

CMBI Credit Commentary

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

- *UST yields widened another 1-4bps this morning following Moody's one notch downgrade on the US to Aa1. The flows in Asia IG space were light. NIPLIF 53-55s/SUMILF 5.875 Perp/DAIL 6.2 Perp were down 0.1-0.3pt.*
- *Taiwan Lifer: Still prefer NSINTW 5.45 09/11/34 more. See below.*
- *RAKUTN: Revenue growth across all segments in 1Q25. RAKUTNs moved -0.6pts to +0.2pts post results announcement. See below.*

❖ Trading desk comments 交易台市场观点

Last Friday, NWDEVL Perps rebounded 0.8-5.1pts, closed 1.8-7.5pts lower WoW. NWDEVL 27-31s were up 0.3-0.8pt, closed 0.8-2.5pts lower WoW. Media reported NWD has so far received around HKD20bn (cUSD2.6bn) commitments for its proposed HKD63.4bn (cUSD8.2bn) refinancing facility, while holders of the NWDEVL 6.15 Perp have not received call notice yet. CTF Services canceled its proposed issuance of up-to RMB800mn panda bond. After Fri close, Moody's downgraded sovereign rating of the US to Aa1 from Aaa and changed outlook to stable. On IG primary, the new CHEVBK Float 28 closed 1bp tighter from RO. The recent new KORWAT 27s tightened another 3bps, while ICBCAS 28s widened 1-2bps. KHFC/KOROIL 28-30s were 1-4bps tighter. In Chinese/HK IGs, BABA 35s widened 1bp. HKAA/MTRC 30-55s tightened 2-5bps. In financials, NAB/WSTP/ANZ 26-40s and NOMURA/MUFG/MIZUHO 28-36s tightened 1-4bps. SUMIBK 41-44s were down 0.4-0.6pt (1-6bps wider). In insurance hybrids, MYLIFE/NIPLIF 55s were down 0.1pt. LLOYDS 8/SOCGEN 8 Perps were down 0.1-0.3pt. In Chinese properties, FTLNHD 25-26s were up 0.2-0.6pt following media report that Seazen Holdings plans NDRs next week for potential USD bond issuance. However, VNKRL 27-29s declined 0.2pt, closed 6.5-6.7pts higher WoW. Elsewhere, RAKUTN 27-29s/8.125 Perp were down 0.2-0.4pt. UPLLIN Perp rose 2.6pts to 99.8 post the announcement of call at par. UPLLIN 28/30 were up 0.4-1.0pt. ADGREGs/ADINCOs were up 0.3-0.4pt.

In LGFVs, the new SDGOLD 4.6 '28 closed unchanged around RO at par. The high-yielding papers were under better buying from AMs. There were buying interest on CNH names such as TAJKGP 6 28s/BNHAST 6.9 28s and on USD names such as LIACHE 6.95 27s/ZHJWCI 7.1 25s. In SOE perps, COFCHK/CHPWCN Perps were up 0.1-0.2pt.

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❖ Last Trading Day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
NWDEVL 6.15 PERP	69.6	5.1	SUMIBK 6.184 07/13/43	104.1	-0.6
UPLLIN 5 1/4 PERP	99.9	2.6	CITLTD 5.07 04/18/48	89.9	-0.6
NWDEVL 4 1/8 PERP	32.5	1.7	SUMIBK 2.93 09/17/41	70.1	-0.5
NWDEVL 6 1/4 PERP	29.2	1.5	SUMIBK 2.296 01/12/41	65.3	-0.4
UPLLIN 4 5/8 06/16/30	90.7	1.0	SUMIBK 3.05 01/14/42	72.1	-0.4

❖ Marco News Recap 宏观新闻回顾

Macro – S&P (+0.70%), Dow (+0.78%) and Nasdaq (+0.52%) were higher on last Friday. Moody's downgraded the US's rating to Aa1 from Aaa. UST yield bear flattened last Friday, 2/5/10/30 yield at 3.98%/4.06%/4.43%/4.89%.

