

CMBI Credit Commentary

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

- *New issue LGELEC'27/29 opened 2-3bps tighter but closed 5-8bps wider this morning. Asian IG space widened up to 10bps with light flows. Chinese developers were weak with better selling.*
- **SANLTDs:** *Weaker than expected 1Q24 results. Maintain neutral on SANLTDs. See below.*
- **YUEXIU/CHJMAO:** *Moody's downgraded YUEXIU to Ba1 from Baa3, CHJMAO to Ba2 from Ba1 and maintained negative outlook for both developers. YUEXIUs were unchanged and CHJMAOs moved -0.3 to +0.1pt this morning.*

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❖ Trading desk comments 交易台市场观点

Yesterday, ASLAU priced a USD350mn 5NC2 bond at par to yield 7.5%. In KR, LGELEC priced a USD500mn 3-yr bond at CT3+95, and a USD300mn 5-yr bond at CT5+110. The new HYNCRD 29s opened 5bps tighter from RO (T+135) before closed at T+133. DAESEC/HYNMTR/POHANG 27-29s were skewed to better buying. In AU bank T2s, ANZs/CBAAs were under better buying from PBs and closed unchanged to 4bps tighter. Chinese IG spreads were traded in a small range. HAOHUAs/TENCNTs closed unchanged to 2bps wider. In the high-beta TMTs, MEITUA/XIAOMI 30-31s were 2-4bps wider. In financials, BOCAVI 28-33s remained well bid, whilst the Chinese bank T2s such as ICBCASs widened 3-5bps under small selling. In EU AT1s, BNP/HSBC Perps were up 0.25-0.5pts. In HK, NWDEVL Perps were down 0.9-1.6pts and closed 2.4-3.9pts lower WTD. NWDEVL 27-31s were down 0.5-1.0pt. Chinese properties were mixed. LNGFOR 27-32s were up 0.7-1.7pts despite Moody's one-notch downgrade. SHUION 24-26s were up 0.9-1.4pts. VNKRL 24-29s edged 0.6-1.1pts higher. Meanwhile CHJMAOs remained muted despite Moody's one-notch downgrade. On the other hand, CHIOLIs declined 0.2-0.7pt. COGO '26 was unchanged to 0.2pt lower. The loose bonds were well digested by Chinese RMs. ROADKG '24 was down another 1.0pt and closed at low-50s. In Macau gaming, SANLTDs/STCITYs were up 0.2-0.5pt. In Indonesia, APLNIJ '24 was up another 2.1pts and closed around 3pts higher WTD. INDYIJ 24-25s were unchanged to 0.1pt higher. Indian steel producer JSTLINS were unchanged to 0.1pt higher, following JSW Steel's full redemption of its USD500mn JSTLIN 5.95 04/18/24.

LGFVs were stable. The lower-yielding names were traded in mixed two-way interests. The new GZFINH 5.45 '26 hovered at the RO level. SXUCI '26/CDCOMM '24 were unchanged to 0.1pt lower. Shandong names such as JMUDIVs/SHGUOHs were under better selling and closed 0.1pt lower. In SOE perps, HUADIA announced the full redemption of its USD500mn

HUADIA 4 Perp on 29 May, the first call date. CHPWCN 3.08 Perp/CHSCOI 3.4 Perp were up 0.1pt, whilst COFCHK 3.1 Perp/SPICPT 3.45 Perp were down 0.1pt. In insurance names, ZHONAN 26s were better bid while we saw its 25s were switched out from RMs.

❖ Last Trading Day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
APLNIJ 5.95 06/02/24	77.1	2.1	NWDEVL 5 1/4 PERP	64.4	-1.6
LNGFOR 3.85 01/13/32	47.4	1.7	NWDEVL 4 1/8 PERP	50.2	-1.2
LNGFOR 4 1/2 01/16/28	62.0	1.7	NWDEVL 6.15 PERP	81.7	-1.1
SHUION 6.15 08/24/24	89.7	1.4	NWDEVL 6 1/4 PERP	47.6	-1.0
SHUION 5 1/2 03/03/25	74.2	1.3	ROADKG 6.7 09/30/24	50.5	-1.0

❖ Marco News Recap 宏观新闻回顾

Macro – S&P (-0.22%), Dow (+0.06%) and Nasdaq (-0.52%) were mixed on Thursday. The latest US initial jobless claim was +212k, lower than the expectation of +215k. UST yield rallied higher yesterday, 2/5/10/30 yield reached 4.98%/4.68%/4.64%/4.74%.

