

CMBI Credit Commentary**Fixed Income Daily Market Update 固定收益部市场日报**

- *Light flows this morning. In Asia IG space, long-end bonds were overall under better selling. Chinese TMT and TW lifers T2 were also weak. KUAISH/TME widened 2-3bps. We saw buying interests in front-end names. CNH ZHHFGR was unchanged to 0.3pt lower.*
- **MEDCIJ:** *Strong 1H26 results and smooth funding access support potential early redemption of USD bonds. Maintain buy on MEDCIJ '29 and MEDCIJ '30. MEDCIJ '30s were 0.2pt lower this morning. See below.*
- **UBS:** *Media reported UBS is considering merging with a foreign bank to avoid planned Swiss regulations, while several foreign banks are looking into a possible merger or combination with UBS. UBSs were unchanged this morning.*

❖ Trading desk comments 交易台市场观点

Last Friday, Asia IG space was quiet and flows were light amid onshore holiday. Recent new issues BOCOM '29/'31FRN widened 1-2bps, HWQCUS '29 tightened 1bps. Chinese TMT BABA/MEITUA/TME were unchanged to 1bp wider. TW lifers T2 widened 1bp. Active bank T2 BBLTB '34s/BNKEA '34/NANYAN '34 were unchanged to 1bp wider. KR industrial HYUELE/KOBCOP were unchanged to 3bps wider. KR securities DAESEC/NHSECS/HYUSEC were broadly unchanged.

In higher-yielding space, EU AT1 were unchanged to 0.2pt lower and we saw buying flows from PB. SOFTBK curve rose 0.1-0.5pt. Chinese developers CHJMAO/GRNCH/LNGFOR rebounded 0.1-0.3pt. Chinese industrial FOSUNI/HONGQI/WESCHI moved -0.5pt to +0.2pt. Flows in LGFV space were light. Active names CDSNFE/CHDOHU/HKIQCL were unchanged to 0.2pt lower. In CNH space, the new DJYCAA '29 rose 0.1pt and the recent new issue HTHT '31 was unchanged to 0.1pt lower. CNH TMT BABA/MEITUA/TENCNT lowered 0.1-0.3pt.

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❖ Last Trading Day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
PMBROV 11 1/2 02/18/30	94.6	1.7	VLLPM 9 3/8 07/29/29	64.2	-1.5
CWAHK 5 7/8 10/22/30	91.4	0.9	VLLPM 7 1/4 07/20/27	81.0	-1.3
GARUDA 6 1/2 12/28/31	84.8	0.8	LASUDE 5 07/28/29	76.1	-1.3
CNPCCH 5.95 04/28/41	102.8	0.6	EHICAR 10 10/14/29	39.6	-1.1
SOFTBK 8 1/4 10/29/65	92.8	0.5	ARAMCO 5 3/4 07/17/54	86.0	-0.9

❖ Marco News Recap 宏观新闻回顾

Macro – S&P (+0.51%), Dow (+0.93%) and Nasdaq (+0.48%) were higher on last Friday. US Aug'26 Durable Goods Orders were unchanged mom, compared to the market expectation of -0.3% mom. 2/5/10 year UST yield retreated last Friday while the 30 year UST yield was higher. 2/5/10/30 year UST yield was at 4.81%/4.98%/5.17%/5.49%.

❖ Desk Analyst Comments 分析员市场观点

- **MEDCIJ: Strong 1H26 results and smooth funding access support potential early redemption of USD bonds**

Table 1: Medco o/s USD bonds

Security Name	ISIN	Amt o/s (USD mn)	Ask Px	YTW	First/ next call date	Call px	Issue rating (M/S/F)	Payment rank
MEDCIJ 6.95 11/12/28	USY59500AA95	261.01	100.2	5.3%	11/12/2026	100.0	Ba3/BB-/BB-	Sr unsecured
MEDCIJ 8.96 04/27/29	USY5951MAA00	482	102.4	6.9%	10/27/2026	102.24	Ba3/BB-/BB-	Sr unsecured
MEDCIJ 8.625 05/19/30	USY56616AA68	600	103.3	7.2%	05/19/2027	104.313	Ba3/BB-/BB-	1 st lien

Source: Bloomberg.

Medco Energi (Medco) may consider an early redemption of its MEDCIJ '28s and MEDCIJ '29s, as per media report. MEDCIJ '28s have USD261mn outstanding and are callable at par from 12 Nov'26, while MEDCIJ '29s have USD482mn outstanding and are callable at 102.24 from 27 Oct'26. Both may be redeemable in whole or in part. The potential liability management would be consistent with Medco's active approach to debt maturities, as supported by its good access to funding markets. Recalled that Medco repurchased cUSD10mn of MEDCIJ '28s in recent months, tapped USD200mn of its MEDCIJ '30s in May'26 and early redeemed its MEDCIJ '27s in full in Mar'26.

