CMBI Credit Commentary

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

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- *Asia IG space was in light flows this morning. Chinese TMTs BABA/MEITUA/JD were unchanged to 2bps wider. We saw dip buying flows in Chinese developers and high quality LGFV names such as GZDZCD/GZGETH.*

- ***TENCNT:** Stable operating performance with sharply increased capex in 3Q26. See below. TENCNTs were unchanged this morning.*

- ***LENOVO:** Lenovo Group FY1H27 revenue up 45.6% yoy to USD57.2bn; Its operating loss was USD98mn, turned from USD1.4bn profit in FY1H26. LENOVOs marked unchanged to 0.1pt higher this morning.*

❖ **Trading desk comments 交易台市场观点**

Yesterday, China TMT spreads widened 1-3bps with better selling in 10y risk across TENCNT/MEITUA/KUAISH and TME, though we saw decent buying interest in the belly and front end from Chinese and global RM on WB and MEITUA 5y. TW lifers also tracked lower, widening 3-5bps on better selling in CATLIF and NSINTW, while Asian bank FRNs remained under pressure, trading unchanged to a touch wider. Meanwhile, EU AT1s were mixed traded; recent new issues HSBC 7.625 and INTNED 7.75 perps gained around 0.25-0.375pts on better buying flow from Chinese RM and global HFs amid improved macro sentiment, whereas French names continued to struggle with better selling in SOCGEN and BNP long ends alongside light buying in the BNP front end.

In the higher-yielding space, real-estate developers remained weak, NWDEVL/CHJMAO/GRNCH/FUTLAN were 0.1-1pt lower. Industrial names BTSDF/WESCHI further down 0.1-0.3pt. CNH ZHHFGR rebounded c1pt. LGFVs space was overall weak while we saw some buying flows in high-quality names such as HNRAIL/GZGETH. Macau gaming names dropped another 0.1-0.5pt.

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❖ Last Trading Day's Top Movers

Top Performers	Price	Change
DBMMN 6.9 07/02/31	**96.2**	**1.0**
TSTSME 11 3/8 02/05/31	**98.2**	**1.0**
KORELE 7.95 04/01/2096	**129.6**	**0.8**
STBNKM 8.9 09/25/28	**97.2**	**0.8**
SOFTBK 5 1/4 07/06/31	**87.4**	**0.6**

Top Underperformers	Price	Change
YUEXIU 3.8 01/20/31	**82.5**	**-1.5**
JZSOCO 6 1/2 07/28/28	**95.6**	**-0.9**
NWDEVL 4 1/8 PERP	**81.6**	**-0.9**
NWDEVL 4.8 PERP	**50.5**	**-0.8**
YXREIT 6 1/2 02/12/29	**96.8**	**-0.8**

❖ Marco News Recap 宏观新闻回顾

Macro – S&P (-2.02%), Dow (-2.19%) and Nasdaq (-2.25%) were weak on Thursday. The latest US initial jobless claim was +203k, higher than the expectation of +198k. 2/5/10/30 year UST yield was lower yesterday. 2/5/10/30 year UST yield was at 4.76%/4.86%/5.04%/5.40%.

❖ Desk Analyst Comments 分析员市场观点

➢ TENCNT: Stable operating performance with sharply increased capex in 3Q26

In 3Q26, Tencent revenue increases 7.5% yoy to RMB207.3bn with improvement in its three major segments. Its gross profit margin slightly dropped to 55.9% from 56.5% in 3Q25, mainly dragged by lower margin of marketing services segment. In 3Q26, the gross margin of marketing services segment decreased to 52% from 57% in 3Q25 due to higher AI-related costs and Mini Drama costs. The gross margin of VAS and Fintech and Business Services was 64% and 50%, compared to 61% and 50% in 3Q25, respectively. During the period, Tencent's adj. EBITDA lowered 2.1% yoy to RMB84.9bn with adj. EBITDA margin of 40.9%, which dropped 4.1pct pts from 45.0% in 3Q25 as general and administrative expenses increased 28.7% yoy to RMB44.1bn.

