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Fixed Income
Credit Commentary

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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 space widened 1-3bps with better selling flows this morning. NANYAN'34 widened 2bps. HRINTH, GRWALL continued to be well bid. VEDLN's demerger approved by stock exchanges. See comments below.*

- ***NWDEVL:** A step to resume access to capital markets NWDEVLs rose 0.5-2.1pts this morning. See comments below.*

- ***China Economy** - PMI signified economic slowdown. See comments from CMBI economic research below.*

❖ **Trading desk comments 交易台市场观点**

Yesterday, the new NANYAN 6 '34 tightened 7bps. Other HK T2s such as BNKEA/DAHSIN 33-34s tightened 1-3bps post the new NANYAN issue. Another recent issue DAESEC 5.5 '27, on the other hand, widened 1bp. In Chinese SOEs/TMTs, the long–end of SINOPEs/HAOHUAs were 0.8-1.2pts higher (unchanged to 5bps tighter). HAOHUA 28-30s widened 1-2bps. MEITUA '30 widened 1bp. TENCNTs were 1-3bps tighter. In Chinese AMCs, HRINTHs closed unchanged to 0.3pt higher (unchanged to 5bps tighter) despite some profit taking flows. CCAMCL/ORIEAS 27-29s widened 1-3bps. CISIFG/BCLMHK/ANZ/NACF Float 27s tightened 1-2bps. In AT1s, ICBCAS 3.2 Perp/BBLTB 5 Perp were up 0.1pt. HSBC 6 Perp/SANTAN 9.625 Perp were 0.2-0.3pt higher. Meanwhile in HK corps, NWDEVL Perps and 27-31s were another 0.5-1.1pts higher. This morning, NWDEVL announced a USD bond new issuance and a concurrent partial tender offer on its NWDEVL 6.15 Perp/NWDEVL 4.75 '27. See below for comments. Chinese properties were firm. CHIOLI 34-43s were 0.9pt higher, FUTLANs/FTLNHDs and VNKRLE '29 were 0.5-0.8pt higher. GRNCH 25s and SHUION 24-26s were 0.3-0.4pt higher. DAWLAN 25/26, on the other hand, were down another 0.2-0.4pt. Outside properties, EHICAR 26/27 declined another 0.8-1.3pts and closed 2.6-3.0pts lower WTD. In Macau gaming, SANLTD/MPEL 28-29s were up 0.3-0.4pt. In India, VEDLN '26 was another 0.6pt higher and its 27/28 were up 0.2pt. See below for comments.

In LGFVs, client flows were better buying in the papers offering a yield pickup, WFURCD '24 was 0.3pt higher. QDJZWD/SHGUOH 25s and GZINFU/GZDZCD 26s were up 0.1pt. In SOE perps, HUANEN 5.3 Perp/CHSCOI 4 Perp/CCBINT 3.329 Perp were 0.1pt higher. In the high beta names,

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HUANEN/HNINTL 29-31s were 0.5-0.6pt higher. ZHONAN '25/SUNSHG '26 were up 0.1pt.

❖ Last Trading Day's Top Movers

Top Performers	Price	Change
TAISEM 4 1/2 04/22/52	**96.3**	**1.3**
SINOPE 4.6 09/12/48	**95.0**	**1.2**
NWDEVL 4.8 PERP	**46.3**	**1.1**
NWDEVL 4.125 PERP	**67.2**	**1.0**
NWDEVL 6 1/4 PERP	**57.2**	**0.9**

Top Underperformers	Price	Change
EHICAR 12 09/26/27	**83.7**	**-1.3**
EHICAR 7 09/21/26	**78.1**	**-0.8**
DBJJP 3.665 12/18/43	**81.1**	**-0.5**
DALWAN 11 01/20/25	**93.0**	**-0.4**
YUEXIU 3.8 01/20/31	**83.2**	**-0.3**

❖ Marco News Recap 宏观新闻回顾

Macro – S&P (+1.58%), Dow (+0.24%) and Nasdaq (+2.64%) rebounded on Wednesday. US Jul'24 ADP employment was +122k, lower than the expectation of +147k. Euro-zone Jul'24 CPI was +2.6% yoy, higher than the expectation of +2.5%. UST yields retreated yesterday, 2/5/10/30 yield reached 4.29%/3.97%/4.09%/4.35%.