We expect Medco to remain proactive in managing its USD bond maturity profile. A potential redemption would be supportive for MEDCIJ '29s given the 102.24 call price. We maintain buy on MEDCIJ '29s and MEDCIJ '30s. At 102.4 and 103.3, the bonds are trading at YTW of 6.9% and 7.2, respectively. We view both as lower-beta carry plays, supported by Medco's resilient operating performance and sufficient liquidity profile.

Medco reported solid 1H26 results. Revenue increased 23.4% yoy to USD1,415mn, driven by higher O&G production and realized prices. O&G production averaged 170 mboepd, up 19% yoy and at the upper end of Medco's FY26 guidance of 165-170 mboepd, supported by additional Corridor PSC interest and new projects. Average realized oil price increased to USD86.7/bbl in 1H26 from USD69.4/bbl in 1H25 amid the US-Israel war against Iran and closure of the Strait of Hormuz. As per Medco, its operations at Oman are unaffected. Power

sales rose 16.5% yoy to 2,323 GWh, renewable energy accounted for 26% of total power sales. Cash cost was USD8.4/boe, below Medco's guidance of below USD10/boe. Medco maintained its FY26 guidance for O&G production and cash cost, as well as power sales of 4,550 GWh.

EBITDA rose 29.3% to USD805mn in 1H26, while EBITDA margin expanded to 56.9% from 54.3% in 1H25, supported by stronger O&G performance and improved contribution from Amman following the smelter ramp-up to full capacity. Operating cash inflow increased 46.6% to USD515mn. O&G capex guidance was raised to USD450-475mn from USD415mn, while power capex guidance increased to USD50mn from USD15mn. Medco spent USD188mn in capex in 1H26, representing 36-38% of its FY26 revised guidance. The higher capex reflects Medco's continued investment in production growth and development projects, and should moderate the free cash flow generation in 2H26.

Medco is also evaluating potential acquisition opportunities in Southeast Asia and in Oman, as per media report. While higher capex and potential M&A could reduce available liquidity and slow deleveraging, the impact should be partly offset by Medco's stronger operating cash flow generation, in our view. We expect Medco to remain selective in acquisitions.

Liquidity profile is adequate. As of Jun'26, Medco's cash increased to USD1,402mn from USD629mn as of Dec'25. Net debt decreased to USD3.1bn from USD3.3bn, and net debt/LTM EBITDA improved to 2.1x from 2.6x, fueled by higher EBITDA and cash balances. Net debt/EBITDA of the RG 1 was 1.4x, below the guidance of 2.5x based on a mid-cycle oil price of USD65/bbl. Overall, we view the 1H26 results as supportive of Medco's credit profile.

Table 2: Medco's 1H26 financial highlights

USDmn	1H25	1H26	Change
Revenue	1,147	1,415	23.4%
Gross profit	452	588	30.2%
EBITDA	623	805	29.3%
EBITDA margin	54.3%	56.9%	2.6 pts
Profit before tax	190	477	151.5%
Operating cash flow	351	515	46.6%
Capex	193	188	-2.7%
	Dec'25	Jun'26	Change
Cash and cash equivalents	629	1,402	122.9%
Total debt	3,899	4,343	11.4%
Net debt	3,330	3,016	-9.4%
Total debt/LTM EBITDA	3.1x	3.0x	-
Net debt/LTM EBITDA	2.6x	2.1x	-
EBITDA/gross interest	3.9x	4.9x	-

Source: Company filing, 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)
Korea Housing Finance Corp	USD	-	5yr	T+60	Aa2/AA/-
The Government of the Hong Kong SAR	USD	-	3yr	T+3	Aa3/AA+/AA-

➤ **News and market color**

- Regarding onshore primary issuances, there were 2 credit bonds issued last Friday with an amount of RMB1bn. As for month-to-date, 1,871 credit bonds were issued with a total amount of RMB1,867bn raised, representing a 1% yoy decrease
- [MYLIFE]** Fitch revised outlook on Meiji Yasuda Life to positive from stable, reflected its steadily improving capitalization, strengthened company profile driven by successful global expansion, and increasingly sophisticated asset-liability management under Japan's new J-ICS regulatory regime; IFS affirmed at A+
- [MONMIN]** Moody's revised the outlook of Mongolian Mining Corp to positive from stable, reflected its improving scale and business diversification following the ongoing ramp-up of the Bayan Khundii gold mine, which provides meaningful incremental profit contribution in addition to its steady coking coal production; B2 ratings affirmed
- [NWDEVL]** New World Department Store China expected to turn to loss for FY26
- [PRUFIN]** Fitch Upgrades Prudential plc's to AA- and core subsidiaries' IFS to AA, reflected the group's robust financial performance, driven by 'Very Strong' earning metrics supported by continued high-quality growth, along with solid capitalization and a 'Most Favorable' company profile; outlook stable

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