

CMBI Credit Commentary

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

The Asset Asian G3 Bond Benchmark Review 2025

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 2025". Thank you for your support!

- *This morning, the new NHSECS 4.625 28/NHSECS 4.75 30 tightened 5bps from ROs. The new KORGAS Float 28 tightened 2bps, KORGAS 4.25 30 was unchanged from ROs. SHIKON/NSINTW 34-35s tightened 1-2bps. NIPLIF/MYLIFE 55s were up another 0.1pt. FAEACO Perp lowered another 2.2pts.*
- **CNMDHLs:** *initiation the coverage CNMDHLs with neutral recommendations. This morning, CNMDHL 4 7/8 07/10/30 widened 8bps to T+123 with YTM of 5.1%. The old CNMDHL 2.125 07/14/26 widened 1bp. See below.*
- **Macao gaming:** *GGR growth accelerated in Jun'25, attributable to concerts of Canto and Korean pop stars. MGMCHI 27-31s, SANLTD 26-31s, SJMHOL 26-31s, STCITY/STDCTY 27-29s and WYNMAC 26-29s were unchanged to 0.2pts higher, and MPEL 26-29s were 0.1pt lower to 0.1pt higher this morning. See below.*

❖ Trading desk comments 交易台市场观点

Yesterday, on primary, CNMDHL priced 5yr bond at T+115 yielding 5.018% (IPT at T+165). The old CNMDHL 26 was 9bps tighter (0.1pt higher). See comments below. QATIQD priced NC6 Perp AT1 at 6.15% (IPT at 6.75%). SOFTBK priced 3.75yr, 5.5yr, 7yr, 10yr bonds at 6.5%, 6.875%, 7.25%, 7.5% (IPT at 6.75%, 7.125%, 7.5%, 7.875%) respectively. NHSECS priced 3yr, 5yr bonds at T+90, T+100 (IPT at T+130, T+140), respectively. KORGAS priced 3yr floating rated bond, 5yr fixed rated bond at SOFR+65, T+47 (IPT at SOFR+105, T+85), respectively. In Chinese IGs, BABA 35s/TENCNT 30s tightened 1bp. ZHOSHK 28s tightened 10bps on AM chasing. In financials, FRESHK 26-28s tightened 2-5bps. Last night, FRESHK announced full conversion, and withdrawal of listing of all o/s convertible bond FRESHK 2.5 07/08/25. BBLTB 36s tightened 1bp, BBLTB 34s/40s widened 1bp. STANLN/HSBC Float 29-31s tightened 1-2bps. SUMIBK/MIZUHO Float 29-31s were unchanged to 2bps wider. In insurance papers, SHIKON/NSINTW 34-35s tightened 1-3bps. MYLIFE/NIPLIF 53-55s were up 0.2-0.5pt, as the moderate profit taking flows from RMs/PBs were well absorbed. In AT1s, LLOYDS 6.413/NWG 8.125 Perps were 0.3-0.8pt higher. In HK, NWDEVL Perps/27-31s were 0.1-0.6pt lower. See our comments on NWD's loan refinancing on [2 Jul '25](#). FAEACO Perp lowered 1.3pts, closed 3.4pts lower WTD. Last night, Far East Consortium (FEC) announced the completion of disposal of 53.21% shares in BC Investment. NDPAPE Perp lowered 1.1pts.

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Glenn Ko, CFA 高志和
(852) 3657 6235
glennko@cmbi.com.hk

Cyrena Ng, CPA 吳蓓瑩
(852) 3900 0801
cyrenang@cmbi.com.hk

Jerry Wang 王世超
(852) 3761 8919
jerrywang@cmbi.com.hk

MTRC Perps were unchanged to 0.1pt lower. On the other hand, PCPDC 26 rose 1.2pts. HYSAN Perps were 0.1-0.8pt higher. CKINF/CKPH Perps were up 0.2-0.4pt. In Chinese properties, ROADKG 28-30s were unchanged to 0.5pt higher, closed 0.1-0.7pt lower WTD. In SE Asia, VEDLN 28-33s were 0.2-1.0pt higher. VLLPM 27-29s declined 0.2-1.0pt, closed 0.1-0.2pt higher WTD. GLPSP 4.5 Perp lowered 0.5pt. Meanwhile, DELMPI 9 Perp was unchanged. Del Monte Pacific received SGX approval for extension to release its FY25 results, and Del Monte Foods has filed Chapter 11 bankruptcy proceeding in the US.

In LGFVs, there was robust RM demand in higher-yielding names with tactical investors switching out short dated 25s/26s papers. There were two way interests on CNH names such as QDOCID 6.8 27s/CDTFDG 7.3 27s/SHAHEI 7.8 27s. In SOE perps, SPICPE/SPICPD Perps were unchanged to 0.1pt higher.

