CMB INTERNATIONAL 招銀国际

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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. SOFTBKs were under betting selling and dropped 0.2-0.5pt. We also saw selling flows in LGFV. CKINF Perps down 0.2pt. VLLPM '29 up 1.2pts.*

- ***PCORPM:** Disruption drove margin compression in 1H26. Maintain buy on PCORPM 7.35 Perp, which was unchanged this morning. See below.*

- ***HONGQI:** Yunnan Hongqiao entered into an agreement with Binzhou Public Construction to acquire the 100% equity interest in Weiqiao Xinchuang for RMB239.7mn (cUSD35.7mn). HONGQI '28 was unchanged this morning.*

- **Trading desk comments 交易台市场观点**

Last Friday, Asia IG space was quiet with light flows after higher-than-expected US Aug'26 PPI data. Market sentiment was cautious before Aug'26 CPI and Sep'26 FOMC meeting. FRNs were relatively more active than other spaces and we saw two way flows in front-end FRNs from PBs. In financials, bank T2 and AMCs were unchanged to 5bps tighter due to rates rally. TW lifer T2 moved 0.5-2bps tighter. In KR space, HYUSEC/NHSECS/DAESEC were unchanged to 2bps tighter and industrial names HYUELE/KORELE/POHANG were 1bp wider to 3bps tighter. China TMTs were unchanged to 2bps tighter.

In higher-yielding space, AT1s, insurance subs and high-beta perps were around 0.5-0.8pt weaker following the sharp overnight sell-off in rates. Flows were broadly skewed toward selling amid a risk-off tone, although we saw some tactical dip-buying from Chinese AMs in 3-6yr-to-call paper. The weaker sentiment also spread to LGFVs, where flows were modestly tilted toward selling from clients switched out of bonds to recycle cash and/or realize profits, particularly in names where mark-to-market gains had become stale. In CNH space, active LGFV were unchanged to 0.2pt lower. CNH TMT BABA/MEITUA/TENCNT were unchanged to 0.1pt lower.

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❖ Last Trading Day's Top Movers

Top Performers	Price	Change
AIA 4 7/8 03/11/44	**89.7**	**0.5**
CHGDNU 4.8 09/11/48	**88.4**	**0.5**
SINOPE 3.1 01/08/51	**68.1**	**0.4**
BABA 5 5/8 11/26/54	**91.9**	**0.4**
ANGSJ 6 1/2 04/15/40	**103.5**	**0.4**

Top Underperformers	Price	Change
GENTMK 8.3 PERP	**93.8**	**-1.0**
CFAMCI 4.95 11/07/47	**87.4**	**-1.0**
ICBPIJ 4.745 06/09/51	**76.4**	**-1.0**
ARAMCO 5 3/4 07/17/54	**88.2**	**-0.9**
NSANY 7 3/4 07/17/32	**102.6**	**-0.9**

❖ Marco News Recap 宏观新闻回顾

Macro – S&P (+0.86%), Dow (+0.98%) and Nasdaq (+0.96%) were higher last Friday. US Aug'26 CPI was +0.4% mom/+3.4% yoy, respectively, in line with the market expectation. US Aug'26 Core CPI was +0.3% mom, higher than the market expectation of +0.2% mom. UST yield rallied higher last Friday. 2/5/10/30 year UST yield was at 4.63%/4.78%/4.96%/5.35%.

❖ Desk Analyst Comments 分析员市场观点

➢ PCORPM: Disruption drove margin compression in 1H26

Table 1: Petron's o/s USD bond

Security name	ISIN	Ask px	YTC	Amt o/s (USD mn)	First call date	Coupon reset date	Coupon reset (incl. step-up)
PCORPM 7.35 Perp	XS3178401793	101.0	6.8%	475	08/22/2028	09/22/2028	3yrUST+6.375%

Source: Bloomberg.

We maintain buy on PCORPM 7.35 Perp for its attractive carry. At 101.0, PCORPM 7.35 Perp is trading at YTC of 6.8%. We like Petron's smooth access to diverse funding channels as well as notably lower refinancing pressure after the exchange and tender offers. We acknowledged that Petron maintains track records of calling its perps on the first call date since Aug'18.

Petron's 1H26 revenue rose 56.8% yoy to PHP605.9bn, driven by a 6% yoy increase in sales volume to 67.9mn barrels and higher fuel prices. However, cost of sales increased at a faster pace at 60.9% yoy to PHP583.7bn, mainly due to lower refinery output in both Malaysia and the Philippines. The Port Dickson Refinery remained affected by the damaged product jetty following the tropical storm in Nov'25, while the Bataan Refinery underwent scheduled maintenance in 1Q26. Lower refinery utilization increased Petron's reliance on purchased products at elevated crude prices amid the Middle East conflict. Dubai crude averaged USD91/bbl in 1H26, up 27% yoy. As a result, gross profit declined 6.0% yoy to PHP22.2bn, with gross margin compressed to 3.7% in 1H26 from 6.1% in 1H25. EBITDA fell 14.2% yoy to PHP19.4bn, also reflected higher employee costs and repairs and maintenance. Overall, net profit dropped 27.4% yoy to PHP3.8bn.

