

CMBI Credit Commentary

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

- *Asian IG space widened 3-7bps this morning with light flows. New ORIX'29 widened 3bps. CHPWCN'27 widened 7bps. SUMITRs were unchanged to 5bps tighter. HK developers were weak, NWDEVLs dropped 1-3pts, HYSAN Perps down 0.2-0.5pt.*
- **Macau gaming:** Accelerating GGR recovery in Aug'24. See comments below.
- **VEDLN:** Tender offers on VEDLN 13.875 01/21/27 and VEDLN 13.875 12/09/28 at par. See comments below.

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❖ Trading desk comments 交易台市场观点

Asia IG space was mixed yesterday. CHPWCN priced a USD500mn 3-yr green bond at CT3+60. CATLIF 34/39 were 1-3bps wider. KRKPSC 27/29 widened 5-10bps. In Chinese IGs, HAOHUA '28/TENCNT '30 widened 1-2bps. MEITUA 30s tightened 5bps following Moody's one notch upgrade to Baa2. In financials, Chinese AMCs were traded in mixed two-way flows. ORIEAS 27/29 were 2-3bps tighter. HRINTH '24 was 3bps tighter, HRINTH 26-30s were 2-7bps wider. In AT1s, BACR 9.625 Perp/INTNED 8 Perp/SOCGEN 8.5 Perp were up 0.2-0.4pt. In HK, NWDEVL Perps/27-31s dropped another 1.3-2.6pts on back of PB selling. See our comments on 2 Sep '24. CKINF/CKPH/NANFUN Perps were 0.6-1.2pts higher. Chinese properties were weak. SHUION 25-26s declined 1.2-1.7pts. See our comments on 3 Sep '24. FUTLAN/FTLNHD 24-26s were 0.5-1.2pts lower. VNKRL 27-29s/LNGFOR 28-32s were down 0.4-0.9pt. CHIOLI 34-43s, on the other hand, were up 0.6-0.7pt. In industrials, EHICAR '26 declined 1.2pts and closed 1.9pts lower WTD. CHIOIL '26/WESCHI '26/FOSUNI '27 were also 0.5-0.8pt lower. In Macau gaming, MPEL/SANLTD/STCITY 27-30s were down 0.2-0.5pt. In India, VEDLN '28 was 1.3pts higher, while its 26/27 were up 0.1-0.2pt. In Indonesia, MDLNIJ '27 was 1.0pt higher. LPKRIJ '26 was up 0.5pt. Elsewhere, GLPSP Perps were 0.9-1.1pts lower.

In LGFVs, CPDEV 25/26/Perp were up 0.1pt. KMRLGP '25 was 0.3pt higher. HNYUZI '26/LYURBN '27 were up 0.2pt. On the other hand, SXUCI '26/NJYZSO '27/CDCOMM '27 were 0.1-0.2pt lower. The new FRESHK 5.875 '28 closed 10bps wider (0.2pt lower). HUANEN/HNINTL 30s were up 0.2pt. In SOE perps, SPICPT/COFCHK Perps were up 0.1pt.

❖ Last Trading Day's Top Movers

| Top Performers | Price | Change | Top Underperformers | Price | Change |
|-----------------------|-------|--------|-----------------------|-------|--------|
| VEDLN 13 7/8 12/09/28 | 102.3 | 1.3 | NWDEVL 4 1/2 05/19/30 | 71.1 | -2.6 |
| CKPH 3.8 PERP | 69.9 | 1.2 | NWDEVL 4 1/8 07/18/29 | 72.6 | -2.4 |
| CHGRID 4 05/04/47 | 90.6 | 1.2 | NWDEVL 5 1/4 PERP | 82.2 | -1.8 |
| CKPH 3 1/2 PERP | 65.3 | 1.1 | SHUION 5 1/2 03/03/25 | 81.8 | -1.7 |
| MDLNIJ 5 04/30/27 | 32.6 | 1.0 | NWDEVL 4 1/8 PERP | 61.6 | -1.6 |

❖ Marco News Recap 宏观新闻回顾

Macro – S&P (-2.12%), Dow (-1.51%) and Nasdaq (-3.26%) were weak on Tuesday. US ISM Aug'24 manufacturing PMI was 47.2, lower than the expectation of 47.5. China Caixin Aug'24 service PMI was 51.6, lower than the expectation of 51.9. UST yield retreated that 2/5/10/30 yield reached 3.88%/3.65%/3.84%/4.13%.