❖ Desk analyst comments 分析员市场观点

➢ NWDEVL: A step to resume access to capital markets

NWDEVL 5.25 Perp remains our top pick

NWD announced the issuance of a new 3.5-yr USD bond which will be the first USD bond issue from the company since Jun'22. At the same time, NWD announced the concurrent tender offer for NWDEVL 6.15 Perp and NWDEVL 4.75 01/23/27 at 100.0 and 96.0, respectively. We expect the new issue to meet with decent market demand based on the IPT and improving market sentiment on NWD. The new issue helps NWD gradually resume the access to offshore capital markets and moderately relieve its refinancing pressure. As we wrote on 29 Jul'24, we expect more repurchases/tender offer from NWD given the good progress of NCD and its access to lower-cost funding alternatives. Within the NWDEVL complex, NWDEVL 5.25 Perp remains our top pick in view of its more balanced risk-return profile, i.e. lower cash price, highest YTC and highest credit spread (789bps) if the perp is not called on the first call date. NWDEVL 5.25 perp was 2.1 pts higher this morning while other NWDEVLs moved 0.5-2pts higher.

Table 1: NWDEVL's o/s bonds/perps

	Amt Out (USD mn)	Ask Price	YTM/YTC (Ask)	Next Call Dt	Coupon reset	Coupon Step-up
NWDEVL 6.15 PERP	**454**	**97.8**	**10.0**	**3/16/2025**	**3yrUST+6.201%**	**300bps**
NWDEVL 5 ¼ PERP	**999**	**86.0**	**15.2**	**3/22/2026**	**5yrUST+7.889%**	**300bps**
NWDEVL 4 ⅛ PERP	**1,140**	**66.2**	**17.1**	**3/10/2028**	**5yrUST+5.858%**	**300bps**
NWDEVL 6 ¼ PERP	1,300	56.7	11.0	9/7/2024	-	-
NWDEVL 4.8 PERP	700	45.6	10.5	08/29/2024	-	-
NWDEVL 4 ¾ 01/23/27	504	92.3	8.3	--	-	-
NWDEVL 5 ⅞ 06/16/27	172	94.3	8.1	03/16/2027	-	-
NWDEVL 4 ⅛ 07/18/29	718	80.6	9.1	--	-	-
NWDEVL 4 ½ 05/19/30	443	78.5	9.4	--	-	-
NWDEVL 3 ¾ 01/14/31	76	73.5	9.3	--	-	-
Source: Bloomberg.	6,506					

FV of new 3.5-yr bond to be low to mid 8% vs IPT of 8.875%

We consider the FV of new 3.5-yr NWDEVL to be low to mid 8% factoring into the valuations of NWDEVL 4.75 01/23/27 (YTM 8.2%) and NWDEVL 4.125 07/18/29 (YTM of 8.9%). The IPY is 8.875%. At the time of writing, the book for the new issue is already over USD1bn. While there is a cap of USD400mn on the size of tender offer, there will be no cap on the size of new issue.

The concurrent tender offer

NWD launched the tender offer to purchase NWDEVL 4.75 01/23/27 and NWDEVL 6.15 Perp at 96.0 and 100.0, respectively. The maximum acceptance amount will be USD400mn. The priority of acceptance of the tender offer will be given to bondholders participating into the new 3.5-yr issue. Our interpretation is that the tender offer is conditional upon the issuance of new 3.5-year bonds. That said, in view of the book size at the time writing, we expect the new issue and tender offer to go through.

