

CMBI Credit Commentary

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

- *This morning, the new CITNAT 29-31s and HIGHWAY 31s were unchanged to 1bp wider from ROs. We saw better buying on JP financial names like MIZUHO and KR corporate POHANG/SKBTAM, and the bonds traded 1-2bps tighter. SHUION 26-29 were 0.2pt lower to 0.1pt higher. NWDEVL 4.125 Perp was 1.1pts lower. GENTMK Perps edged 0.5pt higher.*
- **HONGQI:** UOP for fund raising is the key for IG status. HONGQI 0 05/03/27 (CB) was 0.8pt higher this morning. See below.
- **BSFR:** 1Q26 earnings on track despite NIM compression; watch for geopolitical risks. BSFRs were unchanged this morning. See below.

❖ Trading desk comments 交易台市场观点

Yesterday, HONGQI 28s were 0.1pt lower. China Hongqiao raised RMB10.2bn (cUSD1.5bn) from a zero-coupon CB last evening. See comments below. CWAHK 26-30 were unchanged to 0.1pt higher. China Water Affairs will tap CWAHK 30 to fund concurrent tender offer for CWAHK 26. See our comments [yesterday](#). FAEACO 12.814 Perp rose 1.1pts. In Chinese properties, VNKRL 27' and 29' lost 0.2-0.7pt. Fitch downgraded Vanke's IDRs to RD from CC on completion of a distressed debt exchange, and simultaneously upgraded to CC to reflect post-restructuring profile. FUTLAN 28/FTLNHD 26-29/LNGFOR 27-32 were 0.3pt lower to 0.4pt higher. In Chinese IG space, we saw PBs and RMs buying MEITUA 30s/AACTEC 31s and AMs buying FRESHKs/ZHOSHK 28, versus better selling in LENOVO 30s. The space closed largely unchanged in spreads. Taiwanese lifers were unchanged to 2bps tighter, led by better buying on the new CATLIF 41. In JP space, 5yr bank FRNs and 4-5yr SUMIBK/MIZUHO/NOMURA fixed-rate tranches tightened 1-2bps. In KR space, belly bonds of HYUELE/LGENSO/POHANG/HYNMTR traded 2-5bps tighter, driven by better buying and short-covering. Their front-end counterparts closed 1-3bps tighter. See our comments on SK Hynix 1Q26 results [yesterday](#). Longer-tenor bonds of POHANG/PKX/LGENSO closed unchanged amid rebalancing flows. In SE Asian space, GLPCHI 29 was 0.7pt firmer. BBNIIJ 4.3 Perp/7.15 Perp edged 0.2-0.3pt higher. See our comments [last Friday](#). We saw better buying in Singapore T2s OCBSP/UOBSP and BBLTB senior papers, which closed unchanged to 3bps tighter. In the Middle East, EBIUH Perps were unchanged to 0.2pt higher. Emirates NBD mandated banks to launch a new AT1, the first AT1 a Middle Eastern bank since start of the war in Iran. In LGFV space, QDJZWD 27-28s traded 0.2pt higher.

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❖ Last Trading Day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
TSINGH 6 1/2 01/31/28	91.5	1.8	CNOOC 4 7/8 04/30/44	97.4	-0.9
VLLPM 9 3/8 07/29/29	38.8	1.3	TOPTB 5 3/8 11/20/48	91.3	-0.9
FAEACO 12.814 PERP	76.3	1.1	CHGRID 4.85 05/07/44	99.0	-0.8
GLPCHI 7 3/4 04/30/29	79.7	0.7	CNOOC 3.3 09/30/49	75.5	-0.7
NUFAU 5 01/27/30	91.7	0.6	PTTGC 5.2 03/30/52	87.9	-0.7

❖ Marco News Recap 宏观新闻回顾

Macro – S&P (+0.12%), Dow (-0.13%) and Nasdaq (+0.20%) were mixed on Monday. UST yield was higher on Monday. 2/5/10/30 year yield was at 3.78%/3.94%/4.35%/4.94%.

❖ Desk Analyst Comments 分析员市场观点

➤ HONGQI: UOP from large fund raising exercises is the key for potential IG status

Last evening, China Hongqiao (HONGQI) raised zero-coupon, 363-day CB of RMB10.2bn. The CB will be denominated in RMB, CNH-linked and settled in USD (we are still puzzling why not issuing Dim Sum). The conversion price of the CB is HKD43.9 per share, representing an initial conversion premium of 25.3% over the last close. The use of proceeds are for procurement and stockpiling of bauxite as raw materials for production, the refinancing of existing indebtedness, investment in overseas projects, future share repurchases, and general corporate purposes. The new CB HONGQI 0 05/03/27 moved 0.8pt higher this morning and is trading at a parity of 76.8.

