14 Aug 2025

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!

- *SHIKON tightened 5bps this morning. HK banks T2s tightened 3bps. Korea space was unchanged to 2bps tighter. MIZUHO/SUMIBK floaters were 2-3bps tighter. MTRC 5 5/8 and MTRC 4 7/8 Perps rose 0.4pt.*
- ***INDYIJ:*** *1H25 profits eroded on lower ASP and softened market demand. Maintain buy on INDYIJ 8.75 05/07/29, which was 1.4pt higher post results announcement. See below.*
- ***China Economy:*** *Liquidity condition to remain easing. CMBI expects USD/RMB may drop again in 4Q25 when US inflation might decline again and China might launch additional fiscal stimulus towards consumption; USD/RMB to reach 7.10 at end-2025. See below for comments from CMBI economic research.*

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❖ **Trading desk comments 交易台市场观点**

Yesterday, Asia IG opened firmly after the release of US CPI data, and the market almost fully priced in the expected 25bps rate cut in Sep'25 and a high chance of another 25bps rate cut in Oct'25. The newly issued WYNMAC 6.75 moved 0.7pt higher. The rest of WYNMAC 26-29s were largely unchanged. MGMCHIs were unchanged to 0.1pt higher. See our comment on Wynn Macau on 12 Aug'25, and on MGMCHI 1H25 results yesterday. TW lifers NSINTW/SHIKON tightened 5-10bps. HK Bank T2 BNKEA 34 tightened 7bps. MTRC perps edged 0.3pt higher, and BTSDF 9 1/8 07/24/28 was 0.2pt higher. Another higher-yielding name HONGQI 28s were 0.1pt higher. SINOCH 26-40s tightened 6-7bps. TENCNTs tightened 5-10bps. TENCNT announced solid 2Q25 results; the total revenue/non-IFRS operating income grew by 15%/18% yoy to RMB184.5/RMB69.2bn. FOSUNI 26-28s were unchanged to 0.2pt higher. Fosun Pharma licenses rights to sell medication to Expedition outside China for up to USD645mn, including USD120mn upfront. In Chinese properties, ROADKG 28-30s dropped 2.3-3.3pts. Holders of ROADKG 5.2 07/12/29 notes have not yet received coupon payments as grace period expired on 13 Aug'25. CSCHCN 4 ½ 08/19/27 retreated 2.6pts. CSC delays EGM on property services deal after winding-up order. In KR, PKX 30-35s tightened 5-7bps, and HYUELE 26-33s tightened 1-9bps. RAKUTN 27-29s were 2-7bps tighter. See our comment on RAKUTN's accelerating revenue growth in 1H25 yesterday. We continue to see demand

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from China-based investors for Japanese insurance hybrids and Yankee AT1s. In SEA, KRKPSC 27-29s tightened 10-15bps. PETMK long-end bonds PETMK 50-60s moved 1.3-1.9pts higher on lower UST. SMCGL Perps were unchanged to 0.1pt higher. VLLPM 27-29s were unchanged to 0.1pt lower. Vista Lands in talks with banks and noteholders to address December maturities for its PHP notes. TOPTB 28-50s rose 0.5-1.3pts. In LGFV, the new CNH GUAMET 28s and 30s dropped by 0.4pt while GZTIGL 28s moved 0.1pt higher.

❖ Last Trading Day's Top Movers

Top Performers	Price	Change
PETMK 5.848 04/03/55	**103.3**	**1.9**
PETMK 4.8 04/21/60	**88.5**	**1.3**
TOPTB 5 3/8 11/20/48	**87.0**	**1.3**
PETMK 4.55 04/21/50	**86.6**	**1.3**
SHIKON 6.95 06/26/35	**105.2**	**1.2**

Top Underperformers	Price	Change
ROADKG 5 1/8 01/26/30	**19.2**	**-3.3**
ROADKG 6 03/04/29	**20.6**	**-3.0**
ROADKG 5.2 07/12/29	**20.2**	**-2.9**
CSCHCN 4 1/2 08/19/27	**19.9**	**-2.6**
ROADKG 5.9 09/05/28	**22.5**	**-2.3**

❖ Marco News Recap 宏观新闻回顾

Macro – S&P (+0.32%), Dow (+1.04%) and Nasdaq (+0.14%) were higher on Wednesday. UST yield was lower on Wednesday, 2/5/10/30 yield at 3.67%/3.77%/4.24%/4.83%.

❖ Desk Analyst Comments 分析员市场观点

➢ INDYIJ: 1H25 profit eroded on lower ASP and softened market demand

Indika Energy (Indika) reported a 20.0% yoy decline in revenue during 1H25 to USD957mn, driven by lower ASP for coal and reduced sales volumes. In 1H25, Kideco's coal ASP fell 14.5% yoy to USD51.2/ton in 1H25, compared to USD59.9/ton in 1H24. Sales volume also declined, by 3.4% yoy to 14.4mt in 1H25. Indika Resources' sales volume dropped sharply to 0.3mt in 1H25 from 2.2mt in 1H24. The lower sales were primarily attributable to the weaker demand and decrease in export to China.