Table 2: Details of the tender offer

Bond	NWDEVL 4.75 01/23/27	NWDEVL 6.15 PERP
o/s amt	USD504.2mn	USD453.9mn
Purchase price	96.0	100.0
Maximum acceptance amount	Determined after expiration date and shall not exceed USD400mn	
Expiration date	7 Aug'24	

Source: Company fillings.

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➢ VEDLN: Demerger approved by stock exchanges

Vedanta Limited (VEDL) has received approval from BSE Ltd and National Stock Exchange of India for its proposed demerger on 31 Jul'24, after obtaining approval from 75% of its secured creditors on 30 Jul'24 for stock changes clearance and subsequent filling with National Company Law Tribunal (NCLT) on the demerger. As per the indicative timetable, VEDL expects to complete the demerger by the end of Dec'24, and upcoming milestones of the demerger are:-

- To submit the scheme to NCLT and NCLT will conduct hearing of scheme
- To receive order from NCLT to conduct shareholders and creditors meetings
- To file scheme petition with NCLT after getting approvals from shareholders and creditors
- To receive NCLT sanction to the scheme
- To file listing applications with stock exchanges on the 5 newly created companies

VEDL expects NCLT will take 2-3 months to conduct the hearing on the scheme application, and take another 3-4 months to sanction to the scheme. Despite the current progress is behind the indicative timetable for the NCLT sanction by Jul'24, VEDL is progressing towards obtaining all the required regulatory approvals on the split of business units. We maintain neutral on VEDLNs on valuation. Please see our analysis on the demerger and maturity profiles of VEDL and Vedanta Resources in our daily on 11 Jul'24.

Bond	ISIN	o/s amt (USDmn)	Ask px	YTM (ask, %)	Issue rating
VEDLN 9.25 04/23/26	US92243XAA90	600	99.17	9.77	Ca/B-/-
VEDLN 13.875 01/21/27	US92243XAD30	470	100.6	6.46	-/B-/-
VEDLN 13.875 12/09/28	US92243XAE13	1,008	99.07	14.17	-/B-/-
VEDLN 13.875 12/09/28	US92241TAM45	894	100.04	13.87	Ca/B-/-
Total		2,972			

Source: Bloomberg.

➢ China Economy - PMI signified economic slowdown

China's manufacturing PMI has contracted for the third consecutive month as demand continued to deteriorate while production barely stayed in expansion. Non-manufacturing activities continued to decline as service PMI ceased expanding and construction activities further receded to its one-year trough. Deflation in manufacturing intensified since ex-factory price index further dipped and material purchase price contracted for the first time in 13 months. The eroding PMI pointed to a softening economy into 2H24, requiring additional policy support. The recent Politburo meeting indicates a shift of policy focus to consumption weakness, yet without a specific plan on how to revive consumer income and confidence. We only expect new fiscal measures as policy flexibility will be accommodated in case of a Trump victory and dramatic tariff hikes. China's monetary policy might remain accommodative with additional cuts by 10-20bps in LPRs, refinancing rates and deposit rates in the remainder of the year, in our view.

Manufacturing activities further contracted amid broad-based deterioration. China's manufacturing PMI edged down to 49.4% in July from 49.5%, minimally higher than expectations of 49.3%. Demand continued to deteriorate as new orders index has declined for the fourth consecutive month to 49.3% in July. Dragged by eroding demand, production also dropped to 50.1% in July from 50.6% in June, barely staying in expansion. Existing order edged up to 45.3% in July from 45, while supplier delivery time further shortened with its index at 48.3%. Corporate procurement contracted at a slower rate with material purchase volume inched up to 48.8% in July from 48.1%. De-stocking persisted as raw materials inventory and finished goods inventory kept contracting, registering 47.8% and 47.8% in July compared to 47.6% and 48.3% in June. Breaking down by sector, new orders index of printing and cultural & recreational supplies and transportation equip other than vehicle showed booming demand and production while ferrous metal smelting and processing and etc. remained in deep contraction. PMI of large enterprises kept rising to 50.5% in July from 50.1%; while medium and small enterprises further contracted to 49.4% and 47.7% during the same period from 49.8% and 47.4%.