The company has good access to capital markets. In addition to the CB raised last evening and share placement of USD1.5bn in Nov'25, HONGQI raised a total of RMB12.3bn and RMB2bn in onshore bond markets in 2025 and YTD at weighted average coupon rates of 2.6% and 2.6%, respectively. It also raised USD bonds totaling USD600mn and another CB of USD300mn in 2025.

We are impressed with HONGQI's resilience operating performance. Hongqiao Holdings (002379 CH), the major subsidiary (88.99% stake) of HONGQI announced solid 1Q26 results driven by higher ASP (Shanghai aluminum price up 17% to RMB24k/t in 1Q26) and lower input (such as bauxite) costs. The tight global supply will continue to support aluminum price and HONGQI's operating performance. See the comments from our equity research on [27 Apr'26](#) and our comments on FY25 results on [23 Mar'26](#).

We are also impressed with HONGQI's significant net debt reduction (down 33% to RMB20.9bn as of Dec'25 since Dec'22) and improvement in liquidity profile (cash/ST debts increased to 1.9x as of Dec'25 from 0.7x as of Dec'22). Its debts/EBITDA, net debt/EBITDA and EBITDA/int ratios were 1.8x, 0.5x and 10.4x, respectively in FY25. Its total liability/total assets declined to 42.2% as of Dec'25, down from 48.2% as of Dec'22, below management's target range of 45-46%. Indeed, we consider that HONGQI has demonstrated an IG profile on a quantitative basis. The key moving part for HONGQI's potential IG status is its expansion and capex plan. HONGQI guided FY26 capex at RMB15bn on renewable projects (RMB5-6bn), Yunnan relocation (RMB2bn), downstream aluminum processing (RMB2bn), and routine maintenance and upgrade (RMB5bn), subject to adjustment based on market conditions. As per HONGQI, the Yunnan relocation project remains on track, and is continuously reviewing production costs and electricity stability in Shandong and Yunnan to calibrate the pace of relocation. Currently, HONGQI does not have overseas expansion plan. We are neutral on HONGQI's

and consider the current valuations of HONGQIs have priced in a good chance HONGQI will be upgraded to IG.

➤ **BSFR: 1Q26 earnings on track despite NIM compression; watch for geopolitical risks**

Table 1: Our Middle East AT1 and T2 picks

Security name	Amt o/s (USDmn)	Basel III	Ask px	YTC	Mod dur	First call	First coupon reset	Issue rating (M/S/F)	Issuer rating (M/S/F)
BSFR 5.761 09/03/35	1000	T2	98.9	6.1%	3.8	09/03/2030	09/03/2030	-/BBB	A1/A-/A-
BSFR 6.375 Perp	650	AT1	99.9	6.4%	3.8	11/07/2030	05/07/2031	Unrated	A1/A-/A-
EBIUH 4.25 Perp	750	AT1	98.9	5.6%	0.8	02/27/2027	05/27/2027	Unrated	A1-/A+
FABUH 6.32 04/04/34	1,000	T2	103.1	4.9%	2.2	10/04/2028	04/04/2029	-/A	Aa3/AA-/AA-
FABUH 5.804 01/16/35	750	T2	102.4	5.0%	2.9	07/16/2029	01/16/2030	-/A	Aa3/AA-/AA-

Source: Bloomberg.

We maintain buy on BSFR 6.375 Perp and BSFR 5.761 09/03/35. We view they offer more appealing risk-return profiles compared with those of its peers. These are the first USD AT1 and T2 issued by Banque Saudi Fransi (BSF). We consider the likelihood of its AT1 and T2 to be called on first call date is high given BSF's large capital buffer. We take some comfort on BSF's call record in Nov'25 when it redeemed BSFR Float Perp (local currency AT1) of SAR5bn on the first call date, which was the first AT1 issued by BSF back in 2020. The redemption was partly funded by issuance of BSFR 6.4 Perp of SAR2.5bn.

BSF's 1Q26 operating income rose by 3% yoy to SAR2.7bn, driven by a 5% yoy increase in net interest income to SAR2.2bn from 7% growth in average interest earning assets, partly offset by 7bps yoy compression in NIM to 3.02%. The lower NIM, in line with BSF's target of c3%, largely reflected the cumulative 75bps of Saudi Central Bank (SAMA) rate cuts in 2025 (three 25bps cut in Sep, Oct and Dec'25). Non-interest income declined 5% yoy to SAR491mn on lower fees and exchange income. The cost-to-income ratio increased to 34.1% in 1Q26, from 32.8% in 1Q25, above BSF's internal target of 33%, driven by higher employee costs and depreciation as several major transformation projects went live during the quarter. Management guided for a gradual improvement in efficiency as operating leverage builds through the rest of FY26. 1Q26 net income rose 3% yoy to SAR1.4bn. ROAE down to 12.0% from 12.3% in 1Q25, still within its target range of 12-13%, while ROAA declined to 1.74% from 1.79%.