❖ Desk Analyst Comments 分析员市场观点

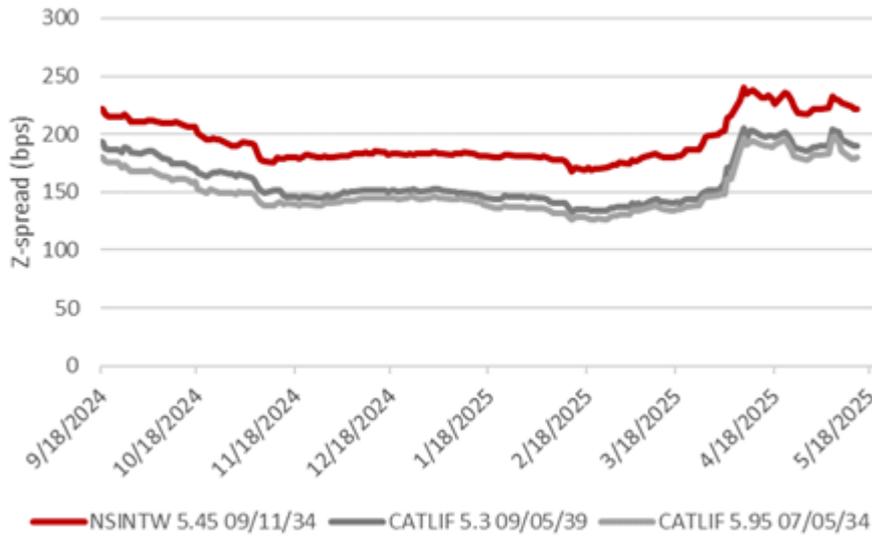
➤ Taiwan Lifer: Still prefer NSINTW 5.45 09/11/34 more

Table 1: Bond profile of CATLIF and NSINTW

Security name	ISIN	Amt o/s (USD mn)	Px	Z-spread (bps)	YTM/YTC	First call date	Mod dur	Issue rating (M/S/F)
NSINTW 09/11/34	5.45 XS2888260564	700	95.1	219	6.1%	N/A	7.1	-/BBB+/BBB
CATLIF 6.1 08/07/33	TW000F190012	113	100.6	206	6.0%	N/A	6.0	Unrated
CATLIF 6.1 10/04/33	TW000F190020	25	100.6	205	6.0%	N/A	6.2	Unrated
CATLIF 5.8 05/09/34	TW000F190038	187	98.4	207	6.0%	N/A	6.8	Unrated
CATLIF 07/05/34	5.95 XS2852920342	600	101.7	176	5.7%	N/A	6.9	-/BBB+/BBB+
CATLIF 5.3 09/05/39	XS2885079702	320	96.3	187	5.8%	5 Sep'34	7.1	-/BBB+/BBB+

Source: Bloomberg.

Chart 1: Spread differential of NSINTW 34 over CATLIFs



Source: Bloomberg.

The bonds of Taiwan lifers Cathay Life (CATLIF, -/BBB+/BBB+) and Nan Shan Life (NSINTW, -/BBB+/BBB) were 8-10bps wider on the sharp appreciation of TWD in early May'25. Nonetheless, we take comfort with equity cushion against the regulatory requirements. Between CATLIF and NSINTW, we continue to prefer NSINTW in view of the yield pick-up over and lower cash price than CATLIFs despite CATLIF's better credit profile. At 95.1, NSINTW 5.45 09/11/34 is trading at Z+219bps/YTM of 6.1%, it is also trading 33bps outside CATLIF 5.3 09/05/39 and 43bps outside CATLIF 5.95 07/05/34. Out of Taiwan lifer papers, we prefer NSINTW 5.45 09/11/34 most and CATLIF 5.95 07/05/34 least, factoring into the risk-return profile.

As of Dec'24, 67% and 69% of investment portfolios of CATLIF and NSINTW exposed to forex risk. Out of these investments, c30% of CATLIF and NSINTW were naturally hedged with foreign currency denominated policies. Out of the remaining c70% of the investment portfolio with FX risk exposure, 60-65% were hedged with traditional hedging instruments currency swap and NDF.

The impact of TWD appreciation to P&L would be mitigated by their FX valuation reserves. CATLIF had FX valuation reserves of cTWD38bn as at Mar'25 while NSINTW had FX valuation reserves of TWD23bn as at Dec'24. As per our discussions with NSINTW, that should offset around 60% of the FX loss from unhedged foreign assets and liabilities. Nonetheless, from a credit perspective, we consider the impact of TWD appreciation to lifers' RBC and net worth ratio (equity/assets) to be more relevant.

Based on our estimates, the net worth ratios of CATLIF and NSINTW will around 8.5% and 6.0% for 10% TWD appreciation and 7.0% and 4.5% for 20% TWD appreciation, compared to the regulatory requirements of above 3%. As per our discussions with CATLIF and NSINTW, the current solvency ratios remain well over regulatory requirements. As at Dec'24, the RBC ratio of CATLIF was 359% and for NSINTW was 299%, higher than the regulatory minimum requirement of 200%. YTD, TWD appreciates against USD by c9%.

