CMBI Credit Commentary

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

- *Asia IG and HY were quiet this morning with light flows amid the US holiday. CKINF Perps/FAEACO Perp/HYSAN 4.85 Perp gained 0.2-0.4pt. SOFTBKs traded mixed, from 0.1pt lower to 0.3pt higher.*
- ***MEITUA:** Core Local Commerce recovery in 2Q26 signals moderating price war pressure. Maintain buy on MEITUA 3.05 10/28/30 and MEITUA 4 1/2 05/05/31, which were unchanged this morning. See below.*
- ***FOSUNI:** Fosun International sold a total of 9.897mn shares in Gland Pharma Limited, representing c6% of the company's total shares, for cINR28.0bn (cUSD294mn). FOSUNIs were unchanged this morning.*

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❖ Trading desk comments 交易台市场观点

Last Friday, the new TME 31 was unchanged at close after trading 2bps tighter from RO at T+60, while the new TME 36 closed 2bps wider from RO at T+95. The old TME 30 down 5bps. China TMT 10yr benchmarks were 2-3bps wider amid selling pressure on BABA/TENCNT/KUAISH. ZHOSHK 28 was 1bp wider, S&P changed the outlook of Zhongsheng to negative from stable on risk of EV transition; BBB- rating affirmed. In Korea, we saw light selling in the '28-29 industrial names SKONKR/SAMAER/HYNMTR/POHANG/LGENSO and closed unchanged to 2bps wider. PB accounts switched into similar-tenor FRNs across SHINCA/HYNMTR and utilities, leaving those spreads unchanged. In Japan, we saw broad selling across financial long-end paper and closed 2-4bps wider, alongside light selling in 3-5yr FRNs. In Southeast Asia, the new BMRIIJ 7.35 Perp rose 0.5pt from RO at par. The recent new BBLTB 31s attracted solid PB buying demand and closed 1bp tighter.

In higher-yielding space, China/HK names REGH 6.5 Perp rose 1.0pt. EHICAR 29 increased 0.7pt, EHICAR 26-27 was unchanged to 0.1pt higher. Media reported eHi may fully redeem USD97.1mn EHICAR 26 at maturity. WESCHI 28 down 0.2pt while WESCHI 29 up 0.3pt. Fitch affirmed West China Cement at B; outlook remains negative. WLISRC 26 was 0.3pt higher. On the other hand, CKINF 4.2 Perp/NWDEVL 4.8 Perp were 0.4-0.5pt lower.

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❖ Last Trading Day's Top Movers

Top Performers	Price	Change
REGH 6 1/2 PERP	**37.8**	**1.0**
EHICAR 10 10/14/29	**40.1**	**0.7**
IFCDCN 3 5/8 04/17/29	**97.0**	**0.6**
GARUDA 6 1/2 12/28/31	**87.1**	**0.5**
CHGDNU 4.8 09/11/48	**89.7**	**0.4**

Top Underperformers	Price	Change
TSIVMG 1.6 12/17/39	**47.0**	**-0.5**
NWDEVL 4.8 PERP	**56.8**	**-0.5**
CKINF 4.2 PERP	**70.5**	**-0.4**
BHP 6 1/4 05/15/33	**103.9**	**-0.4**
PRXNA 3.832 02/08/51	**64.3**	**-0.4**

❖ Marco News Recap 宏观新闻回顾

Macro – S&P (-0.38%), Dow (-0.51%) and Nasdaq (-0.29%) were lower on last Friday. US Aug'26 Nonfarm Payrolls were +162k after an upward revision of 21k in Jul'26, and higher than the market expectation of +55k. US Aug'26 Unemployment Rate was 4.1%, in line with the market expectation. 2/5/10 year UST yield was higher last Friday. 2/5/10/30 year yield was at 4.37%/4.54%/4.78%/5.24%.

❖ Desk Analyst Comments 分析员市场观点

➢ MEITUA: Core Local Commerce recovery in 2Q26 signals moderating price war pressure

Table 1: Bond profile of MEITUA 30-31 and peers

Security name	ISIN	Amt o/s (USD mn)	Ask px	Z-spread (bps)	YTM	Mod dur	Issue rating (M/S/F)
LENOVO 3.421 11/02/30	US526250AB16	900.0	93.6	88	5.2%	3.7	Baa2/BBB/BBB
LENOVO 6.536 07/27/32	US526250AE54	562.5	105.7	104	5.4%	4.7	Baa2/BBB/BBB
MEITUA 3.05 10/28/30	US58533EAC75	1250.0	91.4	112	5.4%	3.8	Baa1/BBB+/BBB+
MEITUA 4 ½ 05/05/31	US58533EAG89	600.0	96.0	119	5.5%	4.1	Baa1/BBB+/BBB+
XIAOMI 3.375 04/29/30	US98422HAA41	600.0	94.6	74	5.0%	3.3	Baa1/BBB/BBB+
XIAOMI 2.875 07/14/31	US98422HAC07	800.0	90.3	88	5.2%	4.4	Baa1/BBB/BBB+

Source: Bloomberg.

For the Chinese TMT credits, we prefer BBB over A given the formers' more balanced risk-return profiles. Within the BBB subset, we continue to prefer 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 and MEITUA 4 1/2 05/05/31. In this subset, we also like XIAOMI 3.375 04/29/30 and XIAOMI 2.875 07/14/31.

Meituan's 2Q26 results showed a meaningful sequential recovery in operating performance, following regulatory efforts aimed at curbing excessive subsidies in food delivery. Core Local Commerce remained resilient, supported by Meituan's delivery-network scale, merchant ecosystem and improving monetization of in-store services. We expect this segment to remain Meituan's primarily source of operating cash flow, despite earnings growth and margins will remain sensitive to the pace of recovery from the price war.