In relation to the war in Iran since late Feb'26, BSF did not see any material impact on customer activities during 1Q26. Loan grew 6% yoy and 3% qoq to SAR221.9bn in 1Q26, with management maintained its high-single-digit loan growth target for FY26. Owing to a generally resilient economic backdrop amid elevated oil prices, impairment charges fell 12% yoy to SAR246mn, with commercial impairments declined and partly offset by an increase in consumer impairments.

As of Mar'26, BSF's asset quality deteriorated modestly. NPL ratio increased to 1.01% as of Mar'26 from 0.97% as of Dec'25, due to higher NPLs across both commercial and consumer portfolios, while NPL coverage ratio was down to 175.8% from 178.4%. That said, we take comfort on BSF's robust capital buffet despite the modest drop qoq. The CET1 ratio down to 15.9% as of Mar'26 from 16.2% as of Dec'25, while the Tier 1 ratio down to 18.8% from 19.2%. These were comfortably above the SAMA's regulatory minimum requirements of 7.5% and 9.0%, respectively, and BSF's guidance at >15% for CET1 ratio. While SAMA is set to raise the countercyclical capital buffer (CCyB) to 1.0% from May'26 in view of the fast credit expansion and tightening liquidity, effectively increasing the CET1 ratio and Tier 1 ratio requirement to 8.5% and 10.0%, respectively. We view that BSF has adequate headroom to absorb the incremental requirement.

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

Issuer/Guarantor	Size (USD mn)	Tenor	Coupon	Priced	Issue Rating (M/S/F)
Kookmin Bank	300/400	3yr/5yr	SOFR+48/4.25%	SOFR+48/T+33	Aa3/A+/-
Korea Expressway Corporation	600	5yr	4.25%	T+37	Aa2/AA/-
Shui On Land (Tap)	150	3yr	9.75%	100.562	Unrated

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

Issuer/Guarantor	Currency	Size (USD mn)	Tenor	Pricing	Issue Rating (M/S/F)
China Water Affairs (Tap)	USD	-	4yr	7.3%	Ba1/BB+/-
SK On	USD	-	3yr	T+95	Aa3/-/-

➤ **News and market color**

- Regarding onshore primary issuances, there were 168 credit bonds issued yesterday with an amount of RMB161bn. As for month-to-date, 2,147 credit bonds were issued with a total amount of RMB2,159bn raised, representing a 7.2% yoy increase
- Moody's revised China's outlook to stable from negative, affirms A1 ratings
- Media reported China has slowed approvals for overseas borrowing, forcing some companies to seek short term funding as cUSD100bn of offshore bonds mature this year
- Indonesia is aiming to boost GDP growth to 6% next year and 8% annually in 2028 by relying on domestic sectors
- **[ACPM]** Ayala Corp's property subsidiary, Ayala Land, expects to generate more than PHP124bn (cUSD2bn) from premium unit sales in 2026
- **[BABA]** Alibaba got Hong Kong exchange nod to spin off logistics assets and list them on the Shenzhen Stock Exchange
- **[BOCAVI]** BOC Aviation proposes to issue 3-year dim sum bond IPT at 2.4%
- **[CKHH]** China Merchants Group joins talks for CK Hutchison's ports sale
- **[HONGQI]** China Hongqiao to raise RMB10.2bn by selling one-year convertibles, the conversion price at HKD43.9 each represented 25.3% premium over the closing price before the transaction
- **[LENOVO]** Lenovo bought Phoenix Technologies for an undisclosed amount, bringing firmware development and additional core software expertise in-house
- **[LNGFOR]** Fitch revised the outlook of Longfor to stable from negative, BB- rating affirmed

- **[NSANY]** Nissan Motor revised its FY26 financial forecast to project an operating profit of JPY50bn (cUSD313.7mn), versus an operating loss of JPY60bn (cUSD376.4mn) earlier, driven by a significant one-time positive impact related to the revocation of the US emissions regulations, with additional contributions from improved cost performance and favorable foreign exchange effects
- **[VEDLN]** Hindustan Zinc aims to boost its annual metal output to 2mn tons in three to four years
- **[VNKRL]** Fitch downgraded China Vanke to RD on completion of a distressed debt exchange, upgraded to CC to reflect post-restructuring profile

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