NSINTW maintains a good market presence in Taiwan. It is the third largest life insurer in Taiwan by gross written premium (GWP) with a market share of 13% as of Jun'24, following CATLIF (17.7%) and Fubon Life (FUBON, 15.4%). In Mar'24, NSINTW resumed the sales of investment-linked products, offering full-range of insurance products similar to CATLIF including life, health, accident, and group insurance products. Besides, the profitability of NSINTW is better than CATLIF in FY24. See Table 2.

Table 2: Financial highlights of CATLIF & NSINTW

FY24	CATLIF	NSINTW
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RBC ratio (>200%)	359%	299%
Equity-to-asset ratio (>3%)	9.0%	6.6%
ROE	9.5%	12.1%
ROA	0.7%	0.8%
13-M persistency ratio	97.9%	97.3%
25-M persistency ratio	95.3%	94.7%

Investment portfolio

Cash and cash equivalent	2%	2%
Domestic	16%	17%
-equity	7%	12%
-bond	8%	5%
International	67%	69%
-equity	5%	4%
-bond	62%	65%
Others	15%	12%
Total investment	100%	100%
FX assets in the total investment portfolio	70%	75%
% of FX assets hedged	65%	60%

Source: Company filling.

➤ RAKUTN: Revenue growth across all segments in 1Q25

Rakuten reported higher revenue in 1Q25 yoy with growth in all three segments. The non-GAAP operating loss also reduced to JPY0.3bn in 1Q25 from JPY25.4bn in 1Q24, driven by higher revenue at Rakuten Mobile, Rakuten Bank and Rakuten Payment. Reported EBITDA increased by 51% yoy to JPY80bn. However, the net loss increased by 73% to JPY62bn, due to JPY33.8bn hedging loss related to the USD perps as a result of JPY appreciation. As per Rakuten, the perps are treated as equity and therefore hedging accounting is not applied. Rakuten maintains its target to further improved the Non-GAAP operating income and to achieve full-year EBITDA profitability for Rakuten Mobile in FY25.

During 1Q25, Rakuten Mobile's EBITDA improved by JPY16.4bn excluding the property tax at JPY102mn. This is the first positive EBITDA on a quarterly basis. Rakuten Mobile would be breakeven after the property tax. The improvement in EBITDA was driven by the increase in net APRU and total number of subscribers during 1Q25. The net APRU in 1Q25 was JPY2,430, increased from JPY2,312 in 1Q24. The total subscribers was 8.63mn as of Mar'25, increased from 6.99mn as of Mar'24, represented 23% increase yoy. On qoq basis, the subscriber growth was steady in 1Q25 with 4% increase qoq, slightly down from 5% increase qoq in 4Q24. Rakuten aims to accelerate the pace of subscriber growth in FY25.

Rakuten incurred operating cash outflow in 1Q25 compared to inflow in 1Q24, owing to the decrease in financial liabilities for securities. Business and increase in loans for banking business. The capex during the quarter decreased. The lower capex in mobile and fintech segments were partly offset by higher capex in internet service segment. We maintain our view that Rakuten will fund its capex by internal resources.

As of Mar'25, Rakuten had net debts of JPY730bn, reversed from a net cash position of JPY311bn as of Dec'24. We take comfort that Rakuten has already addressed all bonds maturing or reaching their call dates by end of 2025. As per Rakuten, it will redeem RAKUTN 5.125 Perp of USD750mn on the first call date in Apr'26. We expect that Rakuten can tap the offshore bond market for refinancing, supported by its improving operating performance.

We maintain buy on RAKUTN 5.125 Perp and RAKUTN 8.125 Perp, in view of the yield pick-up and good carry within the RAKUTN curve. At 97.2, RAKUTN 5.125 Perp is trading at YTC of 8.3%, offers yield pick-up of 150bps over RAKUTN 11.25 02/15/27. RAKUTN 8.125 Perp is trading at YTC of 9.2% at 95.9, offers yield-pick up of 159bps over RAKUTN 9.75 04/15/29 with 8 months longer in “tenor”. We see a good chance of Rakuten to call the perps on its respective first call dates, in view of its improving operating performance and good access to various funding channels. We have a neutral recommendation on RAKUTN 6.25 Perp as we prefer shorter tenor facing our expectation of higher rate volatility.

