

CMBI Credit Commentary

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

- *The recent new KUB 28 tightened 1bp this morning. BABA/XIAOMI 30-35s tightened 1-2bps. CCAMCL/CFAMCI 26-30s were under better selling and widened 1-2bps. NIPLIF 54-55s were up 0.1-0.3pt.*
- **TENCNT:** *Further improvement in profit margins in 1Q25. See below.*
- **NWDEVL:** *Media reported NWD receives commitments from around 10 lenders for HKD87.5bn (cUSD11.2bn) loan refinancing. NWDEVL 4.8 Perp down 0.2pt this morning.*

❖ Trading desk comments 交易台市场观点

Yesterday, UST 10yr, 20yr, 30yr yields tightened 3-5bps. The recent new issue KUB 28s tightened 2bps. KOLAHO 27s tightened 1bp. CDBALF 30s were 1-2bps tighter. In Chinese and HK IGs, BABA/TENCNT/MEITUA/XIAOMI 27-35s were 1-3bps tighter. WB 30s tightened 2bps. See our comments on 22 May'25. HKAA/MTRC 30-55s were 2-3bps tighter on PBs/AMs/Banks buying. The long end of TENCNT/CNOOC/YANTZE 39-61s were 0.7-1.0pt higher (unchanged to 5bps tighter). In financials, BOCOHK/DAHSIN/UOBSP/OCBCSP 26-33s closed unchanged to 3bps wider. In insurance hybrids, SUMILF 5.875/FUKOKU 6.8 Perps were 0.3-0.4pt lower. In AT1s, INTNED 7.25/HSBC 6/SOCGEN 7.875 Perps were down 0.2-0.3pt. In TH, BBLTB 34-40s tightened 1-4bps. TOPTB 30-50s tightened 2-8bps. In HK, NWDEVL Perps/27-31s were unchanged to 0.5pt lower. Media reported NWD has secured commitments from about 10 banks for its HKD87.5bn (cUSD11.2bn) loan refinancing. In Chinese properties, VNKRL 27-29s were down 0.2-0.3pt. In SE Asia, VEDLN 28-33s declined 0.3-1.6pts. UPLLIN 28-30s were down 0.2-0.5pt despite S&P revised its outlook to stable from negative. GLPSP Perps declined 0.4-1.1pts.

In LGFVs, there were two way interests on the recent new USD names such as NCCIVG 6.5 28s/ANQYIX 7.6 28s and CNH papers such as CHDOHU 7.4 26s/SHAHEI 6.95 27s. In SOE perps, CHSCOI Perp was up 0.1pt, HUANEN Perp down 0.1pt.

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❖ Last Trading Day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
YANTZE 3.2 10/16/49	71.1	1.2	VEDLN 9.85 04/24/33	92.3	-1.6
XIAOMI 4.1 07/14/51	74.5	1.0	VEDLN 11 1/4 12/03/31	98.8	-1.4
TENCNT 4.525 04/11/49	81.7	1.0	VEDLN 10 7/8 09/17/29	97.5	-1.1
TENCNT 3.94 04/22/61	69.9	0.9	GLPSP 4.6 PERP	55.7	-1.1
TENCNT 3.29 06/03/60	61.1	0.9	VEDLN 9.475 07/24/30	93.7	-1.0

❖ Marco News Recap 宏观新闻回顾

Macro – S&P (-0.39%), Dow (-0.27%) and Nasdaq (-0.38%) were lower on Tuesday. Long-term UST yield was higher Tuesday, 2/5/10/30 yield at 3.97%/4.07%/4.48%/4.96%.

