts of INR131.7bn at Mar'24, in which INR10.6bn is due within a year. It had INR9.1bn cash and bank balances at Mar'24. ADEL has good financial flexibility, demonstrated in funding the tender offer in Nov'23 as well as capex in FY24 by internal cash surplus. In Nov'23, ADEL purchased USD120mn of ADANEM 3.949 02/12/30 at USD85 in a tender offer in an opportunistic manner, which helped reduce ADEL's leverage as well as booked INR1.3bn one-off gain from bond redemption at discount in FY24.

**Table 1: Bond profiles of Adani Group**

Bond	Amt o/s (USD mn)	Mod duration	Px	YTM (%)	Z-spread (bps)	Rank	Issue rating (M/S/F)
ADANEM 3.949 02/12/30	880	4.8	88.9	6.39	297	1st lien	Baa3/BBB-/BBB-
ADANEM 3.867 07/22/31	300	5.8	85.0	6.61	322	1st lien	Baa3/-/BBB-
ADSEZ 4 07/30/27	500	2.7	94.5	6.06	246	Sr Unsecured	Baa3/BBB-/BBB-
ADSEZ 4.2 08/04/27	750	2.7	94.9	6.11	250	Sr Unsecured	Baa3/BBB-/BBB-
ADSEZ 4 3/8 07/03/29	750	4.3	92.4	6.21	277	Sr Unsecured	Baa3/BBB-/BBB-
ADSEZ 3.1 02/02/31	500	5.6	83.1	6.34	295	Sr Unsecured	Baa3/BBB-/BBB-
ADSEZ 3.828 02/02/32	300	6.2	84.9	6.41	301	Sr Unsecured	Baa3/BBB-/BBB-
ADSEZ 5 08/02/41	450	10.6	81.8	6.83	339	Sr Unsecured	Baa3/BBB-/BBB-
ADTIN 4 08/03/26	500	1.8	96.3	6.05	221	1st lien	Baa3/-/BBB-
ADTIN 4 1/4 05/21/36	378	5.8	86.2	5.90	399	1st lien	Baa3/-/BBB-
ARENRJ 4 5/8 10/15/39	313	7.1	83.7	6.31	410	1st lien	Ba1/BB+/BBB-

Source: Bloomberg, Company filings.

**Chart 1: Adani bond complex**



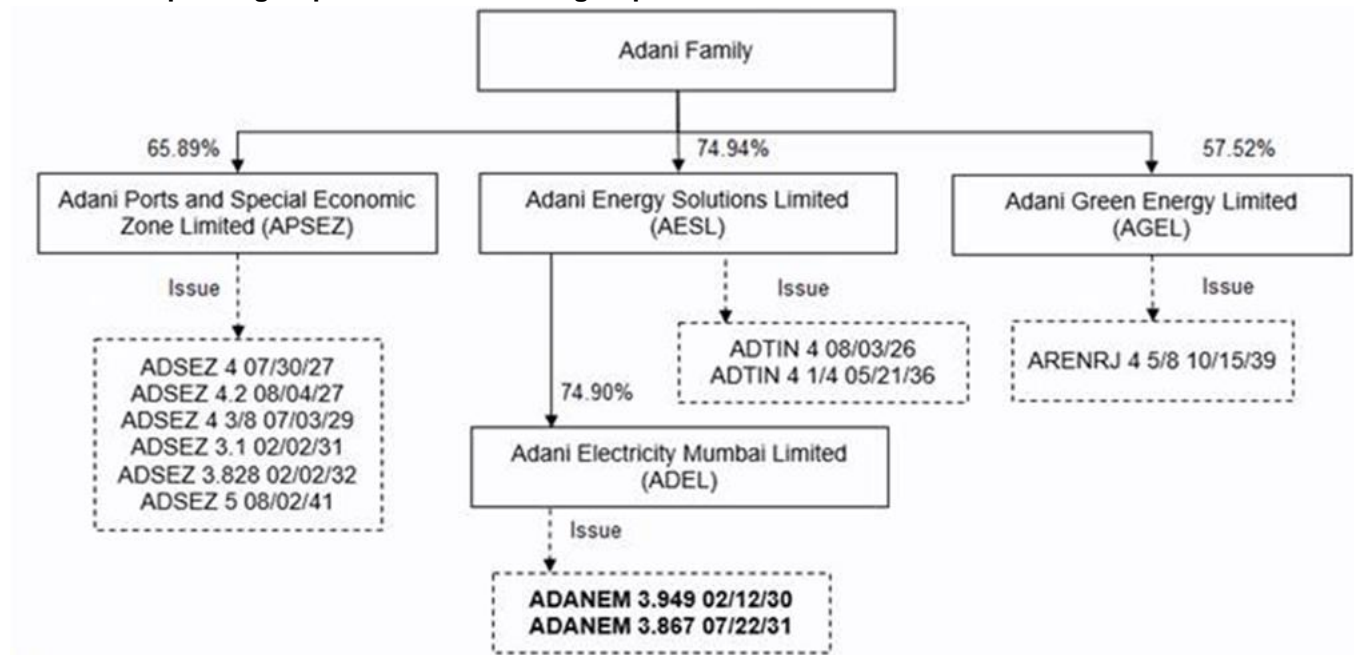
Source: Bloomberg, Company filings, CMBI Research.