❖ Last Trading Day's Top Movers

| Top Performers | Price | Change | Top Underperformers | Price | Change |
|----------------------|-------|--------|----------------------|-------|--------|
| PCPDC 5 1/8 06/18/26 | 95.5 | 1.2 | FAEACO 12.814 PERP | 56.1 | -1.3 |
| VEDLN 9.85 04/24/33 | 100.7 | 1.0 | NDPAPE 14 PERP | 101.5 | -1.1 |
| HYSAN 4.85 PERP | 65.3 | 0.8 | VLLPM 9 3/8 07/29/29 | 67.1 | -1.0 |
| LLOYDS 6.413 PERP | 103.8 | 0.8 | NWDEVL 10.131 PERP | 38.4 | -0.6 |
| ROADKG 5.2 07/12/29 | 25.0 | 0.6 | BABA 5 5/8 11/26/54 | 97.5 | -0.5 |

❖ Marco News Recap 宏观新闻回顾

Macro – S&P (+0.47%), Dow (-0.02%) and Nasdaq (+0.94%) were mixed on Wednesday. The US has lifted some export license requirements for chip design software sales in China, as Beijing and Washington implement a trade deal for critical technologies. The U.S. crude oil inventories was +3.845mn, much higher than the market expectation of -3.5mn. The U.S. ADP nonfarm employment in Jun'25 was -33k, lower than the market expectation of +99k. UST yield was higher on Wednesday, 2/5/10/30 yield at 3.78%/3.87%/4.30%/4.82%.

❖ Desk Analyst Comments 分析员市场观点

➤ CNMDHL: Valuation of New CNMDHL 30 not too appealing

This morning, CNMDHL 4 7/8 07/10/30 widened 8bps to T+123 with YTM of 5.1%. Priced at T+115bps vs IPT of T+165bps, we still consider the valuation of CNMDHL 4 7/8 07/10/30 (BBB rated by S&P) not too appealing. Indeed, we believe T+130bps is the FV of the new issue. That said, we expect decent technical demand for Chinese IG yielding 5%+, especially in domestic consumption sector. Hence, we initiation the coverage CNMDHLs with neutral recommendations. For Chinese IGs, we prefer AACTECs, WBs and ZHOSHKs.

Table 1: Bond profile of CNMDHL and peers

| Security name | ISIN | Amt o/s (USD mn) | Px | T-spread (bps) | Z-spread (bps) | YTM | Mod dur | Issue rating (M/S/F) |
|---------------------|--------------------|------------------|------|----------------|----------------|------|---------|----------------------|
| CNMDHL 07/10/30 | 4.875 XS3099223284 | 350 | 99.2 | 122.5 | 154 | 5.1% | 4.4 | -/BBB/- |
| CNMDHL 07/14/26 | 2.125 XS2355517728 | 448.334 | 97.3 | 115.2 | 94 | 4.8% | 1.0 | -/BBB/- |
| CHMEDA 2.5 06/17/30 | XS2186093923 | 300 | 91.6 | 59.9 | 90 | 4.4% | 4.6 | Baa1/-/- |

COFCHK 2.2 10/21/30 XS2237806281 500 90.2 47.8 80.9 4.3% 4.9 -/A-/A-

Source: Bloomberg.

China Modern Dairy (CMD) is the second largest dairy farm operator by herd size and raw milk output, after China Youran Dairy Group. CMD has been enjoying strong parental support from China Mengniu Dairy (Mengniu) which holds 56.36% stakes in CMD. The company entered into raw-milk 10-yr offtake agreement with Mengniu in 2008 to purchase at least 70% of raw milk output of CMD. The agreement was extended to 2028 in 2018. Over the past 3 years, CMD supplied an average of 92.7% of raw milk to Mengniu. The procurement from CMD accounted for 30% of Mengniu's total procurement. COFCO Corp (COFCO), which holds 24.24% in Mengniu and holds 1.43% directly in CMD, is one of the top three raw material suppliers of CMD.

CMD issued profit warning for 1H25 results as it expected to record a net loss of RMB800mn-1bn in 1H25, compared to a net loss of RMB207mn in 1H24. CMD expected the cash EBITDA to stay at a level similar to RMB1.5bn in 1H24. The net loss was mainly due to the drop in selling price of raw milk resulting from the oversupply of domestic raw milk and fair value loss from re-assessment of dairy cows. These were partly offset by the lower operating costs. Nonetheless, given the strong parental support and issuance of CNMDHL 4 ¾ 07/10/30, CMD's liquidity profile and the refinancing pressure are manageable.

➤ Macau gaming: GGR growth accelerated in June

In Jun'25, the gross gaming revenue (GGR) in Macau rose 19% yoy to MOP21.1bn, accelerating from 5% yoy growth in May'25. The yoy GGR growth in Jun'25 was the strongest since May'24. Despite GGR in May'25 declined 0.6% mom, the average daily GGR in Jun'25 was MOP702mn, 2.7% higher than that of May'25 which was lifted by the golden week. The stronger than expected GGR in Jun'25 was attributable to the higher visitation resulting from attractions such as the concerts of Canto and Korean pop stars. We expect the momentum to continue in Jul'25 in view of the concert pipeline.