Table 1: Bond profile of Rakuten

Security Name	ISIN	Amt o/s (USDmn)	Ask Px	Ask YTM/YTC	First call date	Coupon reset	Step-up (bps)	Issue rating (M/S/F)
RAKUTN 02/15/27	11.25 US75102WAG33	1,800	107.6	6.5%	-	-	-	-/BB/-
RAKUTN 04/15/29	9.75 US75102WAK45	2,000	107.0	7.6%	-	-	-	-/BB/-
RAKUTN Perp	5.125 US75102WAA62	750	97.2	8.3%	22 Apr'26	5yUST+4.578%	25	-/B/-
RAKUTN Perp	8.125 US75102WAM01	550	95.9	9.2%	15 Dec'29	5yUST+4.000%	25	-/B/-
RAKUTN 6.25 Perp	US75102WAB46	1,000	90.4	8.3%	22 Apr'31	5yUST+4.956%	25	-/B/-

Source:
Bloomberg.

Table 2: Financial highlights

JPY bn	1Q24	1Q25	Change
Revenue	514	563	9.6%
-Internet services	286	305	6.9%
-Fin Tech	193	224	15.6%
-Mobile	100	111	10.9%
Operating loss	(33.3)	(15.4)	-53.6%
Non-GAAP Operating Loss	-25.4	-0.3	-98.8%
Reported EBITDA	52.8	79.9	51.4%
Net loss	(35.8)	(61.9)	72.7%
Operating cash flow	148.9	(737.7)	-595.5%
Capex	87.6	54.9	-37.4%
	Dec'24	Mar'25	Change
Cash on hand	6,170.9	4,918.5	-20.3%
Total debts	5,860.4	5,648.9	-3.6%
Net debts/(cash)	(310.5)	730.4	-335.3%

Source: Company filling, CMBI FICC Research.

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

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

➤ Offshore Asia New Issues (Pipeline)

Issuer/Guarantor	Currency	Size (USD mn)	Tenor	Pricing	Issue Rating (M/S/F)
Korea Railroad	USD	-	3yr	T+105	Aa1/-/-

➤ News and market color

- Regarding onshore primary issuances, there were 58 credit bonds issued last Friday with an amount of RMB82bn. As for month-to-date, 529 credit bonds were issued with a total amount of RMB667bn raised, representing a 43% yoy increase
- **[ADGREG]** Adani Green issues USD71m in shares to Ardour Investment through warrant conversion
- **[GARUDA]** Garuda in discussions with sovereign wealth fund Danantara to receive capital injection
- **[GZRFPR]** Guangzhou R&F again extends deadline to support restructuring of three USD bonds to 31 Jul'25
- **[HANFGI/LOTCRD]** Hana Financial reviewing potential acquisition of Lotte Card
- **[IHFLIN]** Sammaan Capital interest income rises 5.8% yoy in FY25 to INR 71.8bn (cUSD839.6m)
- **[MEDCIJ]** Medco Energi accepted USD150.595mn of MEDCIJ 7.375 05/14/26 and USD310.934mn of MEDCIJ 6.375 01/30/27 as of early tender deadline
- **[MUMINA]** Mumbai International Airport (MIAL) drops plans to cut flight slots and halt cargo operations. Along with Delhi International Airport, MIAL scraps partnerships with Turkish ground-handling firm Celebi. MIAL is also in advanced talks to raise USD 750m in bonds from Apollo Global
- **[NSANY]** Nissan to shut down 7 plants in Japan, Mexico, India, Argentina, and South Africa amid cost cuts
- **[NWDEVL]** NWD gets around HKD20bn (cUSD2.6bn) commitments for HKD63.4bn (cUSD 8.2bn) refinancing facility; no perp call notice yet
- **[NWSZF]** CTF Services cancels issuance of panda bonds for RMB800mn (cUSD111mn)
- **[PWONIJ]** PT Pakuwon Jati accepted USD66.555mn of PWONIJ 4.875 04/29/28 in the tender offer at 97.05, USD333.445 remains outstanding
- **[ROADKG]** Road King Infrastructure 1Q25 total property sales drop 44% yoy to RMB2.3bn (cUSD319mn)
- **[YESIN]** Yes Bank fined by the Reserve Bank of India for regulatory lapse

- **[YLLGSP]** Moody's downgraded Yanlord to B2 from B1; outlook stable

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