❖ Desk analyst comments 分析员市场观点

➤ Macau gaming: Accelerating GGR recovery in Aug'24

| 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 | 17,694 | 113,753 | 42% | 76% |
| Jul | 398 | 16,662 | 18,595 | 132,348 | 37% | 76% |
| Aug | 2,189 | 17,213 | 19,754 | 152,102 | 33% | 77% |
| Sep | 2,962 | 14,937 | - | - | - | - |
| Oct | 3,899 | 19,501 | - | - | - | - |
| Nov | 2,999 | 16,043 | - | - | - | - |
| Dec | 3,482 | 18,564 | - | - | - | - |

Source: Macau DSEC.

In Aug'24, the gross gaming revenue (GGR) in Macau rose 14.8% yoy to MOP19.8bn. The cumulative GGR in 8M24 increased 33.4% yoy to MOP152.1bn, reaching 77% of the pre-pandemic level in 8M19. The yoy growth of Macau gaming revenue accelerated in Aug'24 after the Chinese government raised duty-free allowance from RMB5k to RMB12k for travelers from Macau to mainland China. We expect the aggregate 2024 GGR to exceed Macau government's target of MOP216bn (i.e 18% yoy growth) in view of the current run-rate.

Macau gaming operators' operating performance significantly recovered in 1H24. Six operators (including studio City under Melco Resorts) with outstanding USD bonds released improved 1H24 results and maintained robust credit profiles. Please see [our comments on 21 Aug'24](#). We expect the Macau gaming operators' operating performance to be solid in 2H24. Besides, We expect these operators to be candidates to early redeem their bonds given their improved financial conditions and resumed accesses to capital market. [SJMHOLs](#) remain to be our top picks, followed by **MPCL**, **STCITY/STDCITY** for their better risk-return profiles. We also like MGMCHIs and long-dated WYNMACs which offer 40-90bps and c100bps yield pick-up over the bonds of their US parents. Meanwhile, we are neutral of SANLTDs on valuation.

| | Ask YTM (%) | Mod Duration | Ask price |
|----------------------|----------------|----------------|-------------------|
| MGMCHI | 6.0-6.6 | 0.8-4.0 | 96.8-102.6 |
| MPEL | 6.4-7.6 | 0.7-4.4 | 91.6-100.4 |
| SANLTD | 5.4-5.8 | 0.9-6.0 | 86.7-100.1 |
| SJMHOL | 6.8-7.5 | 1.3-3.0 | 92.3-97.0 |
| STCITY/STDCTY | 6.0-7.9 | 0.8-3.8 | 89.5-100.9 |
| WYNMAC | 4.9-6.9 | 1.3-4.5 | 92.3-98.9 |

Source: Bloomberg.

➤ **VEDLN: Tender offers on VEDLN 13.875 01/21/27 and VEDLN 13.875 12/09/28 at par**

Vedanta Resources (VRL) launched tender offers for VEDLN 13.875 01/21/27 and VEDLN 13.875 12/09/28 (o/s amt: USD1,008mn). Priority will be given to VEDLN 13.875 01/21/27. The consideration for early tender before 16 Sep'24 is 100, and the consideration for tender before 1 Oct'24 is 96.

The maximum acceptance amount to be accepted in the tender offers will be no greater than the net proceeds raised in the new bonds issuance. Prior to accept for purchases any VEDLN 13.875 12/09/28 tendered before the early deadline, VRL will set aside an amount from the net proceeds from the new bonds issuances for holders of VEDLN 13.875 01/21/27. As such, VRL expects to early redeem all VEDLN 13.875 01/21/27 of USD470mn, while VEDLN 13.875 12/09/28 validly tendered may not be purchased at all or may be subject to pro ration.

On 2 Sep'24, VRL has distributed conditional redemption notices to redeem VEDLN 13.875 01/21/27 and VEDLN 13.875 12/09/28 (o/s amt: USD1,008mn) in full on 2 Oct'24, subject to the condition that the VRL raises sufficient amount from the new bonds issuance to pay such redemption price. The new bonds issuance refers to the proposed 5NC2 and 7NC3 USD bonds (S&P: B-) mandated on 2 Sep'24 to refinance the above two outstanding bonds. VRL is the parent guarantor of the new bonds, Twin Star Holdings and Welter Trading Ltd will be the subsidiary guarantors, these are the same as the existing VEDLN 13.875 01/21/27 and VEDLN 13.875 12/09/28 (o/s amt: USD1,008mn). Also, the new bonds will have negative lien on brand fee receivables. However, the new bonds do not have amortization payment in contrast to VEDLN 13.875 01/21/27 and VEDLN 13.875 12/09/28 (o/s amt: USD1,008mn).

Besides, the use of proceeds of the new bonds do not include refinancing for VEDLN 13.875 12/09/28 (o/s amt: USD894mn), which is only guaranteed by subsidiaries guarantors Twin Star Holdings and Welter Trading Ltd, or VEDLN 9.25 04/23/26 of USD600mn is only guaranteed by VRL.