As of Sep'26, Tencent had cash and ST investment of RMB485.8bn, rose 5.9% from RMB458.9bn in Jun'26. Its total debts increased 18.6% to RMB559.6bn from RMB471.8bn in the end of last quarter due to sharp increase in capex which was financed by debt. In 3Q26, Tencent's capex was RMB81.4bn, increased 527.2% yoy from RMB13.0bn in 3Q25 and 54.3% from RMB52.8bn in 2Q26. We expect Tencent's capex to remain elevated in the near term amid intense competition in AI business. Tencent also turned into net debt as of Sep'26 from net cash of RMB54.2bn as of Mar'26. That said, we are not too concerned about Tencent's near-term liquidity profile despite the net debt position given its stable operating performance as well as its smooth access to both debt and equity funding markets.

We are neutral on TENCNTs for their less appealing risk-return profiles compared to peers. Amongst Chinese TMT sector, we prefer BBB over A names. We like MEITUAs and XIAOMIs in view their more solid credit and liquidity profiles. We also prefer bonds with tenors of 3-5-year given our expectation of high UST volatility, especially in the long-end of the curve. Hence, we maintain buy on MEITUA 3.05 10/28/30, MEITUA 4 1/2 05/05/31, XIAOMI 3.375 04/29/30 and XIAOMI 2.875 07/14/31.

Table 1: Tencent's key financials

RMB mn	3Q25	3Q26	Change
Revenue	192,869	207,336	7.5%
- Value added services (VAS)	95,860	98,326	2.6%
- Marketing services	36,242	43,049	18.8%
- Fintech and business services	58,174	63,655	9.4%
- Others	2,593	2,306	-11.1%
Gross profit	108,798	115,911	6.5%
Adjusted EBITDA	86,698	84,893	-2.1%
Net profit	64,943	65,139	0.3%
Operating cash flow	85,312	2,652	-96.9%
Capex	12,983	81,433	527.2%
Gross profit margin	56.5%	55.9%	-0.6 pct pt
Adjusted EBITDA margin	45.0%	40.9%	-4.1 pct pt
Net profit margin	33.7%	31.4%	-2.3 pct pt
			-
	Jun'26	**Sep'26**	**Change**
Cash and short term investment	458,904	485,817	5.9%
ST debts	91,791	94,345	2.8%
LT debts	380,037	465,294	22.4%
Total debts	471,828	559,639	18.6%
Net debts (Total debts – cash – ST investment)	12,924	73,822	471.2%
Total debt/LTM EBITDA	1.5x	1.7x	-
Cash/ST debts	5.0x	5.1x	-

Source: Company filling, CMBI FICC Research.

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

Issuer/Guarantor	Size (USD mn)	Tenor	Coupon	Priced	Issue Rating (M/S/F)
ANZ	1200	2yr	5.155%	T+40	Aa2/AA-/AA-
	300	2yr	SOFR+50	SOFR+50	Aa2/AA-/AA-
	750	5yr	5.4%	T+55	Aa2/AA-/AA-
	750	5yr	SOFR+80	SOFR+80	Aa2/AA-/AA-

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

Issuer/Guarantor	Currency	Size (USD mn)	Tenor	IPT/IPG	Issue Rating (M/S/F)
No Offshore Asia New Issues Priced Today					

➢ News and market color

- Regarding onshore primary issuances, there were 92 credit bonds issued yesterday with an amount of RMB86bn. As for month-to-date, 1,000 credit bonds were issued with a total amount of RMB1,029bn raised, representing a 27.7% yoy decrease

- **[BABA]** Alibaba Group FY1H27 revenue up 9% yoy to RMB540.5bn and adj. EBITDA rose 35.5% yoy to RMB85.2bn

- **[INDYIJ]** Media reported that Indika Energy is considering IPO for its electric motorcycle subsidiary ALVA

- **[PDD]** PDD Holdings 9M26 revenue up 6.2% yoy to RMB326.9bn and operating profit up 17.3% yoy to RMB78.5bn

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