❖ Desk analyst comments 分析员市场观点

➤ SANLTDs: Weaker than expected 1Q24; maintain neutral

Sands China (SCL) reported weaker than expected 1Q24 results, reflecting the disruption of the renovation and lower win rate. Its net revenue increased 42% yoy to USD1.8bn, reaching c77% of 1Q19 level. Its adjusted property EBITDA in 1Q24 rose 53% yoy to USD610mn, reaching c71% of 1Q19 level. Nonetheless, its net revenue and adj property EBITDA declined 2.8% and 6.7% on a qoq basis. The overall win rates were lower in 4Q23 and 1Q24, SCL's adj property EBITDA in 1Q24 would decline 7.6% qoq assuming a normalized win rate.

Looking ahead, SCL's operating performance over the coming 3-4 quarters will still be affected by the renovation. The Cotai Arena and London hotel will only return to normal operations by Nov'24 and May'25, respectively. That said, SCL will be able to cover the renovation costs of USD200mn comfortably with cash on hand and operating cash inflow. The impact of the renovation to its credit profile should be insignificant.

Furthermore, the recoveries of GGR and tourist arrivals of Macau remains resilient. These should continue to support the recovery of SCL's operating performance on a yoy basis. In 1Q24, the cumulative gross gaming revenue in Macau increased 66% yoy to MOP57.3bn, reaching c75% of pre-pandemic level in 1Q19 while tourist arrivals rose 80% yoy to c8.9mn, reaching 85% of 1Q19.

As we discussed in our daily yesterday, we believe that Macau gaming operators are candidates for early redemptions given their improved fundamentals and resumed external funding accesses. On 8 Apr'24, Studio City announced the tender offer for STCITY 6 07/15/25 (o/s USD397mn) with tender cap of USD100mn. Meanwhile, Melco issued USD750mn MPEL 7.625 04/17/32 in Apr'24. We believe that the improving credit stories, resulting positive rating actions and technical support from the potential early redemptions should support the performance of the sector's USD bonds despite the convictions of the sector is lower. We maintain neutral on SANLTDs on valuation. In Macau gaming sector, we prefer **SJMOL**, **MPEL** and **STCITY/STDCTY** for their better risk-return profiles.

	Ask YTM (%)	Mod Duration	Ask price
MGMCHI	5.5-6.7	0.1-2.6	95.2-100.0
MPEL	7.2-7.7	1.1-4.7	90.0-99.7
SANLTD	6.1-6.3	1.2-6.2	82.3-98.6
SJMHOL	7.3-7.5	1.6-3.3	91.3-95.4
STCITY/STDCTY	7.0-8.4	1.1-4.0	87.1-100.0
WYNMAC	2.9-7.4	0.4-4.7	90.4-107.2

Source: Bloomberg.

➤ Offshore Asia New Issues (Priced)

Issuer/Guarantor	Size (USD mn)	Tenor	Coupon	Priced	Issue Rating (M/S/F)
LG Electronics Inc	500/300	3/5yr	5.625%/5.625%	T+95/110	Baa2/BBB/-
Perenti Finance Pty Ltd	350	5NC2	7.5%	7.5%	-/BB/BB+

➤ 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 143 credit bonds issued yesterday with an amount of RMB129bn. As for month-to-date, 1,073 credit bonds were issued with a total amount of RMB1,022bn raised, representing a 10.3% yoy decrease
- **[CCAMCL]** Fitch affirmed China Cinda AMC A- rating and revised outlook to negative from stable
- **[CHJMAO]** Moody's downgraded China Jinmao to Ba2 from Ba1 and maintained negative outlook
- **[FRESHK]** Far East Horizon plans to distribute special dividend to shareholders
- **[HUADIA]** China Huadian Corp announced to redeem all USD500mn HUADIA 4 PERP on first call date of 29 May
- **[INDYIJ]** Indika expects to price USD notes funding tender offer next week
- **[JD]** JD.com repurchased USD1.2bn shares from open market in 1Q24
- **[KWGPRO]** Media reported that KWG Group is seeking to sell Beijing office building for cRMB1.5bn
- **[YUEXIU]** Moody's downgraded Yuexiu Property to Ba1 from Baa3 and maintained negative outlook

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