We view the proposed issuance an opportunistic refinancing exercise, given VRL does not have near-term refinancing pressure on the USD bonds. VEDLN 13.875 01/27/27 will be due in Jan'27, and the next amortization on the two VEDLN 13.875 12/09/28 totaled USD634mn will be due in Aug'27. Per media report, VRL is looking to price at 9-handle, compared with market expectation of 10-12%. Assuming the USD1.5bn to be issued at 11%, the refinancing exercise would reduce VRL's interest expenses by USD43mn per year, as well as to lengthen the VRL's maturity profile by c3years according to our calculation. At Jun'24, VRL has standalone gross debt of USD5.1bn, lowered from USD5.7bn at Mar'24 and USD7.3bn at Mar'23.

We maintain neutral on VEDLNs on valuation. The improvement of profitability in Vedanta Ltd (VEDL) during 1QFY25 should help to maintain the stability of dividend upstream to VRL, which, in turn, will enhance the cash flow stability for VRL to fulfill its debt obligations. On 2 Sep'24, VEDL has declared third interim dividend of INR78bn (cUSD932mn), VRL should receive cash dividend cUSD525mn from its 56.38% shareholdings in VEDL. We take additional comfort with the good access of VEDL and VRL to different onshore and offshore funding channels.

| Bond | ISIN | o/s amt (USDmn) | Ask px | Issue rating |
|---------------------------------|--------------|-----------------|--------|--------------|
| Included in tender offer | | | | |
| VEDLN 13.875 01/21/27 | US92243XAD30 | 470 | 101.1 | -/B-/- |
| VEDLN 13.875 12/09/28 | US92243XAE13 | 1,008 | 101.3 | -/B-/- |

VRL's other o/s bonds

| | | | | |
|--------------------------|--------------|-------|-------|--------|
| VEDLN 9.25 04/23/26 | US92243XAA90 | 600 | 99.4 | Ca/B/- |
| VEDLN 13.875 12/09/28 | US92241TAM45 | 894 | 100.6 | Ca/B/- |
| Total | | 2,972 | | |
| Early tender price (USD) | 100 | | | |
| Tender price (USD) | 96 | | | |
| Early deadline | 16 Sep'24 | | | |
| Expiration time | 1 Oct'24 | | | |

Source: Bloomberg, Company filling.

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

| Issuer/Guarantor | Size (USD mn) | Tenor | Coupon | Priced | Issue Rating (M/S/F) |
|-----------------------------------|---------------|---------|-----------|-----------|----------------------|
| Orix Corp | 700 | 5yr | 4.65% | T+100 | A3/A-/BBB+ |
| Power Construction Corp. of China | 500 | 3yr | 4.3% | T+60 | -/-/A- |
| Republic of Indonesia | 1150/650 | 10/30yr | 4.8%/5.2% | 4.8%/5.2% | Baa2/BBB/BBB |

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

| Issuer/Guarantor | Currency | Size (USD mn) | Tenor | Pricing | Issue Rating (M/S/F) |
|---------------------------|----------|---------------|--------|---------|----------------------|
| Denso Corporation | USD | - | 5yr | T+110 | A2/A+/- |
| Meiji Yasuda Life | USD | - | 30NC10 | 6.0% | A3/A/- |
| Nan Shan Life Insurance | USD | - | 10yr | T+195 | -/BBB/BBB |
| GF Securities Co., Ltd | USD | - | 3yr | - | -/BBB/- |
| Qingdao City Construction | USD | - | 3yr | - | -/-/BBB+ |

➤ **News and market color**

- Regarding onshore primary issuances, there were 65 credit bonds issued yesterday with an amount of RMB48bn. As for Month-to-date, 143 credit bonds were issued with a total amount of RMB123bn raised, representing a 89.3% yoy increase
- **[CISIFG]** China Industrial Securities International Financial sets up USD1bn structured note programme
- **[HONGQI]** China Hongqiao onshore unit resold RMB341mn 22Hongqiao02 bonds
- **[KAISAG]** Kaisa Group winding-up petition hearing adjourned to 31 Mar'25
- **[MEITUA]** Moody's upgraded Meituan to Baa2 with positive rating outlook
- **[MINMET]** China Minmetals Corp completed redemption of all outstanding USD1bn MINMET 3.375 PERP
- **[ROADKG]** Road King Infrastructure expects to recognize GBP1.3mn accounting gain upon completion of disposal of all shareholdings in Predaptive OD

- **[UMQHTH]** Urumqi Gaoxin Investment and Development Group announced to exercise early redemption option to redeem all outstanding RMB806.2mn 5.5% bonds due 2026 on 13 Sep'24

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