Cumulatively, GGR in 6M25 increased 4.4% yoy to MOP118.8bn, accelerating from the 1.7% yoy increase in 5M25. The cumulative GGR in 6M25 was 79.4% of pre-pandemic level in 2019. The 6M25 GGR is equivalent to c52% of Macao government's revised GGR estimate of MOP228bn. In 2024, 50.2% of full year GGR was generated in 1H24. We believe the 2025 estimate is achievable given the sustained recovery in tourist arrivals (up c24% in 2024 and c15% in 5M25) and incremental supportive policies in mainland China. In Dec'24, the Chinese government resumed the application of multiple-entry visa to Macau for Zhuhai residents in Dec'24.

Despite the lower conviction levels, we expect that the performance of Macau gaming bonds will continue to be supported by the improving credit stories of operators, benefitting from the sustained GGR recovery, positive EBITDA and normalization of funding access. We consider Macau gaming bonds domestic consumption plays which should demonstrate defensiveness under the backdrop of trade war. Within the Macau gaming sector, our top picks are MPELs and STCITYs/STDCTY. We also consider SJMHOLs and MGMCHIs good carry plays. Meanwhile, we consider WYNMACs yield pick-up plays, trading at 34-100bps over bonds of its US parent. We are neutral on SANLTDs on valuation.

➤ Offshore Asia New Issues (Priced)

| Issuer/Guarantor | Size (USD mn) | Tenor | Coupon | Priced | Issue Rating (M/S/F) |
|--------------------|---------------|-------------|-------------------|------------------|----------------------|
| China Modern Dairy | 350 | 5yr | 4.875% | T+115 | -/BBB/- |
| Korea Gas Corp | 800 | 3yr/ 5yr | SOFR+65/ 4.25% | SOFR+65/ T+47 | Aa2/AA/AA- |

| | | | | | |
|--|------|---------|---------|---------|----------|
| National Bank of Kuwait | 800 | PerpNC6 | 6.375% | 6.375% | Baa3/-/- |
| NH Investment & Securities Co., Ltd | 300/ | 3yr/ | 4.625%/ | T+90/ | A3/A-/- |
| | 300 | 5yr | 4.75% | T+100 | |
| Qatar Insurance | 500 | PerpNC6 | 6.15% | 6.15% | -/BBB/- |
| Science City (Guangzhou) Financial Leasing Co., Ltd. | 36 | 3yr | 6.0% | 6.0% | -/-/BBB |
| SoftBank Group | 500/ | 3.75yr/ | 6.5%/ | 6.5%/ | -/BB+/- |
| | 600/ | 5.5yr/ | 6.875%/ | 6.875%/ | |
| | 600/ | 7yr/ | 7.25%/ | 7.25%/ | |
| | 500 | 10yr | 7.5% | 7.5% | |

➤ Offshore Asia New Issues (Pipeline)

| Issuer/Guarantor | Currency | Size (USD mn) | Tenor | Pricing | Issue Rating (M/S/F) |
|--|----------|---------------|-------|----------|----------------------|
| Qatar Commercial Bank | USD | - | 5yr | SOFR+130 | A3/A-/A |
| Zhangzhou Jiulongjiang Group Co., Ltd. | USD | - | 3yr | 5.1% | -/BBB-/BBB- |

➤ News and market color

- Regarding onshore primary issuances, there were 67 credit bonds issued yesterday with an amount of RMB71bn. As for Month-to-date, 130 credit bonds were issued with a total amount of RMB140bn raised, representing a 33.9% yoy increase
- Some Chinese car dealerships are urging automakers to offer better conditions as inventories start to pile up despite recent sales increases.
- **[BABA]** Alibaba to spend USD7bn in subsidies to boost instant retail business
- **[CIFIHG]** CIFI delivers 15,000 new flats in 1H25
- **[FRESHK]** Far East Horizon says all outstanding FRESHK 2.5 07/08/25 bonds converted into shares
- **[HYUELE]** SK Hynix's 2024 tax payment more than doubles on high-bandwidth memory (HBM) chip boom
- **[NSANY]** Nissan to recall 443,899 vehicles in US due to engine failure
- **[PERTIJ]** Pertamina targets 3% increase in oil and gas production this year. Pertamina's shipping unit seeks USD700mn loan
- **[SOFTBK]** SoftBank's USD6.5bn bid for semiconductor firm Ampere faces additional scrutiny from US Federal Trade Commission
- **[VEDLN]** India's National Company Law Tribunal defers Vedanta demerger clearance to 20 Aug'25 hearing

Fixed Income Department

Tel: 852 3657 6235/ 852 3900 0801

fis@cmbi.com.hk

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