In 2Q26, revenue increased 14.4% yoy to RMB104.6bn, with growth across both segments. Core Local Commerce revenue rose 10.1% yoy to RMB71.5bn, while segment operating profit increased 52.3% yoy to RMB5.7bn. reflecting more disciplined incentive spending and a notable reduction in on-demand delivery losses. The segment returned to operating profitability after reporting losses in 3Q25, 4Q25 and 1Q26, with operating profit recovered to c50% of its average quarterly level during the three years preceding the price war that began in 2Q25. New Initiatives revenue increased 25.0% yoy to RMB33.1bn, while segment operating loss narrowed 7.6% yoy to RMB1.7bn. The improvement was supported by continued expansion of Xiaoxiang Supermarket and Keeta across Hong Kong, the Middle East and Brazil. Meituan's adj. EBITDA rose 47.3% yoy to RMB4.1bn, while operating cash inflow improved to RMB9.8bn.

In 1H26, Meituan's revenue increased 10.1% yoy to RMB195.7bn. However, it recorded an operating loss of RMB3.8bn, compared with an operating profit of RMB10.8bn in 1H25. Adj. EBITDA fell to RMB1.0bn from RMB15.1bn, largely reflecting the impact of intense competition and elevated subsidy spending since 2Q25. The stronger sequential performance in 2Q26, in our view, reflected the earnings pressure has started to moderate.

We continue to view Meituan's credit profile as robust, underpinned by its leading domestic local commerce franchise and sizeable liquidity buffer. Unrestricted cash and short-term investments stood at RMB168.3bn as of Jun'26, broadly stable from Dec'25. Net cash was RMB72.5bn, down from RMB80.2bn as of Dec'25 but still broadly comparable with its five year average of RMB80.9bn. This should provide sufficient capacity to absorb near-term earnings volatility and to fund selective investments. That said, we remain watchful for any renewed escalation in incentives, particularly if it results in sustained margin pressure or weaker cash flow generation.

Table 2: Meituan's 1H26 financials

RMB mn	1H25	1H26	Change	2Q25	2Q26	Change
Revenue	177,696	195,682	10.1%	91,490	104,643	14.4%
-Core Local Commerce	*128,971*	*135,594*	*5.1%*	*64,997*	*71,531*	*10.1%*
-New Initiatives	*48,726*	*60,088*	*23.3%*	*26,493*	*33,112*	*25.0%*
Gross profit	62,126	61,065	-1.7%	30,064	35,095	16.7%
Operating profit/(loss)	10,792	(3,779)	-	226	2,691	1088.9%
-Core Local Commerce	*17,213*	*3,638*	*-78.9%*	*3,721*	*5,668*	*52.3%*
-New Initiatives	*(4,155)*	*(3,855)*	*-7.2%*	*(1,881)*	*(1,739)*	*-7.6%*
Adj. EBITDA	15,084	1,049	-93.0%	2,782	4,098	47.3%
Net profit/(loss)	10,422	(4,672)	-144.8%	365	2,155	490.0%
Operating cash flow	14,905	2,719	-81.8%	4,773	9,733	103.9%
Gross margin	35.0%	31.2%	-3.8 ppts	32.9%	33.5%	0.7 ppts
Adj. EBITDA margin	8.5%	0.5%	-8.0 ppts	3.0%	3.9%	0.9 ppts
Net profit margin	5.9%	-2.4%	-	0.4%	2.1%	1.7 ppts
RMB mn	**Dec'25**	**Jun'26**	**Change**			
Unrestricted cash and cash equivalent	106,771	104,717	-1.9%			
Short-term treasury investments	60,062	63,597	5.9%			
Unrestricted Cash and ST investment	166,834	168,314	0.9%			
ST debt	17,117	10,189	-40.5%			
LT debt	69,502	85,628	23.2%			
Total debt	86,619	95,817	10.6%			
Net cash	80,215	72,497	-9.6%			
Cash/ST debt	6.2x	10.3x	-			

Source: Company filling, CMBI FICC Research.

Offshore Asia New Issues (Priced)

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

Offshore Asia New Issues (Pipeline)

Issuer/Guarantor	Currency	Size (USD mn)	Tenor	IPT/IPG	Issue Rating (M/S/F)
KASIKORNBANK Hong Kong Branch	USD	-	10NC5	-	Ba1/-/-

News and market color

- Regarding onshore primary issuances, there were 50 credit bonds issued last Friday with an amount of RMB35bn. As for Month-to-date, 328 credit bonds were issued with a total amount of RMB358bn raised, representing a 128% yoy increase

- **[AGRBK/ICBCAS]** Agricultural Bank of China plans to raise up to RMB160bn (cUSD23.8bn), while ICBC is targeting RMB100bn (cUSD14.9bn) in separate A-share private placements

- **[FTLNHD/FUTLAN]** Seazen's retail mall REIT spin-off received HKEx approval and will file for listing on the Shanghai Stock Exchange

- **[LNGFOR]** Media reported Longfor has enough funds ready to repay RMB1.3bn bank loan due later this month and also expects to be able to repay the USD bond USD250mn LNGFOR 3 ⅜ 04/13/27 maturing in 2027, to be funded by operating cash and additional onshore loans

- **[WESCHI]** Fitch affirmed West China Cement at B; outlook remains negative, mainly reflects uncertainty over the pace of free cash flow improvement, due to weaker onshore cash flow generation, ongoing execution risks in scaling up overseas cash flows and continued overseas capex

- **[ZHOSHK]** Media reported Zhongsheng's management said its USD350mn due-2027 loan does not have rating-related covenants

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