In 1H26, Petron recorded an operating cash outflow of PHP39.0bn, mainly due to higher net working capital. Free cash flow also turned negative, despite capex stood at PHP3.5bn. As of Jun'26, cash and short-term investments declined 9% from Dec'25 to PHP39.2bn, while total debt increased 19% to PHP322.4bn over the same period. Consequently, net leverage deteriorated to 5.9x from 4.4x, while cash/ST debt declined to 0.2x.

Despite the weaker yoy performance, earnings improved qoq in 2Q26, broadly in line with our expectation. The resumption of Bataan Refinery operations in 2Q26 should support a recovery in throughput and reduce Petron's reliance on purchased products. The refinery can also process crude grades beyond its usual Middle East supply, which should provide greater procurement flexibility and partially mitigate supply disruption risks. However, the Port Dickson Refinery has resumed only limited operations using existing crude inventory, while the replacement jetty is expected to be commissioned in 1Q27. Petron is therefore likely to remain exposed to elevated purchased product costs and supply chain volatility in 2H26. Sustained high crude prices could also continue to absorb working capital and constrain deleveraging.

Looking ahead, Petron's CME plant at the Bataan Refinery is nearly complete. It is also expanding storage capacity, including facilities in Limay and an LPG facility in Bacolod, which are scheduled for completion in 1Q28 and 3Q28, respectively. These projects should improve supply reliability and reduce import dependence from 2027 onwards. We take comfort from Petron's good access to bank borrowings and its ability to refinance short-term debt. In May'26, Petron secured PHP15bn of short-term revolving credit facilities from the Philippines' sovereign wealth fund, Maharlika Investment Corporation, to fund the purchase and/or importation of crude oil, refined petroleum products and related capex. This should provide additional financial flexibility to manage supply disruptions.

Table 2: H26 financial highlights

PHP mn	**1H25**	**1H26**	**Change**
Sales	386,395	605,891	56.8%
-Petroleum	*348,956*	*510,916*	*46.4%*
-Trading	*35,963*	*93,198*	*159.1%*
-Leasing	*588*	*594*	*1.0%*
-Marketing	*405*	*628*	*55.1%*
-Others	*483*	*555*	*14.9%*
Gross profit	23,646	22,233	-6.0%
EBITDA	22,613	19,410	-14.2%
Net profit	5,252	3,811	-27.4%
Operating cash flow	45,132	(39,032)	-
Capex	3,436	3,461	0.7%
Free cash flow	41,696	(42,493)	-
Gross profit margin	6.1%	3.7%	-2.5 ppts
EBITDA margin	5.9%	3.2%	-2.6 ppts
Net profit margin	1.4%	0.6%	-0.7 ppts
PHP mn	**Dec'25**	**Jun'26**	**Change**
Cash and ST investments	43,139	39,163	-9.2%
Total debt	270,783	322,421	19.1%
Net debt	227,644	283,258	24.4%
Total debt/LTM EBITDA	5.3x	6.7x	-
Net debt/LTM EBITDA	4.4x	5.9x	-
Cash/ST debt	0.4x	0.2x	-

Note: Debt incl. perpetual securities.
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)
Hyundai Capital America	USD	-	3yr	T+100	A3/A-/A-
		-	3yr	SOFR Equiv	
		-	5yr	T+115	
Korea Credit Guarantee Fur	USD	-	3yr	SOFR+100	Aa2/-/-
Mitsubishi Estate Company	USD	-	5yr	-	A2/A/-
Sony Life Insurance Co., Ltc	USD	-	30NC10	-	-/A-/-

News and market color

- Regarding onshore primary issuances, there were 84 credit bonds issued last Friday with an amount of RMB89bn. As for month-to-date, 755 credit bonds were issued with a total amount of RMB757bn raised, representing a 29.5% yoy increase

- Macau's number of visitor arrivals reached 30mn as of 11am on 11 Sep'26, a milestone achieved 22 days earlier than in 2025

- **[HONGQI]** China Hongqiao completed early redemption of USD330mn HONGQI 7.05 01/10/28

- **[SHUION]** Shui On Land to sell commercial properties in Chongqing for RMB201mn (cUSD30.0mn) with expected net cash inflow of RMB179mn (cUSD26.7mn)

- **[SKINNV]** S&P revised the outlook of SK Innovation outlook to stable from negative on strong refining profits, debt reduction; BBB- rating affirmed

- **[SOFTBK]** Fitch assigned SoftBank Group Corp BB+ rating with stable outlook

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