Chart 2: Yield differential of ADANEMs over ADTIN 4 1/4 05/21/36



Source: Bloomberg, CMBI Research.

Chart 3: Simplified group structure of Adani group



Note: Adani Energy Solutions Limited was formerly known as Adani Transmission Limited.

Source: Bloomberg, Company filings, CMBI Research.

➤ **Macau gaming: Recovering 1H24 results; Expectation of more early redemption**

1H24, USD mn	MGM	MLCO UW	Sands China	Studio City	Wynn Macau
Revenue	2,066	2,272	3,551	312	1,877
- % yoy change	52%	37%	23%	87%	37%
Gross Profit	1,075	822	2,186	204	1,086
- % yoy change	49%	33%	20%	131%	34%
Adj. EBITDA	630	568	1,171*	120	554
- % yoy change	57%	38%	25%	215%	57%
Adj. EBITDA Margin	31%	25%	33%	39%	30%
Cash	664	1,150	1,787	186	1,376
ST Debt	502	16.315	17	0	1,157
LT Debt	2,553	7,271	8,136	2,238	5,264
Total Debt	3,055	7,287	8,153	2,238	6,422
Net Debt/EBITDA	3.8x	10.8x	5.4x	17.0x	9.1x
Cash/ST Debt	1.3x	70.5x	105.1x	-	1.2x

Note: Adj. property EBITDA for Sands China.

Source: Company fillings.

As at 20 Aug'24, five Macau gaming operators (including Studio City) had released 1H24 results. Their operating performance significantly recovered on the back of Macau tourist and gaming sector resumption. In 1H24, the cumulative GGR in Macau increased 42% yoy to MOP113.8bn and reached 76.1% of pre-pandemic level in 1H19. The credit profiles of the five operators continued to improve given the significant improvements in operating cash flows and resumption of access to funding channels.

With the improving operating performance and financing flexibility, we expect Macau gaming operators to be candidates for early redemptions. On 20 Aug'24, Studio City announced that it had repurchased STCITY 6'25 totaled USD37.8mn since Jun'24. Recalled that the company early redeemed cUSD200mn of STCITY 6'25 through two tender offers since Nov'23. While the conviction level of the Macau gaming sector is lower, we still consider the sector offering better risk-return profile in Asia ex JP USD space. Within the Macau gaming sector, we continue to prefer MPELs, SJMs and STCITYs/STDCTY for better risk-return profiles. For yield pick-up plays over the US parents, we prefer MGMCHIs, WYNMACs which offer c30-60bps and c80bps yield pick-up over the bonds of their US parents. The early redemptions should support the performance of the sector.

	Ask YTM (%)	Mod Duration	Ask price
MGMCHI	5.1-6.7	0.8-4.0	96.7-102.2
<b>MPEL</b>	<b>6.5-7.6</b>	<b>0.8-4.4</b>	<b>91.1-100.0</b>
SANLTD	5.4-5.7	0.9-6.1	86.1-100.1
<b>SJMHOL</b>	<b>7.1-7.5</b>	<b>1.4-3.1</b>	<b>92.1-96.4</b>
<b>STCITY/STDCTY</b>	<b>6.0-8.0</b>	<b>0.9-3.8</b>	<b>89.1-100.4</b>
WYNMAC	5.1-7.1	1.3-4.5	91.3-99.0

Source: Bloomberg.

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

Issuer/Guarantor	Size (USD mn)	Tenor	Coupon	Priced	Issue Rating (M/S/F)
Avic International Leasing	300	3yr	4.625%	T+82	Baa1/-/-
Bank of China Dubai	400	3yr	5.906%	SOFR+155	A1/A/A
Huzhou Wuxing City Investment&Development Group (SBLC by Bank of Shanghai)	177	3yr	5.15%	5.15%	-/-/-

Yibin Emerging Industry Investment Group (SBLC by Bank of Chengdu)	97	3yr	5.4%	5.4%	-/-/-
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➤ **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 107 credit bonds issued yesterday with an amount of RMB84bn. As for month-to-date, 1,245 credit bonds were issued with a total amount of RMB1,221bn raised, representing a 18.5% yoy increase
- Media reported that China is mulling new financing option for local governments to purchase unsold homes via proceeds from special-purpose bonds
- [CNBG]** Moody's withdrew Bluestar's Ba1 ratings as issuer's request
- [HYUELE]** Media reported that SK Hynix and its subsidiary Solidigm plan to increase the production of NAND flash memory for AI growth
- [JD]** Media reported that Walmart said to seek up to USD3.74bn stake sale of JD.com
- [PWRLNG]** Powerlong Real Estate expects to turn to loss of RMB1.9-2.1bn in 1H24 from profit of RMB292mn in 1H23
- [SINOCE]** Media reported that Sino-Ocean's key creditor group offered counter proposal to company's restructuring plan
- [SUNAC]** Sunac China Holdings expects to record a loss of RMB15bn 1H24, compared with loss of RMB15.4bn in 1H23
- [YZCOAL]** Yankuang Energy expects 1H24 revenue to down 24% yoy to RMB72.3bn and profit to fall 32% yoy to RMB7.6bn

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