Deflation in manufacturing products intensified as commodity price sharply retreated. Ex-factory price index notably dipped to 46.3% from 47.9%, the lowest reading since June 2023. Price of manufacturing products may face further headwinds as material purchase price dropped to 49.9% in July from 51.7% in June, contracting for the first time in 13 months, as global commodity price markedly dipped 7% in July to one of the lowest levels since Jan 2021. China's PPI may encounter more hurdles as cost-driven reflation ran its course. Meanwhile, service price index rebounded to 48% in July from 47.4%, while construction price edged up to 49.3% from 49%. Looking forward, China's deflation pressure may minimally improve as CPI gradually rebounds within the lower positive range driven by mildly reflating service price and low base effect while PPI narrows its YoY decline due to base effect, slowly accelerating infrastructure investments and improving export activities.

Both service and construction indexes dipped. Non-manufacturing activities further weakened as its PMI dropped to 50.2% in July from 50.5%, slightly weaker than market expectation. Service PMI slowed down to 50% in July from 50.2%. New order index dipped to 46.7% in July from 47.1%. Breaking down by sector, activities in air and railway freight, postal services, TV & broadcast and culture, sports & entertainment activities reached above 55% in July, while retails, real estate and capital market services continued to contract. Construction PMI continued its moderation from 52.3% to 51.2% in July, with its new order index hit 40.1%, the lowest point since Feb 2020.

Employment remained weak. Employment indexes in manufacturing and service remained in contraction but marginally rose to 48.3% and 46.4% from 48.1% and 46.3%; while employment in construction notably dropped to 40.2% from 42.9%, the second lowest reading in history since Feb 2020. The Politburo meeting has vowed to support the labor market since it remained the major headwinds for economic recovery, especially for consumption, property purchase and private business sentiment.

China needs additional policy easing to support the growth. China's official PMI has softened for third consecutive month, with contracting manufacturing activities and declining non-manufacturing activities. As the

Politburo meeting pledged to meet growth target, some incremental fiscal measures might be implemented but it may not be a massive stimulus package. China may leave enough room for policy adjustments in case of a Trump victory and possible tariff hikes. China's monetary policy may remain accommodative with additional cuts by 10-20bps in LPRs, refinancing rates and deposit rates in the remainder of the year, in our view. As the US Fed is expected to start cutting interest rates in coming September, RMB may face less downward pressure in next four quarters. China will continue to inject huge credit and fiscal resources to support the development of high-tech industries.

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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)
Dazhou Industry Development	USD	-	3yr	7.0%	-/-/-
New World Development	USD	-	3.5yr	8.875%	-/-/-

➢ News and market color

- Regarding onshore primary issuances, there were 49 credit bonds issued yesterday with an amount of RMB30bn. As for month-to-date, 1,972 credit bonds were issued with a total amount of RMB1,901bn raised, representing a 20.1% yoy increase

- **[ADEIN]** Media reported that Adani group may bid USD1bn to acquire Jaypee Group's real estate assets; The company plans to invest USD2bn to develop Lien Chieu port project in Danang

- **[EDU]** New Oriental Education net revenue rose 44% to USD4.3bn in FY24

- **[FOSUNI]** Media reported that Fosun International owned Portuguese healthcare firm may revive Lisbon IPO plans

- **[IDASAL]** Media reported that Mineral Industri Indonesia launched general syndication process for an up to USD1.5bn revolving credit loan. The syndicated loan has an average tenor of 4.5 years and margin of SOFR+115 to 125bps

- **[LENOVO]** Lenovo delayed dispatch of information on issuance of USD2bn CBs

- **[SHIMAO]** Shimao Group's winding-up petition hearing adjourned to 12 Aug'24

- **[TPHL]** Times China announced adjournment of winding-up petition hearing to 12 Aug'24

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