The extent of ASP decline more than offset the lower cash cost per ton, leading to 49.4% and 28.1% drop in operating profit and adj. EBITDA in 1H25, respectively. The cash cost (ex. royalty) in 1H25 decreased by 6.6% yoy to USD34.2/ton, due to the lower strip ratio at 5.1x. The cash cost (incl. royalty) fell 11.6% yoy to USD45.1/ton, reflecting lower ASP and the impact of a new royalty structure. The Indonesian government approved changes on the IUPK royalty structure, effective from 26 Apr'25. Coal is now subject to a maximum royalty rate of 28% when prices reach USD180/ton or above, compared to the previous threshold of USD100/ton.

Indika has been diversifying into non-coal businesses, including mineral, electric vehicles and green energy. Non-coal revenue in 1H25 grew 29% yoy to USD186mn, accounting for 19% of Indika's total revenue, up from 12% in 1H24. However, this growth only partially offset the impact of lower ASP and sales volume of the coal operations. Coal operations, accounting for 77% of Indika's revenue in 1H25, remain to be the key driver of the company's operating performance. We expect its operating performance to remain under pressure in 2H25, due to the weak demand.

Indika incurred negative FCF in 1H25, with operating cash inflow of USD33mn and capex of USD45mn. Capex in 1H25 represented 18% of its FY25 budget of USD246mn. We anticipate Indika may spend less on capex than originally budgeted, in view of YTD run-rate and weakening demand. As of Jun'25, Indika's cash and cash equivalent was USD497mn, increased from USD455mn in Dec'24, mainly due to financial investment withdrawn as cash during the period. Total debts decreased by 2% to USD1,049mn from USD1,069mn over the same period. Total debt/LTM EBITDA and net debt/LTM EBITDA weakened to 4.8x and 2.5x as of Jun'25 from 4.1x/2.4x in Dec'24, respectively, due to falling EBITDA.

We take comfort from Indika's proactive liability management and its smooth access to different funding channels. These help lengthen its debt maturity profile. In Jun'25, Indika signed a USD375mn equivalent 5-year loan facility (SOFR+1.75% prior COD and SOFR+1.65% after COD) to refinance USD250mn 5-year facility (SOFR+2.5%) at a lower cost. Recalled that in 2024, Indika issued USD455mn INDYIJ 8.75 05/07/29, and early redeemed INDYIJ 8.25 10/22/25 in full via tender offer (USD310mn) and early call (USD201mn).

Despite ongoing headwinds for commodity players due to weaker commodity prices, we see strong technical of the Indonesia oil & gas and mining sectors given the trend of early redemptions through market repurchases, tender offers and calls. We expect this trend to continue, especially the lengthened holding period of repatriated export earnings. This boosted the onshore liquidity. We consider Indika a candidate for early redemptions, given its sufficient liquidity and disciplined capex, and its record of conducting tender offer and early calls. We maintain buy on INDYIJ 8.75 05/07/29, we view the bond as a good carry play. At 98.7, INDYIJ 8.75 05/07/29 is trading at YTM of 9.2%.

Table 1: Indika financial and operational highlights

USDmn	1H24	1H25	Change
Revenue	1,196.7	956.8	-20.0%
Gross profit	199.5	132.7	-33.5%
Operating profit	107.0	54.1	-49.4%
Adj. EBITDA	134.3	96.6	-28.1%
Operating cash flow	30.7	32.7	6.4%
Capex	47.7	45.0	-5.7%
KIDECO			
ASP (USD/ton)	59.9	51.2	-14.5%
Production (MT)	14.9	14.4	-3.4%
Cash cost (ex. royalty, USD/ton)	36.6	34.2	-6.6%
Cash cost (incl. royalty, USD/ton)	51.0	45.1	-11.6%
Strip Ratio (x)	5.5	5.1	-7.3%
Newcastle Benchmark	130.6	102.6	-21.4%
Indika Resources			
Coal Traded Volume (MT)	2.2	0.3	-88.2%
	Dec'24	**Jun'25**	**Change**
Cash and cash equivalents	455.0	497.4	9.3%
Cash and other financial assets	638.5	585.1	-8.4%
Total debts	1,068.8	1,049.2	-1.8%
Net debts	613.8	551.8	-10.1%
Total debts/LTM EBITDA	4.1x	4.8x	-
Net debts/LTM EBITDA	2.4x	2.5x	-

Source: Company filling, CMBI FICC Research.

China Economy: Liquidity condition to remain easing

Social financing extended its recovery thanks to robust government bond issuance while M1 and M2 growth hit a recent high. However, Renminbi loans in the private sector continued to slow as housing demand and business capex remained weak amid the persisted deflationary pressure. Looking forward, the PBOC will maintain easing liquidity condition with low money market rates to stimulate credit demand, which is positive for Chinese stocks and commodities. The central bank might cut RRR by 50bps and LPRs by 10bps in 4Q25 when the YoY growth of housing sales and consumption is expected to slow down due to high base and diminishing policy effects. US$/RMB might mildly rise in August and September as US inflation is expected to rebound while China's deflation may deteriorate. US$/RMB may drop again in 4Q25 when US inflation might decline again and China might launch additional fiscal stimulus towards consumption. We expect US$/RMB to reach 7.10 at end-2025.