❖ Desk Analyst Comments 分析员市场观点

➤ TENCNT: Further improvement in profit margins in 1Q25

In 1Q25, Tencent revenue grew by 13% yoy to RMB180bn across its major business segments. The adjusted EBITDA up 18% yoy and adjusted EBITDA margin improved to 45.3%. See Table 1. Tencent has been steeping up investments in AI, AI capabilities are contributing to its performance advertising and evergreen games. Tencent is also increasing investment in new AI initiatives such as Yuanbao application and rolling out AI in Weixin during 1Q25. The 1Q25 capex increased 91% yoy to RMB27bn. As a result, the 1Q25 free cash flow dropped by 15% yoy to RMB49bn under higher capex, and partly offset by higher operating cash inflows during the quarter. We expect Tencent to continue to fund its capex via its operating cash inflows without much adverse impact to its credit profile. Moreover, we believe Tencent to maintain a solid credit profile in line with its credit ratings of A1/A+, with low total debt/adjusted EBITDA ratio of 1.4x at Mar'25, improving profit margins and strong operating cash inflows.

Amongst A-rated Chinese TMT, we prefer TENCNT 3.595 01/19/28 and TENCNT 3.975 04/11/29 for shorter tenor given our preference for shorter-tenor plays in view of current UST level and volatility, as well as their lower cash prices among the shorter tenor TENCNT bonds. In Chinese TMT space, we also have buy recommendations on MEITUA 3.05 10/28/30 and MEITUA 0 04/27/28 (CB), XIAOMI 3.375 04/29/30 and XIAOMI 2.875 07/14/31 and WB 3.375 07/08/30, we believe they are proxy plays on domestic consumption as well as less sensitive to incremental sanction measures from the US.

Table 1: Tencent's key financials

RMB mn	1Q24	1Q25	Change
Revenue	159,501	180,022	13%
- Value added services (VAS)	78,629	92,133	17%
- Marketing services	26,506	31,853	20%
- Fintech and business services	52,302	54,907	5%
- Others	2,064	1,129	-45%
Gross profit	83,870	100,493	20%
Adjusted EBITDA	69,259	81,559	18%
Net profit	42,651	49,725	17%
Operating cash flow	72,350	76,889	6%
Capex	14,359	27,476	91.4%

Free cash flow	57,991	49,413	-14.8%
Gross profit margin	52.6%	55.8%	3.2 pct pt
Adjusted EBITDA margin	43.4%	45.3%	1.9 pct pt
Net profit margin	26.7%	27.6%	0.9 pct pt

	Dec'24	Mar'25	Change
Cash and cash equivalent	132,519	205,253	54.9%
Short term deposit and investment	205,890	168,205	-18.3%
Cash and short term investment	338,409	373,458	10.4%
ST debts	67,108	58,919	-12.2%
LT debts	291,004	345,724	18.8%
Total debts	358,112	404,643	13.0%
Net debts	19,703	31,185	
Cash/ST debts	1.3x	1.4x	

Source: Company filling, CMBI FICC Research.

➤ Offshore Asia New Issues (Priced)

Issuer/Guarantor	Size (USD mn)	Tenor	Coupon	Priced	Issue Rating (M/S/F)
Jinjiang Road and Bridge Construction & Development	140	364d	6.25%	6.25%	Unrated

➤ Offshore Asia New Issues (Pipeline)

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

➤ News and market color

- Regarding onshore primary issuances, there were 105 credit bonds issued yesterday with an amount of RMB183bn. As for month-to-date, 846 credit bonds were issued with a total amount of RMB1,111bn raised, representing a 38.2% yoy increase
- [ADSEZ]** Adani Ports receives USD150mn loan for capex from DBS Group
- [AZUPOE]** Azure Power scouting for JV partner for up to USD666mn of renewable assets in India
- [CFAMCI]** China Citic Financial AMC buys HKD1bn (cUSD130mn) hold of HKD5.4bn loan backed by Gaw consortium's HK building
- [COGARD]** Country Garden extends early deadline to back offshore debt revamp to 6 Jun'25; secured nearly 75% of bondholders support the RSA
- [GARUDA]** Garuda Indonesia still in talks with Danantara for planned capital injection

- **[HYUELE]** SK Hynix develops AI chip to boost position in smartphone market
- **[LENOVO]** Lenovo FY25 revenue rises 21% yoy to USD69.1bn
- **[QBEAU]** S&P upgraded QBE Insurance to A from A- on strengthened earnings resilience due to improved underwriting and pricing discipline
- **[SOFTBK]** SoftBank partners with tech leaders to build massive UAE AI hub

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