Social financing continued to recover. Outstanding social financing (SF) edged up to 9% in July from 8.9% (all in YoY terms unless otherwise specified), while the SF flow expanded by 50.5% to RMB1.16trn, which fell short of market expectation of RMB1.41trn. Government bond issuance remained robust, rising 80.8% to RMB1.24trn in July compared to RMB1.35trn in June. The issuance pace was running ahead of the average pace to meet the full-year target of RMB13.9trn incremental debt quota, indicating that the fiscal support in 2H25 would be more stable and moderate compared to last year. Corporate bond issuance also remained strong, rising 37% to RMB279bn in July compared to RMB242bn in June. RMB loans to the real economy under SF dropped to negative flow at -RMB426bn in July compared to –RMB80.8bn last year, as LGFVs debt swap continued. M1 supply rose to 5.6% in July from 4.6%, the highest growth since early 2023, while M2 rose to 8.8% from 8.3%.

New RMB loans remained subdued. Growth of outstanding RMB loans edged down to 6.9% in July from 7.1%, marking another historical low, as the new RMB loans notably slumped to –RMB50bn in July compared to RMB260bn in previous year. Credit demand of household sector remained lethargic as both short-term and medium & long-term saw negative loan flows at –RMB382bn and –RMB110bn in July. ST loans to household has notably decreased by RMB383bn YTD as consumers were reluctant to spend. M&L loan flows have dropped 10.9% YTD as the property sector continued to soften, especially after June. Corporate sector also saw negative flows of –RMB550bn and -RMB260bn in ST and M&L loans, with their YTD growth at 47% and -16% in July. Bill financing increased by 55.9% to RMB871bn in July, reflecting possible idle funds circulation and lack of incentive for long-term capital investment.

The easing liquidity condition should support Chinese stocks and commodities. As the deflationary pressure persists with downside pressure on the economy, the PBOC will maintain easing liquidity condition to stimulate credit demand. The easing liquidity condition should support Chinese stocks and commodities. The central bank might cut RRR by 50bps and LPRs by 10bps in 4Q25 when the YoY growth of housing sales and consumption is expected to slow down due to high base and diminishing policy effects. US$/RMB might mildly rise in August and September as US inflation is expected to rebound while China's deflation may deteriorate. US$/RMB may drop again in 4Q25 when US inflation might decline again and China might launch additional fiscal stimulus towards consumption. We expect US$/RMB to reach 7.10 at end-2025.

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

Issuer/Guarantor	Size (USD mn)	Tenor	Coupon	Priced	Issue Rating (M/S/F)
Chengdu Sino French Ecological Park Investment Development	100	3yr	6.8%	6.8%	Unrated
Henan Water Conservancy Investment	500	3yr	4.3%	4.3%	-/-/A-

➢ **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 94 credit bonds issued yesterday with an amount of RMB70bn. As for month-to-date, 930 credit bonds were issued with a total amount of RMB845bn raised, representing a 9.5% yoy increase

- **[ADGREG]** Adani solar arm Mundra Solar PV sued by US-based First Solar alleging patent violation

- **[ADSEZ]** Adani Ports will accept all USD700k ADSEZ 4 07/30/27 and USD950k ADSEZ 4 3/8 07/03/29 validly tendered after early tender date and at or prior to the expiration date

- **[AZUPOE]** Azure Power looking for INR20bn (cUSD228mn) debt to refinance AZUPOE 3.575 08/19/26 with an o/s amount of USD294.184mn

- **[CPDEV]** CPDEV early redeemed CPDEV 4.65 01/19/26 in full on 12 Aug'25 after settlement of the tender offer

- **[EVERRE]** China Evergrande liquidators appoint UBS, Citic Securities to seek buyers for Evergrande Property Services

- **[FRIDPT]** Freeport Indonesia 1H25 net revenue falls 2% yoy to USD5.0bn

- **[IHFLIN]** Sammaan Capital 1QFY26 interest Income falls 7.4% yoy to INR15.6bn (cUSD178.5mn)

- **[LENOVO]** Lenovo Group 1QFY26 revenue rises 22% yoy to USD18.8bn

- **[MUTHIN]** Muthoot Finance 1QFY26 interest income surges 44.6% yoy to INR62.9bn (cUSD717.4mn)

- **[ROADKG]** Road King to suspend payment of all principal and interest falling due on all of the offshore bank debt and USD bonds, as the consent threshold was not achieved for all the bond series; to explore holistic restructuring solution

- **[TENCNT]** Tencent 1H25 revenue up 14% yoy to RMB364.5bn (cUSD50.8bn)

- **[PTTGC]** PTT Global Chemical 1H25 revenue down 17% yoy to THB265.9bn (cUSD8.2bn)
- **[VLLPM]** Vista Lands in talks with banks, noteholders to address Dec'25 maturities

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